

**THE INFLUENCE OF MICROFINANCE INSTITUTIONS PROGRAMS ON  
WOMEN-OWNED SMALL AND MEDIUM ENTERPRISES (SMEs)  
DEVELOPMENT IN MASHONALAND WEST PROVINCE OF ZIMBABWE**

By

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## APPROVAL FORM

The undersigned certify that they have read and recommend to the Graduate Business School, Chinhoyi University of Technology, for acceptance a dissertation titled, “**The influence of Microfinance programs (products) on Women-Owned SME development in Mashonaland West province of Zimbabwe**”, submitted by Comfort Zvirikuzhe in fulfilment of the requirements for the Doctor of Philosophy Degree in Entrepreneurship.

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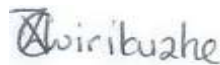
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## **DEDICATION**

To my husband, best friend and cheerleader, Tasara Majoni

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## ABSTRACT

This present study assessed the influence of microfinance institution programs (products) on women owned Small and Medium Enterprises (SMEs) Development in Mashonaland West Province of Zimbabwe. The research objectives were to establish the types of microfinance financial products that were availed to women owned SMEs, determine the types of microfinance non-financial products that are availed to women owned SMEs, to determine the effects of microfinance products on women owned SMEs development, to establish the moderating effects of government policies on the relationship between microfinance products and women owned SMEs development, to ascertain the types of businesses being pursued by women, to investigate the barriers faced by women owned SMEs when accessing microfinance products. The entrepreneurial process model, Entrepreneurship theory, Resource-Based Theory, the Perking Order Theory, Financial Systems Model and the Women Empowerment Theory informed the study. A pragmatism research philosophy, a mixed research approach, cross sectional survey research design, a self-administered questionnaire and an interview guide were used in this study. The target population of the study were women owned SMEs in Mashonaland west province who accessed microfinance products. The Raosoft sample calculator was used and the population was assumed to be 20 000 as per the recommendations from Raosoft. Three hundred and seventy-seven women owned SMEs in Mashonaland west province constituted the sample size. Data was collected using questionnaires and interview guide and presented in tables and figures. Statistical Package for Social Science version 21 (SPSS), AMOS and NVIVO were used for data analysis. Descriptive statistics such as frequencies, percentages, mean and standard deviation were used for data analysis. To test the research hypothesis, the researcher used structural equation modelling in AMOS. Cronbach's alpha ( $\alpha$ ) was used to determine the reliability of the questionnaire and Bartlett test of sphericity and exploratory factors analysis were used to refine the questionnaire. Study findings were that microfinance institutions availed microfinance financial products such as micro loans, micro savings, micro leasing, and hire purchase and consumption loans only. The study results revealed that microfinance institutions were not offering other microfinance financial products such as micro insurance, micro leasing, mortgage, overdrafts and money transfers. In addition, the study revealed that microfinance institutions were only offering networking as a microfinance non-financial product. Microfinance non-financial products such as technical skills, managerial skills, mentoring, business training, marketing assistance, customer care,

account manager support services, business record keeping, entrepreneurial skills and personal development skills were not availed to women owned SMEs. The study revealed that microfinance products have a positive effect of women owned SMEs development. The study findings revealed that government policies moderate the relationship between microfinance financial products and women owned SMEs development. Further, the study revealed that government policies moderate the relationship between microfinance non-financial products and women owned SMEs development. The study found that women are engaged into various businesses in Mashonaland west province. However, the mainly pursued businesses are agriculture, manufacturing, retailing and wholesaling. Lastly, the study found that women owned SMEs in Mashonaland west province are faced with demand barriers, supply side barriers and regulatory barriers when trying to access microfinance products. Conclusively, microfinance products have a positive influence on women owned SMEs development. The relationship between microfinance financial products and women owned SMEs development is moderated by government policies. Equally, the relationship between microfinance non-financial products and women owned SMEs development is moderated by government policies. The study concluded that microfinance institutions offer limited financial products and offer only one non-financial product. Further, the study concludes that microfinance programs positively influences women owned SMEs development, government policies positively moderates the relationship between microfinance programs and women owned SMEs development. The study concluded that women venture into multiple businesses but mainly agriculture, manufacturing, retailing and wholesaling. In addition, the study concludes that demand, supply and regulatory barriers are the barriers faced by women SMEs when they try to access microfinance products.

**Keywords:** Microfinance, Microfinance institutions, SMEs, Microfinance programs, and Women SMEs development.

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## LIST OF ACRONYMS

AFC	Agricultural Finance Cooperation
AfDB	African Development Bank
AGRIBANK	Agricultural Bank
BDS	Business Development Services
DFID	Department of International Development
DTI	Department of Trade Industry
EC	European Commission
ESAP	Economic Structural Adjustment Program
FI	Financial Inclusion
GDP	Gross Domestic Product
GoZ	Government of Zimbabwe
HIV	Human Immunodeficiency Virus /
AIDS	Acquired Immuno Deficiency Syndrome
ICT	Information and Communications Technology
IDA	Individual Development Account
IFC	International Finance Corporation
ILO	International Labour Organisation
KAF	Konrad Adenaur Foundation
KYC	Know Your Customer
MFI	Micro Finance Institutions
MFP	Microfinance Financial Products



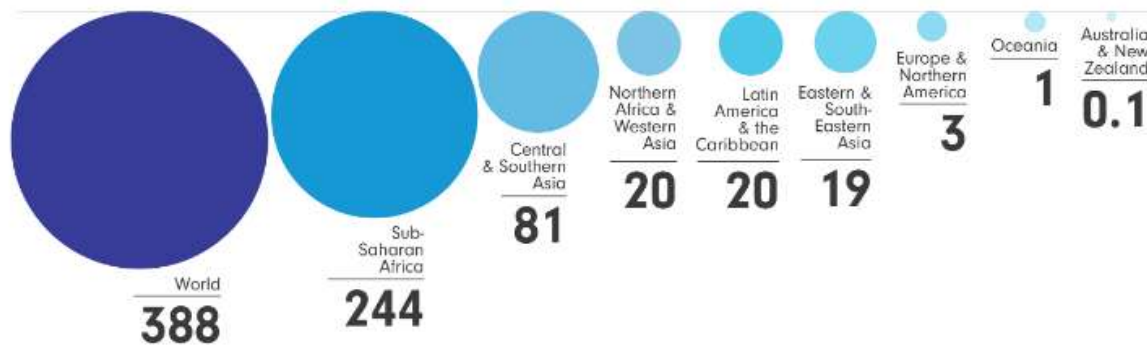
NACSCUZ Zimbabwe.	National Association of Cooperative Savings and Credit Unions of
NGOs	Non-Governmental Organisations
OECD	Organization for Economic Co-operation and Development
RBI	Reserve Bank of India
RBZ	Reserve Bank of Zimbabwe
UN	United Nations

# CHAPTER 1

## INTRODUCTION

### 1.1 Background of the study

Generally, females are poorer and more disadvantaged as equated to their counterparts (Addney, 2016). Manjoor & Manders (2009) perceive that females constitute around 70% of the world's poorest people because of gender inequality. Of the 70% poor women, 87, 7% live in two regions (UN, 2022). Sub-Saharan Africa has 62.8% poor women and Southern Asia has 20.9% poor women. Figure 1.1 below shows the number of poor women across the world-



**Figure 1.1: Number of extremely poor women by region in 2022 in millions.**

*Source: UN Women, UNDP and Pardee Center for International Futures (2022)*

Figure 1.1 above indicates 388 million women are extremely across poor the globe. Of the 388 million extremely poor women across the globe, 244 million are in Sub-Saharan Africa. Women's poverty across the globe is caused by unequal access to economic possibilities between men and women (UNIFEM, 2012). Three fifths of the world's destitute are women and girls (UNIDO, 2016). The poverty rate among women is higher than that of males (ILO, 2018). This is attributed to gender differences in decision-making, employment prospects and the level of education (Lesetedi, 2018). Women account for a sizable majority of the poor since poverty was first acknowledged and have consistently been the less fortunate sex throughout the 20th century (Magaji, 2004). Women's poverty has also been caused by women's discrimination by the society (USAID, 2020). Women's poverty is seen as a feminist issue with roots in social norms and legal frameworks that prevent women from entering or accessing the public sphere as well as the myth that women are inherently less intelligent and physically

incapable than males (Tong, 2013). In order to end poverty amongst women, the human capital theory believes companies should invest more in women's education and training, because doing so, will increase their chances of moving up the corporate ladder (Dreher, 2003).

Women are reported to generate 50% of the world's food, perform 66% of the labour, earn 10% of the money and own 1% of the property, despite the fact that they are mostly poor (World Bank, 2019). This claim demonstrates the widespread gender inequality that contribute to women's poverty. This also supports the feminist theory which argues that poverty is feminised (Tong, 2013). The deprivation argument, which developed from feminist theories, claims that cultural attitudes prevent women from obtaining education, professional experience, networking opportunities and financial resources (Cron, Bruton & Slocum, 2006; Appelbaum, Audet & Miller, 2003). Women who run their own businesses suffer from lack of these opportunities. Due to poverty, majority of women lack capital to launch, build, and expand their enterprises (World Bank, 2021).

Majority of women find it difficult to access capital from formally registered banks due to lack of collateral, sound business plans, business history and improper books of accounts (Boateng & Poku, 2019). Women end up accessing financial products from microfinance institutions to start, develop and grow their ventures (Khan & Anuar, 2018). Microfinance institutions are lending or lending and deposit taking institutions that gives financial services to the vulnerable, typically those women who are financially excluded (Reserve Bank of Zimbabwe Banking and Supervision Report, 2020 (RBZ)). Microfinance institutions (MFIs) play the most important role in the endowment of credit to women owned SMEs who are financially excluded by other banks (Agarwal et al, 2021). They provide critical resources required by women owned business to develop and grow (Sommer, 2021). Njanike (2019) argues that women owned business do not only require financial resources to develop and grow, they also need none financial products such as business advice, training and book keeping services. It is perceived that once women have access to financial products and non-financial products, their businesses develop and grow in terms of number of employees, asset base, level of stocks and services of the business (Gherghina, Botezatu, Hossu and Simionescu, 2020; Ndiaye, Razak, Nagayev, Ng, 2018; Perez-Gomez, Arbelo-Perez & Arbelo, 2018). Women owned businesses also access financial products to sustain and avoid the collapsing of their businesses (Munyao, 2012). In addition, the provision of microcredit by MFIs does not only improve women owned businesses alone but also encourages innovation, macroeconomic resilience and Gross Domestic Product (GDP) (Dahlberg Report, 2011). The availability of resources such as credit

to the organization is what determines how quickly a company grows. This is also supported by the Resource Based View (RBV) which claims that the resources of a firm give it its competitive advantage (Barney, 2001)

Microfinance institutions offer women the opportunity to improve their status by investing money in self-employment projects (Hulme & Mosley, 2016). Microfinance products have empowered majority of women economically across the globe (Thanh, 2021; Adeola & Evans, 2017). The development literature is clear on the advantages of women's economic empowerment (Slegh, Barker, Kimonyo, Ndolimana & Bannerman, 2013). Investing in women is a direct route to achieve gender equality, the eradication of poverty and inclusive economic growth (United Nations Women, 2015). Equally, development of women's SMEs is an essential tool for economic growth and development of any country (UNIDO, 2010) and it is a requirement for sustainable development and growth that benefits the poor (OECD, 2012). In agreement, Ghani, Kerr, and O'Connell (2013) see the growing contribution of women as a key factor in the recent expansion of the global economy. In connection with this, the managing director of the International Monetary Fund believes that, economies perform better when women succeed (Lagarde, 2013). It is believed that the expansion of women-owned SMEs is an essential strategy towards advancing women's rights, economic development, the decrease of poverty and improvements in health, education, and welfare (Golla, Malhotra, Nanda, and Mehra, 2010). Therefore, a number of researchers such as Mayoux (2000) Tucker and Boonabaana (2012) agree that the development of women-owned SMEs is essential towards the reduction of poverty particularly in developing countries where the majority of the population is assumed to be poor and faces political and economic challenges (Karlberg, 2018).

In-order to encourage women SMEs development and their direct involvement into economic activities of their economies, governments and actors in SMEs development are focusing on developing policies for women owned SMEs development. In light of that, microfinance programs have been recognised as one of the development tools used in developing women SMEs across the globe (Imran, Haq & ozcatalbas, 2022; Arinze, Hussain & Gohary, 2018). Globally, the original microfinance models such as Grameen Bank in India believed that provision of financial capital was the means to help women develop their own businesses. In addition, they believed that the poor were un-entrepreneurial due to lack of financial capital (McKenzie & Woodruff, 2014; O'Dell, 2010). Equally, microfinance is viewed as a tool for poverty alleviation and source of finance for SMEs (RBZ, 2026). They are also viewed as tools for financial inclusion in Zimbabwe (RBZ, 2020).

It is also argued that access to financial capital alone cannot ensure successful entrepreneurship development and women empowerment (McKenzie & Woodruff, 2014; O'Dell, 2010). The RBV and the Human Capital Theory believes that women SMEs can develop their competitive advantage through the provision of financial capital and human capital (Luthans & Youssef, 2007). Thus, many microfinance institutions across the globe now use integrated 'credit plus' programmes that provide various types of non-financial support to clients in addition to financial capital.

Credit with education programmes have grown considerably worldwide. MFIs provide financial and non-financial products such as training on book keeping, customer care and many more depending on the client (Taiwo, 2018; Lensink, Mersland Vu and Zamore, 2017). This has stimulated an ongoing discussion on whether giving finance alone or giving finance accompanied by training contributes to women owned SMEs development which support economic development (Bruton, Ahlstrom & Si, 2015). There are also arguments that providing financial resources to women does not necessarily lead to women SMEs development (Hase, 2006). Additionally, providing women with money does not guarantee that they will have control over how its use and the pressure to repay loans may add to the already considerable amount of responsibility placed on women. Therefore, this further makes the researcher to raise the following questions, what types of products are being offered by microfinance institutions in Zimbabwe? And what effects do they have on women owned SMEs development?

Financial resources, education, training, and possession of knowledge appear in all areas as key factors affecting women SMEs development (Lensink et al, 2017). Literature on the relationship between microfinance financial products, non-financial products and women owned SMEs development is scant compared to studies on the impact of microfinance financial products on women owned SMEs development. The few studies indicate that there is little reliable evidence on the influence of microfinance financial products and non-financial products on women owned SMEs development. Several studies indicate that there is marginal positive impact of MFI training on mindset, business knowledge, assets, practices and revenues, enterprise growth, and the amount of credit requested by beneficiaries (Kachero, & Galiwango, 2015; Marangu, & N'gondou, 2014; Swain & Varghese, 2012). Existing studies undertaken, reveal uncertainty about the systematic transformative power of microfinance products worldwide (Chang, & Bruton, 2017; Duflo, et al., 2015; Hickel Jason, 2015; Prediger & Gut, 2014).

In the context of Zimbabwe, MFIs are exhibiting market failure after more than 20 years of operation. In Zimbabwe for example, microfinance institutions disbursed \$15 million in 2017,

\$80.01 million in 2018, \$222.54 million in 2019, \$673.78 million in 2020 and \$ 2629.30 billion in 2021 to women owned SMEs. Despite receiving loans from microfinance institutions, majority of women in Zimbabwe are still poor, their businesses are not developing. This raises the question such as, are microfinance products influencing the development of women owned SMEs or not, what are the effects of microfinance products on women owned SMEs development? What types of microfinance products are being availed to women owned SMEs, what is the role of the government on the relationship between microfinance products and women owned SMEs development, what are the barriers faced by women when trying to access microfinance products? This knowledge is not known and needs to be known.

### **1.2 Statement of the research problem**

Globally, majority of women are receiving microfinance products for their businesses. This is equally the same scenario in Zimbabwe and Mashonaland West Province. Majority of women SMEs are perennial borrowers of funds from microfinance institutions. Despite continuously receiving microfinance products, women owned SMEs are not developing. Women-owned business are collapsing, are not diversifying, are not increasing employment opportunities, are not developing new products, are not developing new production processes among others. This affects the empowerment of women, their standard of living and the gross domestic product of the country. While women empowerment theory, resource based theory, entrepreneurship theory, entrepreneurial process model, perking order and financial systems model theory indicates that providing women with resources is an important development tool to develop women owned SME-s, this is not the scenario in Zimbabwe's women owned SMEs. It is expected that after receiving microfinance products, women owned SMEs should develop.

While studies have established the impact of microfinance programs, few studies have tested the relationship between microfinance programs and women owned SMEs development. Studies undertaken, focused on the impact of microfinance financial products on Women owned SMEs development to the exclusion of the influence of microfinance products in their totality on women owned SMEs development, a gap in literature which needs to be closed. The impact of microfinance financial products on women owned SMEs development does not provide a holistically true effect of microfinance products on women owned SMEs development, but a narrow and limited impact on development of women-owned SMEs.

### **1.3 Research objectives**

The main objective of the current study was to examine the influence of microfinance programmes on women owned small and medium enterprises (SMEs) development. The following were the sub objectives of the study:

- 1.3.1 To explore the types of microfinance financial products that are availed to women owned SMEs.
- 1.3.2 To determine the types of non-financial products that are offered by microfinance institutions to women owned SMEs.
- 1.3.3 To determine the effects of microfinance programs on women owned SMEs development.
- 1.3.4 To establish the moderating effects of government policies policy on the relationship between microfinance programs and women owned SMEs development.
- 1.3.5 To establish the types of businesses commonly pursued by women owned SMEs.
- 1.3.6 To investigate the barriers faced by women when trying to access microfinance products by women owned SMEs.

### **1.4 Research questions**

- 1.4.1 What are the types of microfinance financial products that are availed to women owned SMEs by microfinance institutions?
- 1.4.2 What are the types of secondary or microfinance non-financial products that are offered by microfinance institutions to women owned SMEs?
- 1.4.3 How does Microfinance products affect women owned SMEs development?
- 1.4.4 What are the moderating effects of government policies on the relationship between microfinance programs and women owned SMEs development?
- 1.4.5 What are the types of businesses commonly pursued by women SMEs?
- 1.4.6 What are the barriers to accessing microfinance products from microfinance institutions by women SMEs?

### **1.5 Conceptual Framework**

A conceptual framework is a graphical presentation that demonstrates and explains the main variables, concepts, constructs and relationships to be studied (Miles and Hubermann, 2013). It identifies research variables, clarify relationships among variables and set the stage for

delineating the specific research questions driving a study (Fraenkel and Wallen (2000). In light of the study objectives, research questions and hypothesis, the conceptual framework for this research was developed and is shown below:

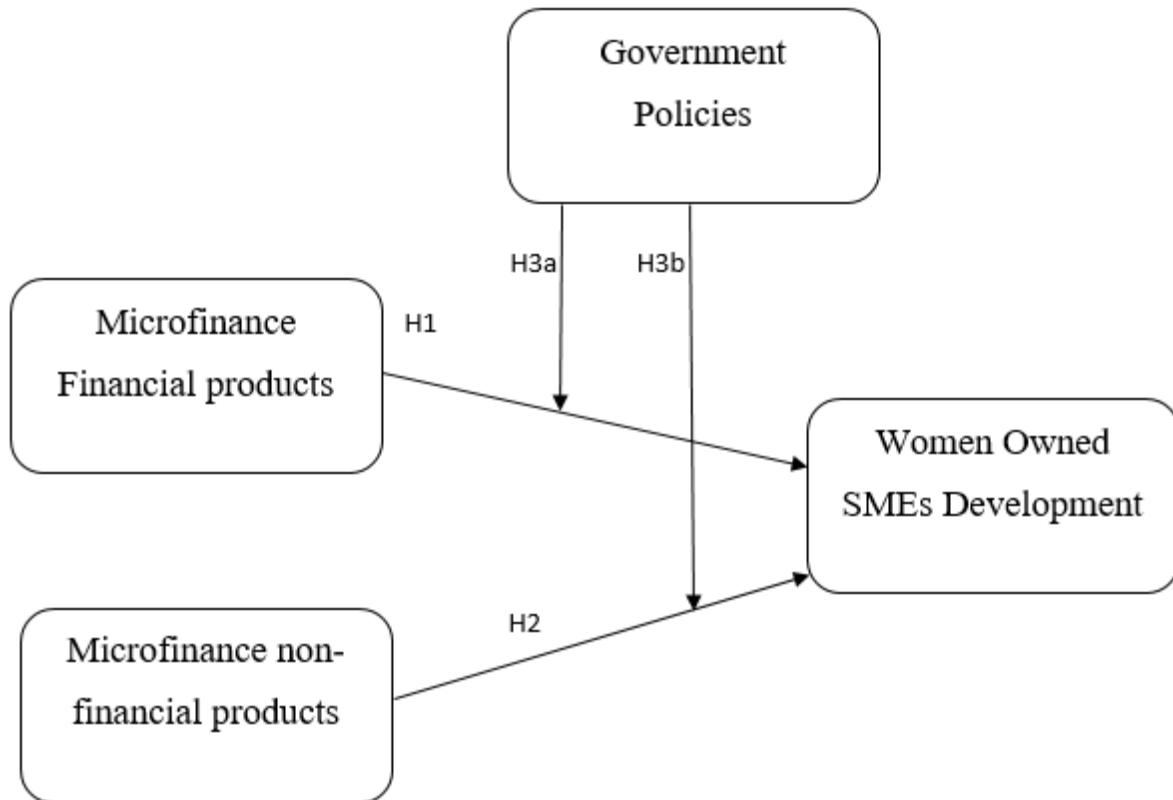


Fig 1.2: A Conceptual Framework of the relationship between Microfinance Institutions Programs and women owned SMEs development derived from literature review.

Source: Researcher, 2021

### 1.6 Research hypothesis.

A research hypothesis is a provisional conclusion about the link between the variables being investigated (Creswell, 2012). A hypothesis ought to be specific and testable. The following research hypotheses were created for this study in light of the research objectives and research questions.

**H<sub>1</sub>:** There is a positive relationship between microfinance financial products and women owned SMEs development.

**H<sub>2</sub>** Microfinance non-financial programs positively influences women owned SMEs development.



**H3<sub>a</sub>** The relationship between microfinance financial programs and women owned SMEs Development is moderated by government policies.

**H3<sub>b</sub>** Government policies moderate the relationship between microfinance non-financial programs and women owned SMEs development.

## **1.7 Significance of the study**

The present study's significance are varied to several stakeholders that include the academics, the government of Zimbabwe, women owned SMEs and microfinance institutions as discussed further below.

### **1.7.1 Women owned SMEs**

The study hopes to be of significance to women-owned SMEs who depend on and seek microfinance services. The study will provide an avenue through which they can inform microfinance their expectations, challenges and opportunities and their experiences with microfinance products.

### **1.7.2 Top Management**

The study hopes to be of significance to top management and strategic leadership of microfinance institutions by providing information on the needs and expectations of their customers. The study investigated the influence of microfinance products on women owned SMEs development, focusing on the financial and non-financial products offered to women owned SMEs who are the majority of the beneficiaries of microfinance products. This will assist microfinance executive leadership in designing products that can influence the development of women and women owned SMEs. In addition, this study indicated the challenges which are encountered by women owned SMEs in accessing microfinance products. This information is vital to top management of MFIs as they may use this information to modify their products to accommodate the needs of women owned SMEs. In addition, this information may be used by top management of microfinance institutions for policy formulation. They may use this information to design policies which can make their products accessible to women entrepreneurs and women owned SMEs.

### **1.7.3 Researchers and Academia**

The study hopes to be of significance by contributing to the body of knowledge on microfinance and women empowerment and women owned SMEs development. The study

hopes to be of importance to scholars and academicians in entrepreneurship by suggesting areas of further research on microfinance, women empowerment and women SMEs development. Chinhoyi University of Technology's body of knowledge will also be augmented by this study, whilst the researcher will gain further academic research experience for personal development.

#### **1.7.4 The Government of Zimbabwe**

This study could also be a prospective guide for the Government of Zimbabwe in its policy formulation initiatives aimed at easing financing constraints faced by women entrepreneurs. Information from this thesis may be used by the government to devise policies that can stimulate both formal bank credit uptake and access of finance by women owned SMEs. These policies are bound to be more effective in alleviating the credit scarcity problem prevailing among women entrepreneurs in Zimbabwe. Addressing women owned SMEs creditworthiness is also urgent in light of the government's establishment of the Women Bank. This would help the bank to provide policies for women owned SMEs to enable them to access microfinance products. The success of both women owned SMEs and government owned institutions like the Women Bank could also propel the government to meet its food security goals, economic growth prospects, as well as better livelihood desires for its populace.

### **1.8 Scope of the study**

The study's scope is explained in this section in terms of the geographical area considered for the study, the time taken to conduct the study, the target population and the field of the study.

#### **1.8.1 Geographical Scope**

Geographically, the study was conducted in Mashonaland West province of Zimbabwe. Further details about the study area are discussed in detail in the methodology chapter (Chapter three).

#### **1.8.2 Time**

The study focused on women SMEs who had accessed microfinance products by 2021. This time coincided with the period when many women were being encouraged to empower themselves, encouraged to have their own businesses so that they become self-reliant. This time is also relevant because microfinance is short termist and hence the results can be realised in the short run.

### **1.8.3 Target Population**

Women-owned SMEs who accessed MFIs microfinance products were the key informants for the study.

### **1.8.4 Conceptual scope**

The present study was mainly centered on entrepreneurship, focusing on the influence of microfinance programs on women-owned SMEs development. It also strictly focused on the types of products that are mainly availed to women-owned SMEs, the barriers being faced by women when trying to access these products.

### **1.8.5 Theoretical Scope**

The current study was guided by the entrepreneurial process model theory, entrepreneurship theory, resource based theory, perking order theory, financial systems model and women empowerment theory.

## **1.9 Basic Assumptions of the Study**

This study was made basing on the following assumptions;

**1.9.1** The respondents would respond to the questionnaire without any malice.

**1.9.2** Lastly, it was assumed that the respondents would provide truthful and honest information and participants would render maximum support and cooperation throughout the research process.

## **1.10 Operational Definitions.**

### **1.10.1 Loans**

These are typically uncollateralised, small-dollar loans made to an individual or group by banks or other institutions.

### **1.10.2 Microcredit**

It is the practice of giving cooperative members small, unsecured loans when they would not otherwise have access to the cash needed to launch a small enterprise.

### **1.10.3 Microfinance**

Microfinance is the provision of financing and non-financial services to low-income people and micro-entrepreneurs in order to aid them in establishing long-lasting small businesses.

### **1.10.5 Small and medium enterprises (SMEs)**

A small enterprise is the one that operates as a registered entity and employs 50 or less than 50 people and a medium enterprise is one that employees between 75 and 100 employees (Ministry of Small Medium Enterprise Cooperation).

### **1.10.6 Women owned SMEs**

In this study women owned SMEs are those businesses which are owned and controlled by women.

### **1.10.7 Women's Economic empowerment**

Refers to the capacity of women to participate in, contribute to and benefit from growth processes in ways that recognise the value of their contribution, respect their dignity and make it possible to negotiate a fairer distribution of the benefits of growth (OECD DAC Gender Equality Network, 2011).

### **1.10.8 Microfinance**

Microfinance is the endowment of financial services in small amounts to those who are regarded as the less privileged who are not financially included. They are usually excluded because of the requirements (Ledgerwood, 1998).

### **1.10.9 Microfinance programs**

These are products which are offered by microfinance institutions and are financial and non-financial products. In this study, the term microfinance programs and microfinance products will be used interchangeably to mean the same thing.

### **1.10.10 Microfinance institutions**

Financial institutions known as microfinance institutions offer financial services to the underprivileged who are often shut out of the regular banking system due to a lack of collateral. (Ledgerwood, 1998).

### **1.10.11 Women owned SMEs development**

This is the development of women businesses measured in terms of number of employees employed, diversification, new products developed, new production processes developed, empowerment and business survival.

### **1.11 Organization of the Study**

There are seven chapters in the study. Introduction, study background, problem statement, study scope, study objectives, study constraints, study delimitations, research questions, and study organization are all included in chapter one. The literature review in Chapter two covers both theoretical and empirical research on conceptual definitions. The chapter addresses these concerns while highlighting the research vacuum and highlighting the contribution that this study would make to the existing body of information on public sector entrepreneurship. The third chapter focuses on empirical literature, hypothesis development and conceptual framework. Chapter four details the research methodology that was used in this study. It discusses the methodology's guiding principles, research design and methodology, sample strategies, approaches for gathering, presenting and analysing data. Chapter five covers results and interpretation. This chapter presents results of the study in tables and figures. Chapter six discusses the results, comparing them with literature. Lastly chapter seven presents summary of findings, conclusions and implications.

### **1.12 Chapter Summary**

In summary, this chapter has introduced the subject matter of the research: the influence of microfinance programmes on women owned small and medium enterprises' (SMEs) development in Mashonaland West Province of Zimbabwe. The conceptual framework was used to identify and connect pertinent constructs, along with objectives, research questions, and hypotheses. Key definitions with context-specific meaning were developed and the underlying assumptions, constraints and scope of this study were all explicitly stated and supported. As a continuation of the introduction, the following chapter explores the literature while being informed by the study subthemes and hypotheses.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter reviews obtainable literature on the influence of microfinance products on women owned SMEs development. Literature review provides the researcher with some insights and understanding of essential previous studies. The basis of a good study is shaped by good literature review (Green, 2014). Deficient literature review negatively affects a study (Pautasso, 2013). Method and theory of a blameless research originate from a thoroughly reviewed literature (Gulati, 2009). Research study discussions are enriched by rigorous literature review as it offers basis for comparisons between research discoveries to those of previous studies (Pautasso, 2013). The chapter critically reviews literature in accordance to research objectives, identifies areas of convergences and divergences and identifies the gap in knowledge. The current literature review covers definitions of terms such as microfinance, microfinance institutions, women owned SMEs and women owned SMEs development. In addition, the current literature reviews issues such as the origin of microfinance institutions and programs in developed countries, developing countries and in Zimbabwe, models of microfinance programs, microfinance products, effects of microfinance programs on women owned SMEs development, effects of government policies on microfinance and women SMEs development relationship, types of businesses owned by women and lastly the barriers to access microfinance products by women owned SMEs. Further, the current chapter discusses the theoretical literature informing this study namely, the entrepreneurial model by Shane, Schumpeter's entrepreneurial process theory, the Resource Based Theory, the Perking order theory, the financial systems model and the Women empowerment theory.

#### **2.1 Definitions and explanations of the constructs**

This section covers definitions of microfinance institutions, microfinance, SMEs, women owned SMEs and growth and development.

##### **2.1.1 Microfinance institution (MFIs)**

Microfinance institution (MFIs) refers to lending or lending and deposit taking organisations that provides microfinance products to the vulnerable people, usually women who are financially excluded (Ledgerwood, 1998). Abrar (2018) defines microfinance institutions as organisations involved mainly in the trade of offering small-scale credits and financial services

to the poor and financially excluded clients. They are normally referred to as the banks for the poor (Kasali, Fashanu & Adeniyi, 2021). They serve financially excluded people from the mainstream lending on the basis of inadequate security and other factors which micro borrowers may not fulfil. A microfinance institution in Nigeria is a privately owned, registered business that provides financial products to the underprivileged individuals and small and medium-sized businesses (CBN, 2005 cited in Kasali et al, 2021). MFIs in Uganda focuses on improving the socio-economic growth of businesspersons. In Zimbabwe, microfinance institutions provide financial services to underserved groups of the population and SMEs that lack access to capital from traditional financial institutions (Reserve Bank of Zimbabwe Microfinance Policy, 2020). They are grouped into Credit only microfinance and Deposit taking microfinance institutions (RBZ Microfinance Policy, 2020). Credit only microfinance institutions are licenced to offer credit only services while deposit taking microfinance institutions offer credit and deposit taking services. There are 179 registered and licenced Credit only microfinance institutions and 8 Deposit taking microfinance institutions (RBZ, Banking and Supervision Report, 2022). In this study, microfinance institutions are defined as Credit only and Deposit taking microfinance institutions offering microfinance products to the financially excluded households, SMEs and in particular women owned SMEs in Zimbabwe.

Microfinance institutions differ from other financial institutions on their orientation (Daniel, Hardy, Holden and Vassili, 2002). They focus on providing microfinance programs to the poorly excluded households and SMEs (Kasali et al, 2021). These services may also include taking of deposits, providing training and insurance services among others. Training provided is mainly linked to microfinance services. For example, training on business management make loans more valuable to the borrower and also increases the likelihood of repayment (Handy, Holden & Prokopenko, 2002). The primary customers of MFIs comprises mainly individuals or entities facing austere barriers to accessing financial products from conventional financial organisations. In particular, the barriers consist of mainly demand side barriers, supply side barriers and regulatory barriers (Kumar, 2019).

MFIs concentrate on SMEs loans and at times deposit taking to smoothen household consumption (World Bank Working Paper, 1997). The provision of savings facilities allows smooth consumption by households. Further, this makes payments, receiving of finance and establishing of financial records easier. Microfinance institutions deals with very small

transactions and financial stocks (Handy, Holden & Prokopenko, 2002). In addition, they usually have high costs compared to the worthiness of loans and deposits involved. They normally bear substantial overheads and fixed costs irrespective of the magnitude of the business deal. These costs cover the administrative costs of collecting payments, maintaining offices and overseeing loans.

The reviewed definitions of microfinance institutions indicate that microfinance operate to service the poor, the financially excluded individuals and women owned SMEs who lack collateral security; hence they are the banks for the poor.

### **2.1.2 Microfinance**

There is no unified definition of the term microfinance and definitions vary according to country (Al-Doori, 2020). Scholars such as Brau and Woller (2005) and Christen (1997) cited in Muyango (2018) view microfinance as a combination of two key words which are micro and finance. These academics define microfinance as the provision of tiny amounts of credit. Microfinance is described by Kasali et al (2021) as an economic development strategy that focuses on reducing poverty by offering financial services to low-income individuals, impoverished households and SMEs that are shut out of the traditional financial markets. Additional, according to Yogendrarajah (2014), a microfinance is a tool for development that provides financial services such as loans, savings accounts, micro lease, micro insurance and money transfers to assist the very poor in starting and developing their own businesses. Microfinance predominantly involves administration of funds generally in small amounts to the individuals who are viewed as the less privileged (Kasali et al (2021). In most instances these social categories are financially excluded (Al-Doori, 2020). They are generally excluded on account of their inability to demonstrate creditworthiness and meeting the requirements of financial institutions. Therefore, most microfinance programs solely focus on the poor. They are a significant tool for uplifting the living standards of poor people (Pandey, 2020) and assisting SMEs to increase their productivity, create jobs and eradicate poverty (Kasali et al, 2021).

Microfinance provides services like instruction and expert guidance on how to make investments and use loans to boost profitability (Boachie, 2018). Thus, microfinance provides low-income persons with both financial and non-financial services, as well as administrative assistance on how to use the funds. Although literature indicates that microfinance provides



financial and non-financial products across the globe, literature is not clear on the types of microfinance products being availed to SMEs and in particular women SMEs in Zimbabwe and in Mashonaland west province, a gap this study aims to fill in literature.

### 2.1.3 Small and Medium Enterprises (SMEs)

Globally, data clearly show that SMEs are the vast majority of businesses across the world. This truth cannot be underrated by any government because it is extremely associated with entrepreneurship and the creation of national income. SMEs are the backbone of many economies and provide majority of people with employment, income and a source of living (Eurostat, 2018). Small and medium-sized businesses (SMEs) have diverse definitions and applications in different situations (Majoni, Matunhu & Chaderopa, 2016). Definitions differ among businesses, nations and even studies (Wolbank, 2020). For instance, a small business in the UK may not always be a small business in Zimbabwe's commercial environment (Majoni et al, 2016). The number of employees, capital base, fixed assets utilised, level of turnover, type of business, degree of formalisation and various combinations of variables are also extensively used to characterise SMEs (GEM, 2018). According to Maseko (2011), authors across all academic fields do not agree on a single definition of SMEs and as a result no one definition can encompass all the global characteristics of a small and medium organisation. According to Rotich et al. (2015), the law in Kenya defines SMEs as small businesses with 50 or less employees. A small enterprise in Zimbabwe is officially defined by the Ministry of Small and Medium Enterprise Cooperation as one that operates as a registered entity and employs 50 or less 50 people and a medium enterprise is one that employs between 75 and 100 workers. The Zimbabwe Revenue Authority defines SMEs using classifications shown below:

Table 2.1: Categories of SMEs by Zimbabwe Revenue Authority

Enterprise category	Employees	Annual turnover (USD)	Asset turnover (USD)	Registration status
Small	10-75	50 000-500 000	5000-1 000 000	Formally registered
Medium	41-75	1 000 000-2 000 000	1 000 000-2 000 000	Formally registered

Source: ZIMRA (2012)

This current study defines SMEs using Ministry of Small and Medium Enterprise Cooperation the ZIMRA (2012) definition. This definition has been adopted because it is not affected by inflation as it defines SMEs using number of employees.

#### **2.1.4 Women owned SMEs**

Currently there is no universal definition of women owned SMEs across the globe. According to IFC (2014), women-owned SMEs are officially registered businesses that have at least 51% female ownership, or 26–50% female ownership in companies with female Chief Executive Officers (CEOs) or Chief Operating Officers (COOs), and have received loans ranging from \$10,000 to \$1 or \$2 million at the time of origination. In United States of America women owned SMEs are defined as those with 51% ownership, control and management by women (Technical Note, ibid). Thus, in this situation, this study defines women owned SMEs as those businesses being owned and controlled by women.

#### **2.1.5. Women-owned SMEs development**

Women owned SMEs development refers to the change in business performance of women entrepreneurs' businesses, referred in this study as women owned SMEs. The definition of development is best understood based on performance measures and there are several definitions of performance measures (Peter, 2001). Development in the broadest meaning denotes ongoing, all-around progress in all aspect of a given activity. According to O'Gormoma (2001), development cannot be quantified in a single way, there are many different ways to measure development including turnover, earnings, staff count, investment activities, asset base and technology. The ability of a company to achieve and maintain equilibrium with its environment in accordance with the established standards of accuracy, completeness, cost and speed is a key indicator of growth. Increased sales, the introduction of new and improved products and an increase in market share are signs of an enterprise's development (Marry, 2014). According to Terry (2012), women's businesses do better when they invest more in innovation, which enables them to successfully enter new product markets and as a result grow their sales. Classical economic measures of business performance generally are profitability, survival and growth (Van Horne, 1980). Peter (2001) measured entrepreneurship development as increase in assets, profit, sales and number of employees. Entrepreneurship development is also measured using performance measures such as net profit, change in investment, change in output and change in employment (Kuzilwa, 2005). In this study women owned SMEs development is measured using business survival, employment, increased profits, increased

outlets, increased capital size, improved business management, new products development, acquiring of new equipment, new production capacity, diversification and empowerment.

## **2.2 Origin of microfinance**

The origins and evolution of Microfinance as a financial model and an academic concept is not fairly clear across the globe (Al-Doori, 2020). It is impossible to pinpoint the time of its beginning because, ever since the first human groups were formed, people have been lending to their families and friends on the basis of trust (Ismail, 2008). Following the Grameen Bank's experience in Bangladesh and its aftermath, microfinance gained popularity (Al-Doori, 2020). Pawn shops were first founded in Europe in the 15th century as alternatives to usurious money lending and thus where microfinance first emerged (Mago, 2013). In Ireland, the idea of microfinance was first introduced in the early 1720s (Mago, 2013). Microfinance borrowers were repaying loans in form of weekly instalments without interest being attached. Finance was mainly financed through donations. In 1823, charities were converted into financial intermediaries and started charging interests rates and collecting deposits. In 1836, the loan fund board was established to regulate and supervise the financing. 1840 witnessed the growth of microfinance institutions in Irish with more than 300 institutions formed.

In German, microfinance institutions are expected to have started as early as 1778 (Seibel, 2003). In 1800, financial cooperatives were the first form of microfinance in Germany. Fiedrich Friedrich Wilhelm Raiffeisen and his allies created them (Mago, 2013). These cooperatives were formed to improve the welfare of the disadvantaged in both urban and rural areas. Indonesia pioneered the concept of microfinance in 1895 through creating the Indonesian People's Credit Banking. In the early 1900s, savings and credit activities begun in Latin America and other regions (Helms, 2006). To encourage investments and repurpose "idle" money, fresh banks for the deprived were created. However, the banks were owned by government organisations and commercial banks. Helms (2006) laments that the organisations were dishonest and ineffective. Governments and donors transformed the emerging concept into agricultural credit between the 1950s and the 1970s (Helms, 2006). The purpose of agricultural loan was to increase the productivity and incomes of small and neglected farmers. Credit was available from government-owned financial institutions at interest rates well below the market. The financial institutions suffered because they were unable to recoup their losses. Customers often view government loans as presents and this had a detrimental effect on the

repayment rate. In other cases, credit did not benefit the underprivileged, rather, it went to powerful and wealthy farmers (the rural elites).

In Bangladesh, microfinance institutions started their operation as far back as 1980 focusing on poverty alleviation through microcredit (Kabeer, 2001). Microcredit was believed to be the panacea to poverty reduction and improvement of other dimensions of household welfare (Mallick (2002) cited in Kasali, Fashanu & Adeniyi, 2021). Poverty reduction objective was based on the assumption that enhanced access to credit would assist to overcome credit market imperfections, to smoothen consumption, to ease constraints in production and most importantly to raise the incomes and productivity of the poor (Kasali, Fashanu & Adeniyi, 2021). In rural Bangladesh, microcredit was introduced as a catalyst of economic and social development. It was viewed as a set of non-traditional banking methods that use information-intensive and character-based technologies to address these information and enforcement problems among poor household firms (Kasali, Fashanu & Adeniyi, 2021). In addition, microcredit introduced group-based lending using peer monitoring of borrowers. This ensured contract enforcement through joint responsibility. Small loans were availed for working capital on a short-term basis and the motivation to repay was provided by continued access to credit. With time, microcredit institutions (MCI) engaged in full cost pricing of their services, focusing on developing sound financial positions. Subsequently, these institutions followed a graduation path into the formal financial sector whereby they diversified the range of their financial services and took more sophisticated identity of microfinance institutions (MFIs). Microcredit eventually evolved into microfinance institutions providing elevated amounts and various services such as micro savings, microguarantees, micro insurances and micro remittances together with regular group-based credit distribution systems. Currently, there are many microfinance institutions in Bangladesh.

Importantly, Bangladesh has the largest NGO called BRAC and own the largest microfinance bank. The microfinance was launched in 1974 and it covers 64 districts of Bangladesh. The microfinance provides asset grants and soft loans such as Dabi loans which are provided to women serving through village organisations. In this model, women repay the loans every week or month usually during their village organisation meetings. Most women use the loans to operate small business in poultry, livestock, fruits and vegetable cultivation, handicrafts and rural trade.

Microfinance began in Zimbabwe in 1963 when Catholics founded the Savings Development Movement (SDM) (ZAMFI, 2018). The organisation focused on rural women mobilising micro savings (ROSCAS). Financial savings earned by club members were used to keep the group afloat. The number of savings clubs expanded from 30 in 1970 to 1500 by 1974. During the same time period, the club's membership grew from 2000 to 3000 members. With 60 000 active members, there were 3000 savings clubs by 1975. However, the liberation war limited their ability to act (1976 to 1980). After Zimbabwe gained its independence in 1980, the SDM was incorporated as a cooperative (Bond, 1998; Bond and Manayanya, 2002 & 2003). Savings clubs were able to resume operations that had been put on hold in earlier years because of the enabling environment created during the post-independence era (Raftopolous and Lacoste, 2001). Savings clubs increased from 5000 in 1983 to 7000 by 1998. This large rise was a clear reflection of the need for microloans among the underprivileged. In the early 1980s, the parastatal Agricultural Finance Cooperation (AFC) played a significant role in providing loans to small-holder farmers. To assist the poor in mobilizing their savings, the government established the National Association of Cooperative Resources and Credit Unions of Zimbabwe (NACSCUZ) in 1986.

This fell under the purview of the Ministry of Community Development and Women's Affairs. The major goal of NACSCUZ was to give technical assistance to savings and credit cooperatives. Training, monitoring, and assessment of credit cooperatives were among its other goals. The period of the Economic Structural Adjustment Program (ESAP) (1991-1995) generated an environment that harmed the poor. ESAP advocated for financial openness among other things. This policy prescription resulted in a spike in interest rates, limiting impoverished people's access to credit (Moyo, 1999). Inflationary pressures in the country rose as a result of rising government borrowing, the removal of basic goods subsidies, trade liberalisation and devaluation. Micro-credit activities in the country were threatened by the country's macroeconomic difficulties. As Moyo (1999) points out, financial liberalization created an atmosphere that was unfavourable to the poor. Banks were taking a much harsher approach to lending to the poor as a result of the increased competitive climate generated by reforms. Bank loans were difficult to get by the population. Collateral requirements have been maintained and, in some cases, further strengthened as a result of banks' perception that the situation is riskier. Even development banks, who formerly were more adaptable and concentrated on project viability rather than immediate profit, now prioritise profit (Moyo, 1999). In 1986, the Self-Help Development Foundation (SHDF) was established to replace the SDM. In the same

year, the SHDF launched a micro-credit program aimed at encouraging disadvantaged people to save (Raftopoulos and Lacoste, 2001). International NGOs such as the Konrad Adenauer Foundation (KAF), CARE International and the Belgian-based Association were invited to participate in the ESAP challenges in 1997 (ADRAI). SHDF's microcredit programs were supported financially by foreign NGOs. According to Raftopoulos and Lascote (2018), they fostered the development of good credit procedures, improved governance and the construction of sustainable revolving funds among other things.

The SHDF concept, however, was met with opposition due to a number of obstacles. Credit to the poor, according to Raftopoulos and Lacoste (2018) caused problems such as lack of capacity to manage debt. The wealthy people frequently benefited from credit at the expense of the poor. Furthermore, the majority of microfinance programs were funded by donors and people did not feel accountable for the money they received. Donor funds were routinely misappropriated and borrowers were unwilling to repay loans. According to Raftopoulos and Lacoste (2001), the SHDF initiative, which was supported by USAID (through CARE) and ADRAI, produced excellent achievements between 1996 and 2000.

In order to legalise the operations of microfinance businesses in Zimbabwe, the Government of Zimbabwe enacted laws to provide for the regulation, registration and supervision of persons, businesses and cooperatives operating microfinance business in Zimbabwe. In 2013, the government of Zimbabwe amended the Money lending and Interest Rates Act Chapter 14:14 and the Banking act Chapter 24:20 (Veritas, 2013). Further, in 2013, the Government of Zimbabwe came up with the Microfinance Act Chapter 24:29 which provided for the supervision and regulation of microfinance business in Zimbabwe. Additionally, this made it possible for banks, the Post Office Savings Bank (POSB), microfinance institutions (MFIs), associations (ROSCAs), regular (non-rotating) savings and credit associations—RESCAs, non-governmental organizations (NGOs), family members and friends and private money-lenders to participate in the microfinance market. Zimbabwe's government also provides microfinance resources. The Reserve Bank of Zimbabwe currently grants licenses to microfinance organisations and is the regulator and supervisor of microfinance institutions.

### **2.3 Zimbabwe's Microfinance sector**

Zimbabwe's microfinance sector is a competitive sector with 179 registered and licenced Credit Only microfinance institutions and 8 deposit taking microfinance institutions (RBZ, Banking and Supervision Report, 2020). In Zimbabwe, providing financial services to

underbanked and unbanked people as well as small and medium-sized businesses is known as microfinance (RBZ, 2012). RBZ (2012) states that the Moneylending and Rates of Interest Act (Chapter 14:14) and other provisions of the Banking Act (Chapter 24:20) that apply to MFIs govern the activities of microfinance institutions in Zimbabwe. The target market for microfinance products are individuals, SMEs, or a combination of the two (RBZ, 2012). Zimbabwean microfinance organisations provide group loans, contract financing and re-order financing. The status of the microfinance sector in Zimbabwe shows that the industry is shrinking. Table 2.2 below shows the architecture of the microfinance sector portraying the number of registered microfinance institutions from 2015 to 2021 (RBZ, Quarterly reports, 2015, 2016, 2017, 2018, 2019, 2020, 2021). The number of registered and licenced microfinance institutions increased but at a decreasing rate from 152 Credit only microfinance institutions in 2015 to 222 Credit only microfinance institutions in 2019 and decreased to 179 registered and licenced Credit only microfinance in 2021. Equally, as shown on table 2.2 below, in 2015 Zimbabwe had no Deposit taking microfinance institutions and registered four Deposit taking microfinance institutions in 2026. The Deposit taking microfinance increased at an increasing rate to 8 Deposit taking microfinance by 31 December 2021 (RBZ, Quarterly Report, 2021)

Table 2.2: Zimbabwe Microfinance status.

YEAR	2015	2016	2017	2018	2019	2020	2021
Number of licensed Credit only MFIs	152	185	183	199	222	190	179
Number of licensed Deposit taking MFIs	-	4	5	6	7	8	8
Total loans (\$ million)	187.16	206.28	218.38	387.87	632.67	2 092.25	7 357.63
Total Assets (\$ million)	225.13	275.04	196.66	490.27	1041.88	4 209.34	12 034.22
Number of savings accounts	-	1 411	1 993	68 258	69 002	64 212	66 392
Total deposits (\$ million)	-	4.19	5.12	23.85	35.95	238.11	908.50
Number of active clients	198 371	290 552	257 498	349 341	454 428	303 323	314 745
Number of branches	571	659	648	750	1 017	693	1 054

Source: RBZ Microfinance Quarterly report 3 of 2015, 2016, 2017, 2018, 2019, 2020, 2021)

Further, table 2.2 above indicates that microfinance institutions issued \$187.16 million loans in 2015, \$206.28 million loans in 2016, and \$ 2018.38 million in 2018, \$387.87 million in 2018, \$632.67 million in 2019, \$2092.25 and \$ 7357.63 million in 2021. The number of savings also rose from zero in 2015 to 66 392 savings accounts in 2021 indicating the existence of deposit taking microfinance institutions. Further, the number of active clients rose from 198 371 clients to 314 745 active clients indicating that the microfinance sector is saving many clients in Zimbabwe. In addition, the number of branches were 571 and increased to 1054 braches as at 2021. Further, RBZ microfinance quarterly reports from 2017 to December 2021 indicates that microfinance institutions availed \$15 million in 2017, \$80.01 million in 2018, \$222.54 million in 2019, \$678.78 million in 2020 and \$2 629.30 million in 2021 to women in Zimbabwe. This indicates that women are borrowing from microfinance institutions for various reasons including business.

Globally, the microfinance sector is an excellent sector assisting entrepreneurs (Rolando, 2010). It gives low-income borrowers access to long-term loans with no or very cheap interest rates (Zimbabwe Association of Microfinance Institutions, 2019 (ZAMFI). The Zimbabwe National Microfinance Policy (2006) lists social intermediation, raising living standards, and reducing poverty as some of the crucial functions of microfinance.

With the rise of a new breed of microfinance institution, the microfinance sector in Zimbabwe has moved away from the original aims and ideals of microfinance as a program focusing on reducing poverty (Toendepi, 2022). This is evidenced by millionaires operating microfinance institutions and institutions charging higher interest rates (Toendepi, 2022). As a result, microfinance has drawn much public attention, especially from academics and policymakers, who seriously doubt its efficacy as a strategy for reducing poverty. In addition, several randomised-control trials (RCT) and impact studies have been conducted by both proponents of microfinance and those who oppose it in an effort to refute the findings that microfinance decreases poverty. This debate is an ongoing debate in academic and policy formulation studies.

#### **2.4 Microfinance approaches**

There are two main approaches used by microfinance institutions in the provision of their services (Macha, 2018). In particular, the approach adopted determines the type of service that is provided by the microfinance institution. Microfinance institutions can use the minimalist method and the integrated method. The minimalist method focuses on providing financial



intermediation services such as savings, microcredit, micro insurance and cash transfers. The integrated method provides both financial and social intermediation products, including group creation, leadership development and cooperative training (Ledegerwood et al., 2013). Microfinance strategies can alternatively be Capital Market Driven (CMD) which focuses on equity investments or Poverty Reduction Driven (PRD) which focuses on eradicating poverty and fostering social performance. Microfinance institutions in Zimbabwe employ all of the aforementioned strategies.

## **2.5 Critisms of microfinance**

Globally, the microfinance industry has attained substantial growth with the potential to alleviate poverty through supporting entrepreneurship financially, providing financial stability and the development of innovative financial products (Ledgerwood, 1999). Stories of people, particularly women supporters, whose lives were changed by a few hundred dollars they acquired from microfinance organisations show how microfinance has aided countless individuals and SMEs around the world (Joudeh, 2012). Microfinance is thought to reduce poverty through funding the expansion of small businesses, especially in developing nations where the prevalence of poverty makes microfinance more visible (Saeed, 2014). The primary goal of the microfinance push is to offer capital for investments in businesses or asset purchases, which would ultimately produce income sufficient to reduce poverty and lead to improved economic performance (Bateman & Chang, 2012; Dichter, 2007a).

Although microfinance has continued to be widely viewed as a tool for reducing poverty in developing nations, there is a growing counterargument that doubts the effectiveness of microfinance in addressing poverty and the growth of SME's (Mafukata, Kancheya & Dhlandhara, 2014). As a result, donors, governmental agencies, policy makers, and stakeholders are becoming more interested in what works and does not work in microfinance. Researchers continue to doubt the good impact of microfinance (Awaworyi, 2014). The United Nations (UN) in 2015 found that one in every five inhabitants in poor countries still survive below \$1.25 per day. Additionally, there are millions more who survive with little above the \$1.25 daily and many more risks sliding back into poverty (UN, 2015). This has been attributed to the MFIs' diminished focus on eradicating poverty and greater competition to gain profits (Frank & Schneider-Moretto, 2008). As a result, the microfinance industry's primary and initial objective which was the promise to offer low-cost financial services to the needy while also

becoming sustainable by making a respectable profit veered off course (Abrar & Javaid, 2014).

Despite the administrators of MFIs' meticulous efforts to effectively and efficiently balance the social and financial aims, there has been a natural inclination to tilt towards financial performance in the absence of a well-defined plan for continuing the mission (Epstein & Yuthas, 2010). Microfinance institutions are known for charging higher interest rates, interests ranging from 20 to 30 % per month (Warikandwa, 2018). Based on the raised arguments, this study further raises questions on the effectiveness of microfinance products on women owned SMEs development and an empirical study need to be conducted to answer that question.

## **2.6 Basic forms of accessing microfinance**

There are two basic forms of accessing microfinance products which are used by most microfinance institutions (Kamiza and Kizza, 2019). These are individual lending and group lending. Individual lending is defined as the provision of microfinance products to individuals instead of groups (Lakwo, 2006). Group lending is also called solidarity lending and entails providing loans to a group of people who make available security or guarantee a loan through a group repayment pledge (Gupta, 2014). Group lending is viewed as the most innovative and central components of the modern microcredit (Miller, 2010). This model enables villagers (usually women) to access loans as a group and the group being jointly liable (Kamiza and Kizza, 2019). This model allows microfinance institution to waive security requirements as extremely poor people with limited assets are usually incapable to put up security for their debt. Matovu (2009) in his study on microfinance and poverty reduction provides a clear distinction between group lending and individual lending. Group-based lending favour very poor individuals without collateral. It is assumed to form social capital through establishing and reinforcement of social and economic networks. Group lending has reduced poverty in countries such as India, Indonesia, Bangladesh, Zimbabwe and Uganda and empowered women economically (Littlefield et al., 2003). In Zimbabwe, microfinance institutions offer group lending to women owned SMEs (RBZ, Banking and Supervision report, 2016).

## **2.7 Microfinance products**

The MFIs products and services are broadly classified into twofold namely financial products and non-financial products.

### **2.7.1 Microfinance financial products**

Financial products are monetary products that assist a person or business in saving, investing, purchasing insurance or obtaining a mortgage (Nargiza, 2013). Financial products are generally viewed as free collateral loans, savings deposits, remittances and payment services (Nargiza., 2013; Ledgerwood, 1999). Microfinance financial products are classified according to their type or underlying asset class, risk and return (Muiruri, 2014). They include products such as insurance, loans, savings, leasing, cash transfers and pension education (Gyimah and Boachie, 2018). In addition, microfinance institutions also offer financial intermediation role (Gorton and Winton, 2002). Financial intermediation refers to the general intermediary role that financial institutions play in the economy by providing a variety of financial services and products such as investment, insurance, credit, savings and payment systems that connect surplus and deficit units and this is normally undertaken by deposit taking microfinance institutions (Gorton et al, 2002).

#### **2.7.1.1 Micro loans**

Micro loans are viewed as the foundation of MFIs and an important aspect of microfinance (Alhassan, Hoedoafia & Braima, 2016). They are normally referred to as micro credit (Gyimah and Boachie, 2018). Micro loans are relatively modest, short-term loans with low interest rates that are given to self-employed people, new start-ups with low capital requirements, or small firms with only a few employees (Alhassan, Hoedoafia & Braima, 2016). Microcredit has flexible terms which gives beneficiaries room to develop and grow (Obadey, Ogbeide and Akande, 2020)

They are normally given to help underprivileged borrowers in developing communities to assist their personal and business needs and has successfully supported business and economic growth in developing countries (Wood, 2019). Microcredit is typically made available to business owners to assist them satisfy basic needs, lower risks and improve household economic welfare, which ultimately leads to a rise in business development in terms of return on assets, profit and sales (Gyimah & Boachie, 2018). In Ghana micro loan is usually below US 300 and US1000 (Buyske, 2004). Christen, Lyman and Rosenberg (2003) believes that the borrower's character and cashflow is the determinant of the upper limit of the size of the loan. In Zimbabwe, the amount of the loan is determined by the cashflows of the client and the repayment should not consume more than 40% of the client's income (RBZ Bank Supervision

Report, 2020)

Micro loan is normally given to improve business performance (Asiama & Osei, 2007). Although some entrepreneurs may start business with their own personal capital, others borrow from friends and relatives or from micro-finance institutions. Yet still, there may be the need to raise more funds as working capital to finance the business operations as the business grows or to expand the business. This normally calls for microcredit from micro-finance organisation. Such borrowed funds, when properly used for business processes leads to business performance (Ojo, 2009; Martin, 1999).

### **2.7.1.2. Micro savings**

Savings are defined as income that is not consumed right away (Price, 2011). In the context of micro-finance, savings are funds saved with a microfinance bank, mostly by the poor, in order to build up future funds for business and family use (Mkpado & Arene, 2007). Any service offered by financial institutions with the aim of raising this revenue and enabling customers to use it later is known as a savings service (Suberu, Aremu & Popoola, 2011). These services are provided by microfinance institutions to low-income individuals and Small-Scale Enterprises (SSE) that cannot pay commercial banking terms (Anyanwu, 2004; Pickens, 2004). Buyske (2017) view micro savings as portions of business earnings that are deposited into microfinance organisations or bankers on a daily, weekly, or monthly basis by micro finance clients. Micro savings are tiny deposit accounts supplied to low income families or individuals as a way to encourage them to save money for later use and is normally called “SUSU” in Ghana (Gyimah et al., 2018). Micro savings accounts function the same way as traditional savings accounts do, but are tailored for smaller sums of money (Gyimah et al., 2018). The minimum balance requirements are sometimes waived or extremely low, allowing users to save tiny sums of money without being penalised. Wenner et al. (2018) suggest that savings facilities are needed for entrepreneurs in emerging nations, particularly small business owners, to save a portion of their income for growth and as a survival strategy. MFIs provide micro savings needs of small enterprises, particularly women-owned SMEs as well as the informal market in order to assist them in saving, investing, and growing their businesses (Gyimah et al., 2018). Micro savings aids in the improvement of poor household finances and protects low-income economic agents by allowing them to collect value over time that can be invested profitably or used for other essential objectives.

In light of that, MFIs frequently include non-governmental organizations (NGOs) in providing financial education such as how to build profitable savings assets which are critical for women-owned businesses (Munyoro et al, 2017). Asset-building products such as those that assist woman SMEs to obtain home ownership assist women owned SMEs to obtain loans for business expansion (Chawla, 2013).

### **2.7.1.3 Micro insurance**

Micro insurance, according to Mathur (2010), is a low-value product that requires unique design and distribution strategies and charges premiums depending on community risk rate. MFIs mix insurance with a client's credit and savings activity to reduce credit risk (Oscar and Abor, 2013). Micro insurance protects the lives, homes, health, livestock and other valuables of business owners (Gyimah et al., 2018). The use of micro insurance enables the poor and low-income earners to safeguard their operations against disasters and any danger that might affect their personal or commercial assets. The core principles of micro insurance are insurance principles such as affordability, flexibility, simplicity and accessibility.

### **2.7.1.4 Micro transfer**

Micro transfers are the habitual transfers of small amounts of money that usually accumulate to larger funds (Alvarez e al, 2018). Women entrepreneurs usually use these micro-transfers to spontaneously repay their microcredit loans to MFIs (Huis et al, 2019). Transfers can alleviate women off the responsibility to actively and habitually repay loans and hence the need to reserve money for repayment (Duvendack and Mader, 2019; Huis et al, 2019a).

### **2.7.1.5 Micro leasing**

Micro leasing is a strategy which is used to raise funds for women entrepreneurs who cannot afford to buy their assets or machinery at full cost and they can instead lease equipment, agricultural machinery or vehicles (Wenner et al, 2017). This facility is mainly meant for SMEs, small holder farmers or entrepreneurs who desire to acquire equipment, assets and implements in their ventures. There are three types of leases namely capital or financial lease, operating lease and hire purchase or higher buying. Capital lease is a leasing method which allows the client to pay the full cost of the equipment plus interest over the course of the lease (Wenner et al, 2017). When the lease period expires, the entrepreneur has the option to buy the equipment altogether for a small fee, usually the depreciated asset value. A financial lease can only be terminated if both parties agree.

An operating lease occurs when a client rents, buys or renews a contract. The client has the option to cancel the arrangement and return the equipment before the agreed-upon period

expires. Other services such as vehicle maintenance agreement are sometimes included in operating leases (Wenner et al, 2017). The lessor retains ownership of the asset which is returned at the conclusion of the lease, when the leasing firm either re-hire or sell the asset to recover the residual value. Alternatively, the lessee can carry on renting the asset at a fair market charge settled upon at the time.

Lastly, the hire purchase is a method which permits a buyer who cannot afford to pay the whole asking price for an item or property in one go but can afford to pay a percentage as a deposit to rent the products for a monthly rent. After paying in equal instalments a sum equal to the original full price plus interest, the buyer has the option of purchasing the items for a predetermined price (typically a nominal value) or returning the products to the owner (Huis et al, 2019a). If the buyer fails to pay the instalments, the owner has the right to reclaim the products (Huis et al, 2019). Consumers benefit from hire purchase since it spreads the expense of pricey things over a longer period of time. The distinct balance sheet and taxes treatment of hire-purchase products may benefit business consumers' taxable income. When consumers have collateral or other forms of credit readily available, they are less likely to need hire purchase (Huis et al, 2019). A triangle transaction is the most usual way to do a hire buy (Institut Bank-Bank Malaysia, 2018). Under a hire purchase arrangement, the dealer/ seller/ vendor sells the products to the financier (typically a finance or credit company), who becomes the owner, in exchange for an immediate payment that is the cash price less the deposit made by the buyer or consumer, known as the hirer.

While literature indicates that microfinance institutions offer a range of these products, literature is not clear on the products being offered by microfinance organisations in Zimbabwe, hence the need to establish the types of microfinance financial products being availed to women owned SMEs in Zimbabwe, a gap to be filled by this study.

### **2.7.2 Microfinance non-financial products (NFPs) offered to women SMEs.**

These are microfinance non-financial products that are usually offered by financial institutions (banks and MFIs) to complement their core financial offerings for SMEs (Bulte et al, 2019, Lensink et al, 2017 & Richardson, 2016). The non-financial services are usually grouped into three main categories which are then further divided into semi services (Hansen et al, 2020). These services are social services which are further divided into social training and personal assistance and business services which are divided into business training and individual

business consulting and lastly technical assistance which looks at technical training and individual technical assistance (Hansen et al, 2020).

#### **2.7.2.1 Social services**

These are non-financial services that are geared towards improving the welfare of microbusiness owners and they include social training and one-on-one support in the areas of health, education, nutrition, and literacy (Hansen et al, 2020). These are on-going services that are always offered by the government, microfinance institutions and NGOs (Bulte et al, 2019).

#### **2.7.2.2 Social training**

MFIs have developed trainings which mainly focuses more on women or women owned SMEs (Bulte and Lensink, 2019). MFIs usually cooperate with NGOs for the provision of social trainings to their clients (Bulte et al, 2019). The main motive of social trainings is to make women more responsible, recognise their worthiness and encourage them to make business related decisions which may have been denied to them (Huis et al, 2019; Berge et al, 2015). Social training programs which are usually served to women owned SMEs include resource management, inventory management and other basic accounting techniques (Sarpong-Danquah et al, 2018). These MFIs programs are geared towards the use of microcredit and other social facilities aimed at increasing the beneficiaries' working capital and social lives (Bulte and Lensink, 2019). MFIs typically provide instructional sessions to assess firms and serve as a repayment term for loans. During these sessions, MFIs typically offer important trainings based on challenges being faced by women owned SMEs that could eventually help their businesses to grow (Bueno and Henderson, 2017). In addition, these trainings include social training on their health, nutrition, literacy and the importance of education to their lives (Bulte and Lensink, 2019). Although, these training are being undertaken, what is not known in literature is how these social trainings impact on women owned SMEs development. In addition, little is known about the social trainings being offered by microfinance institutions in Zimbabwe and in Mashonaland west province, a gap that exist in Literature.

#### **2.7.2.3 Literacy**

Financial literacy, often known as financial education is an important component of financial success (Dutt et al, 2016). Financial training programs provide the facts, services and attitudes needed to adopt appropriate earnings, spending, savings, borrowings, and investing strategies (Bulte and Lensink, 2019; Luke and Munshi, 2011). Participants in these programs gain access to data and strategies that help them to make enhanced financial decisions, achieve their financial objectives and improve their overall financial well-being.

According to Huis et al (2020), the benefits of financial literacy education for women SMEs include the knowledge needed by women on how to manage capital or funds to operate their own ventures, the ability to use financial facilities, improved self-esteem and confidence as a result of achieving financial goals and finally the ability to request for higher quality products and services from financial organisations. In addition, offering financial education to women owned SMEs has a positive impact to financial organisations as well (Bulte and Lensink, 2019). Financial education helps financial organisations to entice more customers, better maintain prevailing customers, acquire improved market intelligence for developing products and services and gain a competitive advantage. Although micro-entrepreneurs appear to be more concerned with the operational aspects of running their firms than with financial education throughout their start-up phase, combining financial education and how to manage their businesses can result in economic inclusion (Duvendack and Mader, 2019).

#### **2.7.2.4 Health and nutrition**

Training women about health and nutrition offers skills as well as experience on how to look after their health as well as their family's health and nutrition (Kuzilwa, 2005; Akanji, 2006; Cheston and Kuhn, 2002)

#### **2.7.2.5 Personal assistance**

This involves the provision of various services to women owned SMEs on a one on one basis (SMEs policy index, 2019). These services include the provision of general information on how to operate their businesses and the provision of mentoring and technical services focusing on increasing the knowledge and skills required to boost women owned SMEs' productivity (OECD, 2017). Cravo and Piza (2016) noted that one on one personal assistance has helped some business to continue in business for a lengthy period of time. Bryson and Forth (2016) reported that this has increased business productivity and survival rates.

#### **2.7.2.6 Business services**

These are services that improve an organization's performance, market access, and competitiveness (Bulte et al, 2017). The term "business services" refers to a wide range of strategic and operational business services. These include business training, individual business consulting, technical assistance, vocational training and business plan.

#### **2.7.2.7 Business training**

Operational and strategic training are the two types of business training available (Frese et al, 2016). Bembenutty, White, and Velez (2016) define operational training as basic operational



business training for start-up entrepreneurs in areas such as accounting, inventory control, marketing, pricing, costing and sales forecasting. Operational training provides skills and abilities required by entrepreneurs to drive their firms. Training has a significant impact on behavioural change because it alters how people perceive dangers and difficulties (Bembenutty et al, 2016). Business training provides business persons a broader awareness of business and a basic understanding of the business cycle. Strategic training is mostly aimed at more experienced entrepreneurs who are now at the opposite end of the spectrum, confronting new challenges as they seek to expand, grow and profit their firms (Harriss-White & Colatei, 2004; Ramachandran & Swaminathan, 2002). Mature entrepreneurs seek direction from strategic training, particularly training tailored to suit their businesses (Hansen, 2015). These strategic trainings cover a wide range of topics such as public speaking, contract negotiation and discovering new markets (Berge et al., 2015; Mansuri, 2014; De Mel et al., 2009).

MFIs have noted that women entrepreneurs usually start their businesses without proper documentation and so finding it very hard to get financial assistance (Hansen, 2015). In a bid to curb this problem, MFIs are training their clients how to run their businesses effectively. MFIs offer training in a variety of business-related topics, including company planning, marketing and sales, product design, financial management, business environment and regulations, accounting/bookkeeping, human resources, taxation, trade, and export.

#### **2.7.2.8 Individual business consulting**

Business consulting services offer specialist knowledge in a variety of fields (Dutt et al, 2016). Non-governmental organizations (NGOs) are frequently hired by MFIs on a contract basis to find ways to improve their client's business performance (Duvendack & Mader, 2019). Many business consulting services focus on a single area of expertise, whilst others provide a considerably broader range of services.

#### **2.7.2.9 Technical assistance**

In order to control transaction risks and improve sponsor capabilities, technical support is a non-lending activity that comprises advisory services, capacity building programs and business connections (Dutt et al, 2016). It is crucial to promote investments in Low Income Countries (LICs), Fragile and Transition States as well as innovative projects with high return on investment and development results if the Bank is to maintain the robustness of its non-sovereign portfolio (Garcia & Lensink, 2019). In terms of technical assistance, MFIs provides technical assistance to women owned SMEs in specified areas (Bandiera et al, 2012). These

include production processes of technical projects (soap making, candle making among others). Technical assistance strengthens women owned SMEs' capacity in governance, management and financial administration (Dutt et al, 2016). MFIs usually provide technical assistance to women owned SMEs to boost their businesses, increase their efficiency, sustainability and probability of repaying (Garcia & Lensink, 2019; Bulte et al, 2018).

#### **2.7.2.10 Vocational training.**

Vocational training refers to learning curriculums or courses focusing on abilities required for a certain occupation or trade (Sorpong-Danquah, Gyimah, Poku and Osei-poku, 2018). Vocational education prepares women entrepreneurs to face business challenges (Wairimu and Mwilana, 2017). Vocational training is also known as Vocational Education and Training or Career and Technical Education. It offers hands-on, job-specific training that can lead towards the development of women owned SMEs. Welding, culinary, medical transcription and vehicle repair are just a few of the vocations for which vocational training is available (Wairimu and Mwilana, 2017). Upon completion of vocational courses, women owned SMEs are awarded certificates and these certificates gives them advantageous positions when seeking loans from financial institutions.

#### **2.7.2.11 Business plan**

MFIs in collaboration with non-governmental organisations have noted that most women entrepreneurs are not performing well and are not accessing financial products from financial institutions because they do not have the skills and technical know-how on how to come up with a bankable business plan (Jugend et al, 2018). Providing business plan training to SMEs improves their performance and at the same time increases their probability of accessing finance from MFIs (Wei and Liu, 2015). A business plan is also one of the key requirements by financial institutions when assessing the suitability of awarding a loan (Franco, Haase and Pereira, 2016).

In conclusion, literature review indicates that there are different microfinance products being availed by microfinance institutions in Zimbabwe, the literature indicate that loans are the major microfinance products being availed by microfinance institutions in Zimbabwe. Literature is silent on the various types of microfinance products, a gap which this study aims to fill in literature. It is not clear on whether microfinance institutions in Zimbabwe offer only

loans as a product to women owned SMEs or loans and other microfinance non-financial products.

## **2.8 The effects of microfinance financial products on women owned SMEs development.**

Micro-finance institutions provide microfinance financial products and microfinance non-financial products (Gyimah and Boachie, 2018). Microfinance financial products includes micro credits, micro savings, micro insurance, micro leasing and hire purchase (Yogendrarajah, 2014). Micro finance non-financial products include training, social capital, insurance, supervision and advice (Carter & Shaw, 2006). It was exposed from the literature that the microfinance financial aspect is much valued by most researchers while the non-financial aspect has witnessed continuous modifications in line with the researchers' contributions to the body of knowledge of entrepreneurship and microfinance as sources of finance for entrepreneurial ventures. This study focuses on both the microfinance financial products and non-financial products with respect to women owned SMEs development.

Microfinance is primarily intended to provide financial services to disadvantaged and low-income businesses through a variety of services (Desai and Shaikh, 2018). Microfinance provides access to finance which is the critical determinant factor for women owned SMEs development (Yusuff, 1995). They provide finance required by women owned SMEs to start and develop their businesses (BMS, 2013). Microfinance is recognised as an influential method to revive stressed economies (Richard, 2000). Liang et al. (2014) state that microfinance is destined to reduce poverty and foster all-encompassing growth by catering for poor populations in the informal economy (Zhao & Wry, 2014; Van Sandt & Sud, 2012). Confirmation suggests that microfinance has positive social effects such as social capital, women SMEs development, women empowerment and economic conditions (Zhao & Wry, 2014).

MFI's play a significant role in the growth of women owned SMEs through the provision of education and training in financial literacy, record keeping, working capital management, insurance, payback scheduling and inventory management. MFI's programs help small enterprises decrease moral hazard risk and help them progress along their development trajectories (Gema et al, 2018). According to Lakwo (2006), there is evidence that female borrowers are developing their financial management abilities, opening bank accounts, being more mobile outside their home and feeling proud of their ability to support the family's

financial situation. According to Vachya (2015), microfinance products have improved living standards and aided women's social empowerment.

Globally, microfinance products are viewed as having positive effects on women owned SMEs development (Novignon, 2022; Thaher, 2022; Gema et al, 2018). In Jamaica, microfinance products result in increased performance of women owned SMEs (Novignon, 2022). In Malaysia, Mohamed, Mat, and Hamed (1997) assessed the impact of social capital on women entrepreneurs' business performance. They discovered that women with diverse networks improved their business performance. In Pakistan, microfinance products have a positive relationship with SMEs development.

In their 2009 study on the factors influencing microcredit repayment in Malaysia, Roslan and Mohd (2009) discovered that gender had an impact on loan default with women having a lower default rate than men. The type of business, loan amount, repayment length and training had an impact on loan use and repayment. Training had a beneficial effect on loan repayment as seen by the higher repayment rates among entrepreneurs who got it prior to starting their businesses. Ruhaida (2006) looked into the credit outreach of microfinance institutions to Malaysia's underprivileged using annual reports of the microfinance banks. The findings indicated that microfinance loans improved women SMEs development and lowered the poverty amongst women.

In Germany, Stohmeyer (2007) investigated how non-credit microfinance elements (education and apprenticeship training) affected gender-based self-employment. Micro census Scientific Use Files from 2000, 2003, and 2004 were used to choose the respondents. The poll included 700 female and 1,224 male non-academics who created businesses as well as 886 female graduates and 1,560 male graduates who founded businesses. The field of education and apprenticeship training had a beneficial impact on the type of work, according to a hierarchical regression model. Because of their lower levels of education and skill development, women have a lower percentage of self-employment than men. In Bolivia, microfinance programs have a unique and significant place in the spectrum of women owned SMEs development and are viewed as development tools for women owned SMEs development (Vogelgesangu, 2001). Clients who received microfinance products, their businesses developed at a faster rate than those who did not. In Kosovo, microfinance products increase the performance of women owned SMEs (Shkodra, Ymeri & Ibish, 2021).

In developing countries, microfinance products improve the standard of living of women, improves gender equality and women empowerment (Aninze, El-Gohary & Hussain, 2018). In Kisumu city, microfinance products improved women owned SMEs productivity, growth and expansion. In Tanzania, microfinance products enhanced people's income, boosted capital investment, helped businesses grow and helped individuals to start new businesses (Moshia & Liheta, 2014; Kessy & Urio, 2006). For the vast majority of rural residents in developing nations, microfinance has proven to be an effective source of funding, because inadequate infrastructure makes it difficult for traditional banks to operate there (Dhakal & Nepal, 2016). In Zambia, microfinance products have caused noticeable growth on women owned SMEs (Copstake, 2000). Sound financing by MFIs normally lead to steady growth of SMEs (Kaneyama, 2001).

In Haiti, Kenya, Malawi, and Nigeria, savings, credits, and trainings were found to have a favourable influence on women entrepreneurs' income and wellbeing (UNCDF/UNDP, 2003). In Bangladesh, Indonesia, Ghana, and Mexico, savings and credits were also discovered to have favourable effects on the well-being of female entrepreneurs (Vonderlack & Schreiner, 2001). Due to their lack of education, training is a crucial non-financial microfinance product for women entrepreneurs, especially in underdeveloped nations (Ibru, 2009). Prior experience gained via education makes one more ready to engage in entrepreneurial activity (Shane, 2003). Women entrepreneurs in majority of developing countries lack prior business expertise due to lack of past paid work (Gatewood et al., 2004). Stakeholders in industry, business, and government of many countries are becoming more conscious of the need for training and supports for entrepreneurs in order to encourage entrepreneurial activity and prevent company failure (Abdullah et al., 2009). This is due to the fact that entrepreneurs can be created or trained and that the dispute over "born and made entrepreneurs" is still open (Abdullah et al., 2009).

Training and credit were found to have a favourable effect on the financial performance of Tanzanian women business owners (Kuzilwa, 2005). The success of businesses in Nigeria was found to be positively impacted by training (skill acquisition) and new technologies (Ibru, 2009). Training and health education were discovered to have a favourable impact on the profitability of women business owners in Ghana (Cheston & Kuhn, 2002). In Pennsylvania and New Hampshire, USA, it was discovered that training and social capital had a favourable effect on women entrepreneurs' firm growth in terms of annual sales revenue, start-up

investment, and future funding over a five-year period (Kickul et al., 2007). In Canada, Northern Ireland, Republic of Ireland, Czech Republic, Poland, and Japan, researchers discovered that training, social capital, and credit all had a favourable effect on the performance of women entrepreneurs (Reavley & Lituchy, 2008). With variable percentages across the nations, training, credit, and saving were found to positively affect women's entrepreneurship success and welfare in Haiti, Kenya, Malawi, and Nigeria (UNCDF/UNDP, 2003).

In Tanzania, Kuzilwa (2005) examined the effects of finance and training on business success. In Tanzania, 250 businesses were surveyed in Arusha, Morogoro and Dar-es-Salaam and from 1999 to 2000, three women entrepreneurs in Morogoro only participated in an oral interview. Data were analysed using multiple regression analysis and descriptive statistics. It was found that company success was higher for those entrepreneurs who had access to loans and training through the government's microfinance institution (National Entrepreneurship Development Fund) as evidenced by an increase in their output.

In Ethiopia, microfinance products have improved women owned SMEs's living conditions, cash savings, income for the family, child education, household food and diet, household health, business investment and decision making in their families (Novignon, 2022). Similarly, Microcredit gives Bangladesh women the authority and enhances their ability to make decisions (Barnes et al., 2001b). In Zimbabwe, it is believed microfinance institutions promotes financial inclusion (RBZ, 2020). Therefore, an inclusive financial sector enables low-income or poor households to obtain financial services and subsequently improve their risk management abilities and gradually increase their assets and development of their businesses.

According to the literature, vast majority microfinance institutions' clients lack specialized skills which prevents them from effectively using microfinance products (Karnani, 2007). In light of that, training is an essential microfinance product for women entrepreneurs because it equips them with the knowledge and experiences required to manage businesses (Akanji, 2006, Kuzilwa, 200; Cheston & Kuhn, 2002).

Although, reviewed literature indicates that microfinance institutions have positive effects on women owned SMEs development, some studies report that microfinance products do not improve women owned SMEs and do not reduce the poverty of women. Diagne & Zeller (2001) conducted a study in Malawi and reached to the conclusion that MFIs' products have

no impact on household income streams and hence have little bearing on the growth of women-owned SMEs. Investing in SMEs activities won't affect household income because the infrastructure and market for them are not established. According to several studies (Ackerly, 1995; Montgomery, 1995), using gender empowerment as an impact indicator has a detrimental effect on microcredit. When measuring women's empowerment with a "managerial control" index, it was found that the majority of married women had no say in the loans they obtained, men supervise the loans (Goetz and Gupta, 1994).

Owur (2014) examine the effect of microfinance services on the growth of women owned SMEs in RUIRU sub country. The study found a weak correlation between microcredit and women owned SMEs development.

In a study establishing the factors affecting the sustainability of growth of microfinance institutions in Zimbabwe, Manyumbu, Mutanga and Siwadi (2014) found that MFIs have had negative impact to clients and to the Zimbabwean economy in general. Respondents confirmed that MFIs products did not improve their businesses. Respondents indicated that microfinance products have a short tenure and high cost of borrowing.

Revealed literature indicates mixed findings on the effects of microfinance products on women owned SMEs development. Some studies concluded that microfinance products have positive effects on women owned SMEs development (Novignon, 2022; Shkodra, Ymeri & Ibish, 2021; Aninze, El-Gohary & Hussain, 2018; Dhakal & Nepal, 2016; Mosha & Liheta, 2014; Kessy & Urio, 2006; Kuzilwa, 2005; UNCDF/UNDP, 2003; Cheston & Kuhn, 2002) while another study found a weak relationship (Owur, 2014) and other studies concluded that microfinance products do not have any relationship with women owned SMEs development (Manyumbu, Mutanga and Siwadi, 2014; Diagne & Zeller, 2001 Ackerly, 1995; Montgomery, 1995). These results confirm a need for another study to establish the influence of microfinance products on women owned SMEs development.

## **2.9 Moderating effects of government policies on the relationship between-microfinance products and women owned SMES development.**

Many governments have implemented measures to encourage the expansion of MFIs and SMEs (Handy, Holden and Prokopenko, 2002). The relationship between microfinance institutions and the development of SMEs including those owned by women is moderated by

the government through a variety of laws. Through prudential and non-prudential rules, the government controls the interaction between microfinance institutions and SMEs. While non-prudential regulation focuses on objectives like consumer protection and is comparable to rules that apply to other firms, prudential regulation focuses on enhancing institutions' financial health. These objectives are described below.

### **2.9.1 Objectives of the government when they regulate the relationship between microfinance institutions products and SMEs development**

According to Muiruri, (2021) government regulates the relationship between microfinance institutions and SMEs development and try to address the following objectives:

#### **2.9.1.1 Protection of depositors.**

Depositors are shielded from shady microfinance practices by government policies. Through some policies, the government safeguards depositors so that in the case of failure, depositors are not harmed. By preventing depositors from losing their money to deposit taking microfinance organizations, the Reserve Bank of Zimbabwe in the case of Zimbabwe moderates the interaction between the government and microfinance institutions. According to Christen and Rosenberg (2000), financial institutions are regulated to protect small depositors from losing their savings in the event of insolvent. In support, Nzaro et al. (2013) claims that regulations are essential as they guarantee that the financial system won't be unstable due to loss of confidence as a result of insolvency. Depositors are also protected from entities that appear as MFIs but act dishonestly; otherwise, a pyramid scheme can pretend to be an MFI in order to perpetrate fraud. Therefore, there are reasons to oversee and regulate MFIs that accept public deposits.

#### **2.9.1.2 Protection of borrowers.**

The government through its policies regulates the interest rates which are charged by microfinance institutions. In most cases MFIs have high costs and they would want to pass that as high interest rate to customers. This is especially rampant in areas where microfinance institutions are monopolies. In such situations, if microfinance institutions are not regulated, they may end up charging higher interest rates which affects SMEs. Higher interest rate means the higher the cost of money. There, the government regulates the interest rates charged by microfinance institutions through their monetary policies.



### **2.9.1.3 Protection of the financial system.**

When an MFI borrows a significant amount of money from commercial banks or other financial institutions, or when the failure of the MFI is likely to raise (possibly unfounded) concerns about the soundness of the system as a whole, the financial soundness of the MFI can have an impact on the state of the financial system as a whole. This is the traditional justification for more regulation of the financial sector than other industries. However, as the institutions involved tend to be small in comparison to the normal banking system, the implications of MFI failures are probably of little significance in most instances. But certain MFIs have the potential to grow to be large in size. Additionally, the failure of a dishonest MFI can undermine public confidence in other financial institutions. In addition, the failure of a fraudulent MFI could affect the public's trust in all financial institutions.

### **2.9.1.4 Promotion of the MFI sector.**

Governments regulates microfinance institutions to promote the development of the MFI sector. Proper regulations of MFIs enable them to attract more deposits from the public and obtain financing at a lower cost. Regulators for example in Zimbabwe, the RBZ, mandate MFIs not only to lend for consumption but also to lend for businesses. This makes the micro finance sector to grow.

### **2.9.1.5 Protection of public funds.**

Regulation and oversight of MFIs may be motivated by two different factors to protect public funds. When public money was used to create an MFI, the government is responsible for ensuring that management and business decisions are of a high standard, much like any large shareholder would be. The second situation is one in which either explicit or implicit deposit insurance covers the MFI's liabilities. In order to reduce moral hazard and properly price deposit insurance, governmental regulation is thus required as a result of public policy regarding deposit insurance.

### **2.9.1.6 Financial inclusion**

Government policies through policies enhances financial inclusion of women and the general populace. Though there are various definition of financial inclusion in the literature, the common theme in the use of financial inclusion is access to credit, savings and payment services to everyone (Wu, 2005). United Nations (2007) defines financial inclusion as access to credit, saving and payment services to everyone. Relatedly, Fiallos and Wu (2005) views financial inclusion as the process of ensuring that vulnerable groups such as women and low-

income groups have timely and adequate access to financial services at a reasonable cost. Similarly, Basavaraja (2009) defined financial inclusion as the provision of banking services to disadvantaged and low-income people at a reasonable cost. Financial inclusion includes the following aspects shown on figure 3.1 below:

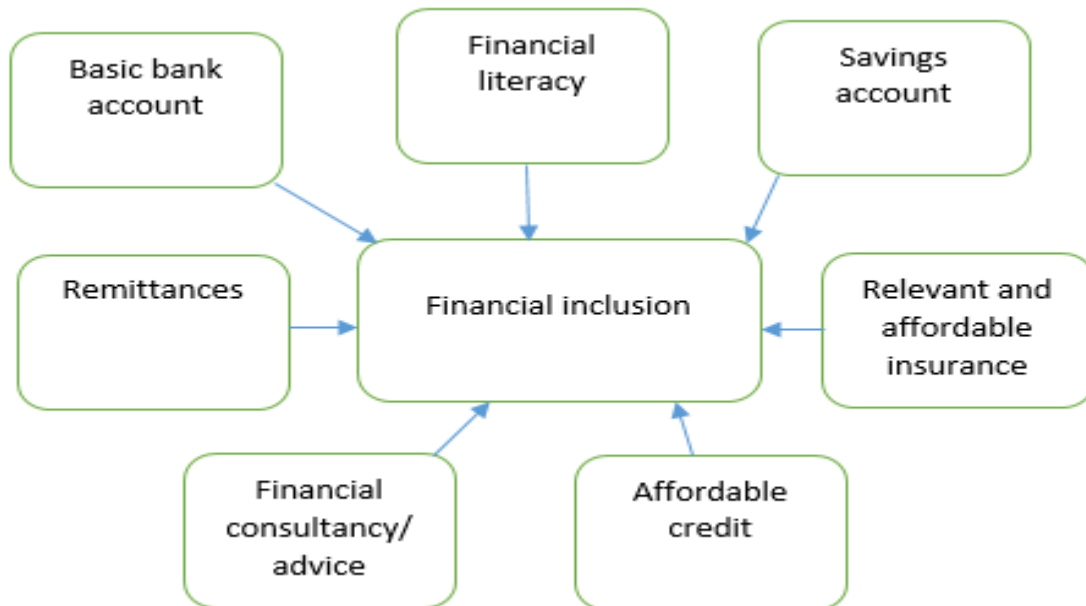


Figure 2.1: Financial Inclusion: Source: ZNFIS 2016-2020

Figure 2.1 above indicates that the government of Zimbabwe focuses to improve financial inclusion of women through financial literacy, opening of savings accounts by women, availing affordable credit to women, financial consultancy, increase in remittances from the diaspora and availing of relevant affordable insurance (*ZNFIS 2016-2020*). The National Financial Inclusion Strategy (2016-2020) seeks to escalate financial inclusion levels in the nation through interventions targeted at reducing the barriers to financial inclusion for identified priority segments that include MSMEs, women, youth, and rural and smallholder farmers. See appendix C for the interventions being undertaken by the government of Zimbabwe to reduce financial barriers faced by women.

### 2.9.2 Effects of government policies on the relationship between microfinance programs and women SMEs development

The effects are grouped into positive effects and negative effects.

### **2.9.2.1 Positive effects of government policies**

#### **2.9.2.1.1 Limits the growth of informal sources of credit**

The government enacts policies which regulates the operations of microfinance institutions (RBZ, 2020). This prohibits the proliferation of informal sources of finance who operate as money shacks and affects the reputation of registered microfinance institutions and charges exorbitant process to clients. The government through various pieces of legislation regulates the operations of those in the financial sector. This puts sanity in the industry.

#### **2.9.2.1.2 Enhances financial deepening.**

The International Monetary Fund (2015) defines financial deepening as the whole process through which financial markets offer services that permit the interchange of products, services, savings, and investments effectively and efficiently. Building and expanding institutions, tools, and markets that enable this investment and growth process is necessary (Fitzgerald, 2006). The government encourages financial deepening through its programs such as financial liberalisation (Demetriades & Andrianova, 2004). Financial liberalisation produces more financial resources for an economy (World Bank, 2005). More openness and the lifting of capital restrictions accompany financial development which increases competition in the microfinance sector (Demetriades & Andrianova, 2004). Financial liberalization increases the effectiveness of financial institutions, giving investors more options, allowing them to diversify their holdings and lowering risks (Fitzgerald, 2006). Large pools of private savings that would otherwise be idle can be introduced into the financial markets.

#### **2.9.2.1.3 Ensures availability of safe, appropriate and affordable credit.**

Low-income groups, especially MSMEs, are unable to obtain credit due to lack of required collateral such as immovable property which is required as security by mainstream lenders (financial institutions). As a result, these economic agents are left with "dead capital" in the form of movable assets that they can't use as collateral. The construction of a collateral registry has been shown to help low-income groups to leverage their transportable assets to receive financing in other countries.

A crucial aspect of effective economic development initiatives is ensuring that women entrepreneurs have adequate access to financial resources. Policymakers have long recognized that women entrepreneurs who are unable to meet their financing demands must settle for less-than-optimal growth options. Entrepreneurs are forced to forgo opportunities to boost their

productivity, income, and well-being when they are unable to make the necessary upfront investments or take on greater risk (Boucher et al., 2008, and; World Bank 2008a).

If they have access to well-designed credit, savings, and insurance services, women business owners can employ money to pay for their supplies, labour and machinery they need to make a profit. They can effectively access markets, invest in riskier but more lucrative businesses and asset portfolios, and employ more effective techniques to control their food consumption (Zeller et al., 2017).

The function of the government cannot be restricted to providing low-interest loans to the poor. It is their responsibility to establish a legal environment that benefits them. Private moneylenders are viewed as monopolists who regularly take advantage of the poor (Armendariz de Aghion and Morduch, 2005). Moneylenders have a local monopoly because potential rivals are unable to enter the market due to asymmetry in information (information) and relationships. High interest rates continue to worry governments today. This issue transcends Zimbabwe.

#### **2.9.3.1.4 Higher productivity**

Policymakers have examined and concluded that strengthening financial systems is a key component of the development agenda for economic and social advancement which lead to increased productivity in all sectors served (Mankiw et al, 2011). Millions of people are being shut out of formal financial institutions around the world, resulting in the loss of deposits and savings as well as investable capital and the global economy's ability to build wealth. Policymakers are attempting to reduce financial inclusion delinquency by loosening regulations to ensure that everyone is financially included, and it is widely recognized as capable of stimulating loan creation and capital accumulation, hence increasing investment and economic activity (Khan, 2015).

#### **2.9.3.1.5 Increased economic growth and development**

The advancement of financial inclusion has recently piqued the interest of the entire world. Individuals and enterprises with financial inclusion have access to useful and cheap financial products and services that fulfil their requirements supplied responsibly and sustainably (Zhu et al, 2018).

#### **2.9.3.1.6 Facilitates smoothening of consumption by the low-income households**

Consumption smoothening is the process of maximising the standard of living by maintaining a healthy balance of spending and savings throughout our lives. Though some argue that microfinance does not effectively pull individuals out of poverty, others argue that providing a mechanism to smooth consumption through difficult times has proven to be effective (Gruber, 2016). This is consistent with the theory of declining marginal utility, which holds that persons who have previously suffered in severely low-income countries desire to prepare for the next time they face adversity. This leads to support for microfinance as a method to smooth consumption, with individuals in poverty valuing microloans highly due to their extremely high marginal utility.

#### **2.9.3.1.7 Mobilization of financial resources from the informal sector**

Collecting taxes from the informal sector is clearly a challenging task, but the potential benefits justify considering incentive methods that encourage people to pay their taxes. The government plays an important role through mobilising income from the informal sector which they use for the provision of facilities for women.

#### **2.9.3.1.8 Increase in employment levels**

Financial inclusion is a multi-faceted notion that includes not just access but also utilisation and quality. As a result, comprehensive understandings of financial inclusion take into account service availability and accessibility, frequency of usage, as well as the suitability and quality of financial solutions for people of all income levels (Kull, 2015). This provides information on how women can have access to financial goods particularly loans, in order to start their own enterprises and create jobs. A completely effective financial system for clients should provide easy access to information about available products and their terms. The system should also include regulations to safeguard consumers from being duped or exploited.

#### **2.9.3.1.9 Enhances financial stability**

Financial stability refers to the ability of the financial system to accomplish its three key functions satisfactorily at the same time (Mishkin, 2018). First, the financial system is making the intertemporal allocation of resources from savers to investors, as well as the distribution of economic resources in general more efficient and seamless. To achieve this motive the government put in place ministries which are accountable for the distribution of resources to women so that everyone benefits and be able to start their businesses and also to have access to the financial resources. Second, financial risks in the future are being identified and priced

rather properly, and they are being managed reasonably well. Third, the financial system is in such good shape that financial and real-world economic surprises and shocks can be absorbed pleasantly, if not smoothly.

### **2.9.2.2 Negative effects of government policies**

The government has put in place the policies with the intention to benefit both the women entrepreneur so that the economy will grow. However, there are some negatives which came along with these policies.

#### **2.9.2.2.1 Poor Connectivity**

Because technology has become such a key enabler of access to financial services, many areas of the country with weak connectivity have been left behind in assuring access to financial services, resulting in a digital divide (Sinclair, 2013). Technology may be the most effective link between financial service providers and last-mile customers. Fintech firms may be one of the most effective ways to address this problem. Improving tele and internet connectivity in the rural hinterland, as well as attaining connectivity across the country, is a major problem that must be overcome.

#### **2.9.2.2.2 Implications for pro-cyclicality**

In periods of prosperity, countries with greater financial inclusion tend to have higher levels of financial intermediation credit booms and higher levels of local economic activity, both of which are beneficial to the economy (Simbanegavi, 2014). However, in difficult circumstances, such as a recession or a crisis, everyone will be impacted by their active participation in the financial sector. Credit will be scarce in difficult times, resulting in low levels of local economic activity and high unemployment, both of which are detrimental for the economy and for women entrepreneurs (Zins and Weill, 2016).

#### **2.9.2.2.3 Systematic risk**

Because there will be full integration between the informal and formal financial sectors once full financial inclusion is realized, it has implications for systematic risk (Fonte, 2012). A payment system failure, for example, will have a contagion effect and spill over into the informal sector, hence raising systemic risk in the financial system (Evans, 2018).

#### **2.9.2.2.4 Moral hazard problem**

Because the policies were created in order for everyone to be financially included, it means that anyone can enter the formal financial system, including evil persons who want to swindle vulnerable and poor people (Chikalipah, 2017).

In conclusion, although the policies implemented by the government to the MFIs and women owned SMEs had a greater positive impact on how they would operate and also that everyone should be able to benefit, it also had some negatives though to a lesser extent.

#### **2.10 Typologies of businesses mainly pursued by women.**

Women's Owned SMEs has been identified as a significant untapped source of economic growth and development for all people (Roy, 2017). Women owned SMEs play an important part in the development trajectory of an economy (Simuka, 2021). Specifically, they contribute in terms of employment creation, production, contribution to exports & facilitating equitable distribution of income among citizens. Tsarwe (2014) highlighted that the future growth of the Zimbabwean economy has been anchored by policy makers on the establishment and growth of women businesses. Finscope (2012) indicates that 58% of Micro Small and Medium Enterprises in Zimbabwe are women owned and Mashonaland west province has 52% of women who are financially included. ILO (2017), majority of women SMEs in Zimbabwe are operating informally. Women in business started as early as 1980 (ILO, 2017). In 1980, it was estimated that out of six persons selling wares at the Mbare Musika, 5 were in favour of women. Majority of women are involved in low hanging fruit opportunities normally associated with quick returns (ILO, 2017). This has been caused by a continuous challenging economic environment. According to ILO (2017) more women are venturing into buying and selling and less into manufacturing activities which at times require significant startup capital.

Women owned SMEs are widely involved into businesses such as retail, minor trading and other services viewed as less crucial to economic development and growth than high-tech, capital-intensive and manufacturing businesses (Rao et al, 2018). In Zimbabwe, 75 % of women in the labour force are operating their own businesses (ZEPARU, 2016). Women normally pursue businesses in the agricultural sector, the mining sector, food sector, construction and property, energy and minerals, manufacturing, trade and services, transport and distribution (Nhuta & Mukumba, 2017). Female entrepreneurs normally start businesses in industries where women have traditionally been economically involved (Munyoro and Chirimba, 2017). Globally, majority of women operate businesses in wholesale and retail

commerce, hotels and restaurants and services (McManus, 2018). This is attributed to low hurdles which are incurred in these types of businesses. Women entrepreneurs normally choose business types which have lower risks, low entry threshold and little financial risks (Regering skansliet, 2016).

Women in Zimbabwe concentrate on the following types of businesses as revealed by ILO (2017)

### 2.10.1 Cross-border trading.

Cross-border trading is one of the oldest informal economic activities in an independent Zimbabwe. Women are involved into cross border trading selling crocheted items (doilies-madhoiri). Countries normally visited depends on the city or town of women owned SMEs as shown on Table 2.5 below:

Table 2.3: Cross Boarder Trading Countries

City/Town	Cross Boarder Destination
Harare/Chitungwiza	Tanzania, Zambia, South Africa, Botswana
Bindura	South Africa, Zambia
Chinhoyi	Zambia
Chivhu	South Africa
Bulawayo	South Africa, Botswana
Mutare	Mozambique, Zambia, Tanzania
Marondera	Mozambique, South Africa
Masvingo	South Africa
Zvishavane	South Africa, Botswana
Gutu	South Africa
Gweru	South Africa, Botswana, Zambia

Source: ILO (2017)

Based on the table 2.3 above, South Africa appears to be the most frequently visited country by women cross boarder traders followed by Zambia and Botswana. In most cases after selling items in these countries, women buy electrical goods which they bring back to Zimbabwe for resell (ILO, 2017). Home, car boot sales, and flea markets are where the majority of these products are sold. The study's findings demonstrated that geographical location affects the source of business (destination) for cross-border traders. Figure 2.2 displays the many kinds of



goods that female cross-border traders purchase from other nations to resell in Zimbabwe.

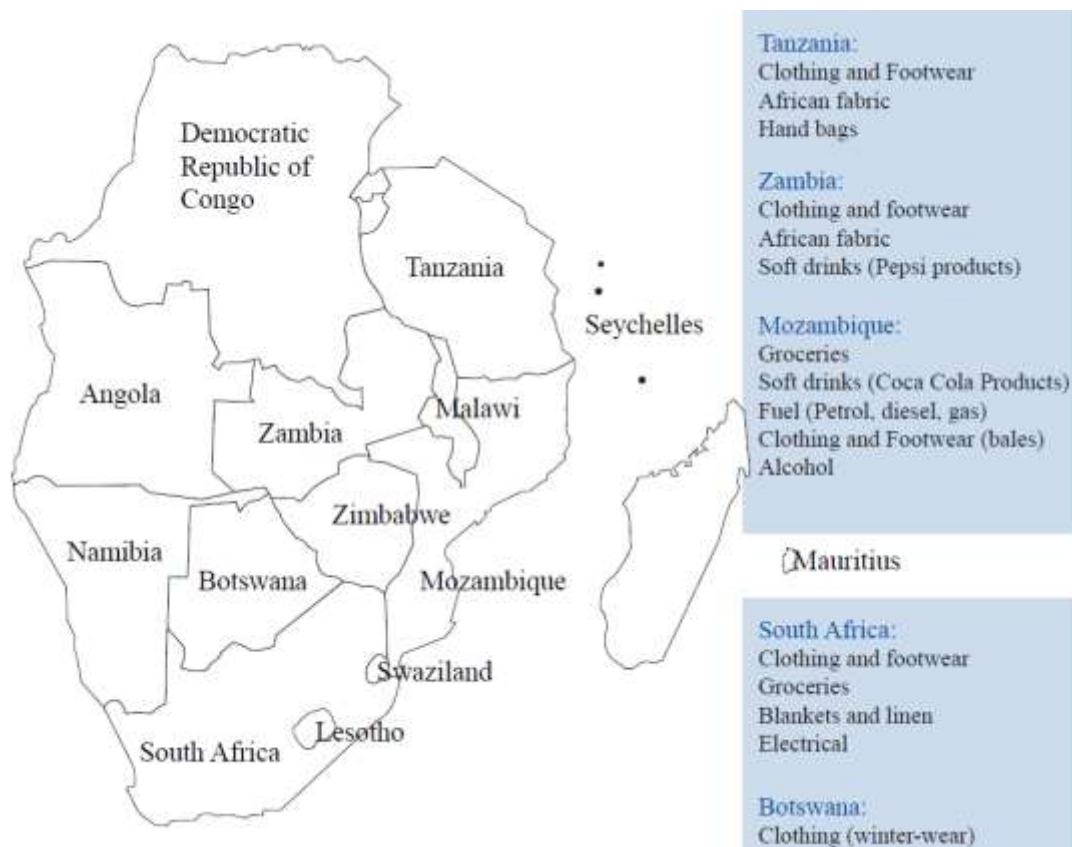


Figure 2.2: Merchandise obtained from country of destination

Source: ILO (2017)

### 2.10.2 Vending

Vending involves food vending and fruit vending. Majority of women are into food vending particularly in most cities. This business has been viewed as a profitable business by women. With a profit of at least US\$20.00 each day, the daily takings vary from US\$40.00 to US\$60.00. This is typically greater than the national minimum wage, which is about US\$350 per month on average. Due to this, food providers are now authorised to hire at least two employees to help with both cooking and customer service. Three categories are used to categorize food vending businesses. Small restaurants that operate takeout are among these kinds. They primarily sell food out at the back of their cars in the central business districts (CBDs) of towns and cities. They prepare the food at home and sell it out of the trunks of their cars in key areas, usually at neighbourhood shopping centres, growth hotspots and in front of businesses. The second group is the one which set up shops at work places. They set up their cooking stations at the clients' workplaces by bringing food supplies and cooking gear. Typically, this is common in mining locations (artisanal mining). The fruit and vegetable vending group comes

last. According to ILO (2017), 63 percent of women in Zimbabwe work as fruit and vegetable vendors. This is because starting a business of this nature is simple and requires little money. The majority of those involved in the industry make low-end incomes and struggle to make ends meet. Males predominate in the candy and chocolate vending industry. The vending locations are typically in the suburbs where the women live and in the CBD area.

### **2.10.3 Agriculture**

Women in Zimbabwe are more into agricultural activities. In urban areas, women concentrate on poultry rearing and selling, in rural areas women are more into market gardening focussing on tomatoes, potatoes, onions and vegetables.

### **2.10.4 Retail**

In 1990s, the focus was mainly on manufacturing, but as the millennium goals has changed, majority women from the informal economy are gradually migrating into the retail sector. This is a result of the retail sector's quick returns and the decreased requirement for start-up capital. In their back yards and in the neighbourhoods where they live, women have started tuck shops. They acquire in bulk from distributors and sell in their neighbourhoods or surrounding suburbs. Some of the women stated that they purchase their supplies from cross-border traders since they are frequently less expensive. Food items are now also being sold on the streets, particularly in the central business district of Harare. Women also work for multinational companies including Ivory Shlain, Avon, Tupperware, Table Charm, Ocean Perfume and Angels, among others. Women sell imported cosmetics from Tanzania and South Africa in the retail sector. Some women work in the seafood industry as well. Women who are near water sources typically do this. Some people purchase large quantities of fish from both licensed and unregistered fishermen and resell it in their neighbourhood or on the streets of their towns and cities.

### **2.10.5 Service sector**

Majority of women in Zimbabwe are now focusing on the service industry. This is due to the fall of the manufacturing industry. Women are into businesses such as hairdressing, domestic services and wedding decoration services.

### **2.10.6 Manufacturing**

Majority of women who are in the manufacturing industry have diversified their businesses. They are into lotion manufacturing, floor polish, industrial and household detergents. In Zimbabwe's high-density suburbs, women are viewed as the suppliers of these products which are viewed as expenses in formal markets. In the manufacturing industry, women are also involved into the sewing and knitting business. It's interesting to note that more women have entered traditionally male-dominated fields like furniture making, welding, and brick moulding. Women are into these businesses because they offer them more pay. Zimbabwean women are also interested in traditional beer brewing. The regulations established by the regional traditional authorities determine the type of beer that is made. Traditional beers such as chi-one day and kachasu have been permitted for brewing, in contrast to other leaders who only permit villagers to make opaque beer (chi-seven days) (illegal brews). Interestingly, women are now participating in traditionally male-dominated industries like clay moulding and sculpture.

### **2.10.7 Mining and Stone Quarrying**

According to an ILO (2017) some women are now employed in artisanal mining and stone crushing. Women and children make up around 30% of the nation's artisanal miners, according to the Zimbabwe Artisanal and Small-Scale Mining Council (2020). This demonstrates a rise in the number of women working in the field. There has been a surge in the number of women working in the traditionally male-dominated industry of stone crushing, particularly in Chitungwiza and Chinhoyi. According to those interviewed, even if it is painful and arduous, it is a trade that is generally less expensive to enter. All that is required is a hammer, some nearby rocks to gather and some physical rock crushing to produce three-quarter stones for sale. This is now a successful industry because of the surge in residential home construction in most major cities and towns. But this practice has a substantial risk for both health and safety. Some of the women lamented the lack of financial institutions' loan options, saying they would have purchased stone-crushing equipment to reduce the stress and boost output and salaries.

### **2.10.8 Multiple sector traders**

Women in Zimbabwe are working numerous occupations in the informal market, which puts additional strain on their role in the economy, according to the ILO (2017). This is done to spread out the risk and add to the income. They work in a variety of industries, including cross-

border trading, vending, raising chickens and market gardening. The list of enterprises operated by women in Zimbabwe is summarized in Table 2.3 below.

Table 2.4: Summary of businesses being pursued by women in Zimbabwe across cities

City/Town	Main Activities
Bulawayo	Selling second hand and new clothes Selling cosmetics and hairdressing Cross boarder trading
Harare	Vending Selling second hand and clothes Selling of basic commodities
Chitungwiza	Brick moulding Stone crushing Selling second hand and clothes
Gweru	Vending Cross boarder trading Selling new and second hand clothes
Masvingo	Cross border trader Selling groceries Vending
Mutare	Cross border trading Selling second hand and new clothes Selling of drinks and mineral water
Bindura	Vending Hairdressing and selling cosmetics Poultry keeping
Zvishavane	Poultry keeping Cross boarder trading Vending
Gutu	Small scale farming and market gardening of tomatoes and vegetables Vending Poultry and livestock keeping
Marondera	Cross border trading Selling groceries Selling second hand clothes, footwear and new cloths
Chivhu	Vending Small scale farming and market gardening Selling groceries
Chinhoyi	Buying and selling of furniture Cross border trading Market gardening and selling produce

Source: ILO (2017)

Although literature indicates the types of businesses being pursued by women in Zimbabwe, the information indicates that majority of these studies were undertaken some years back and

the situation might have changed, hence the need to conduct another study to close the gap. In addition, the studies concentrated on towns and did not cover the rural areas of Mashonaland west province, hence the need to establish the typologies of businesses being pursued by women SMEs in Mashonaland west province.

### **2.11 Barriers to accessing microfinance financial products by women SMEs**

Women-owned SMEs have access to financing when they can easily access financial goods such as deposits, loans, insurance and equity products (Chowdhury, 2017). In layman's terms, this indicates that women-owned SMEs have open access to lenders physically and without obstacles. The greatest issue affecting women-owned SMEs around the world is access to financing (Ghosh et al. 2017; Bamfo & Asiedu-Appiah 2012). Many SMEs in Sub-Saharan Africa are unable to operate into their second year due to lack of assistance from traditional banks and the government (Biepke, 2004). Globally, the biggest constraint affecting women owned SMEs from accessing microfinance products are more similar to the constraints faced by MSMEs (Sigh, 2021). However, women SMEs by their very nature faces barriers to accessing microfinance products which are to some extent unique (Bennett et al, 2017). These barriers include demand barriers, supply side barriers and regulatory barriers.

#### **2.11.1 Demand side barriers**

Demand barriers are barriers emanating from women SMEs themselves. This occurs normally when financial institutions avail products but off takers fail to use the services (Kumar, 2019). In this case, this entails a situation where microfinance avails microfinance products but women SMEs fail to take up the products.

According to Kumar (2019), unawareness of the existing products is the most common demand side barrier to accessing microfinance products. Due to unawareness of microfinance products, women owned SMEs do not request for those products. Unawareness may be caused by lack of publicity and less financial literacy level. Financial literacy is a set of abilities, information, attitudes, and behaviours that are necessary to make wise decisions with money and ultimately attain individual financial wellbeing (OECD, 2013). The word financial competence aptly describes the idea of financial literacy. Financial incapacity is defined as the primary knowledge, skills, attitude, and behavioral barriers to better adoption and utilization of suitable financial services by individuals and MSMEs (Ardic, 2018). It requires possessing the necessary financial capacity, knowledge, and experience (World Bank, 2014). Financial

knowledge is the understanding of various financial goods offered by financial organizations as well as financial concepts (ibid).

Financial skills such as the capacity to compute interest rates and payments are necessary to be financially skilled (ibid). Financial capability is a wider concept which enables individuals and businesses to use financial products to their best interest (ibid). SMEs may experience difficulties with financial literacy, affecting their capacity to evaluate and comprehend the range of financial products available, which could impact their demand for the good.

Lack of financial literacy influences how women-owned SMEs prepare and present financial statements, which raises the perceived risk of women-owned SMEs to microfinance institutions. Additionally, SMEs operated by women find it difficult to navigate the challenging application process due to inadequate financial knowledge (Kumar, 2019). According to OECD (2013), a lack of financial literacy and awareness is frequently cited as the main barrier limiting women from acquiring financial products from microfinance firms. In many nations, women are also less self-assured and financially literate than men (ibid). Women in Zimbabwe have lower levels of financial literacy, which makes it more challenging for them to navigate the credit market, according to The RBZ (ibid). Additionally, it is claimed that women tend to have short or bad credit histories, inadequate or missing financial documents, minimal savings, and unreliable and subpar business records. These factors contribute to the reduction of such enterprises' credit appeal.

Majority of women lack adequate collateral security, such as title deeds, which are required by most MFIs and financial institutions such as banks (World Bank, 2014). The needed collateral is usually a fixed asset in the form of a land title deeds. Traditional property rights, which are skewed against women, especially women-owned SMEs, exacerbate the lack of collateral (Ghosh, 2018). Women's ability to obtain formal and cheap credit is hampered by lack of collateral and credit history. When assessing the chances of loan payback, banks have historically taken a risk-averse approach to small businesses, with an attendant inability to focus on the venture's income-generating potential. As a result, despite significant progress in lending to SMEs, banks remain hesitant due to the fact that many of these enterprises lack collateral security or asset records. Collateral security is one of the most common conditions for accessing loan facilities. In Kenya, (Waita, 2012) indicates that lack of collateral is the major barrier affecting women SMEs from accessing microfinance products. In Zimbabwe, Mashonaland

west province, Mhishi and Pakingura (2012) indicated that lack of collateral is the major barrier affecting women SMEs from accessing microfinance products. Equally, in Bindura, Kurebwa (2020) reported that lack of collateral amongst the poor, their demand for smaller loans, and high transaction cost associated with small loans are the main factors affecting women owned SMEs from accessing microfinance products.

According to Martinez et al. (2017), income inconsistency is another barrier affecting women owned SMEs from accessing microfinance products. Nenadovic et al. (2017) reported that women's unpredictable income is a major reason why most women have difficulties in accessing banking products and services. They have low, irregular income and numerous cash flow problems (Nenadovic et al, 2017). This makes microfinance institutions and banks hesitant to offer them microfinance products.

The primary barrier to accessing financial products by women owned SMEs is lack of trust in formal banking institutions (Bhuvana, 2016). This is caused by negative experiences and perceptions about financial institutions (Shankar, 2016). Due to lack of trust, women owned SMEs are reluctant to access microfinance products.

Culture is another demand side barrier to accessing finance by women SMEs (GPFI/IFC, 2011). Culture can constraint the opportunities available to women. At times women are expected to take care of the family as a social role, this role affects the time they devote to business. This may affect the incentive to grow the business which affects their ability to access financial products.

The tendency for women entrepreneurs to operate small businesses is also a barrier affecting them from accessing financial products (Hudley, 2001). Firm size has an important influence on both company performance and credit-worthiness. The types of businesses women are more likely to operate affects their ability to access financial products.

Negative attitudes towards microfinance institutions is another barrier affecting microfinance institutions from accessing microfinance products. Women entrepreneurs' attitude towards micro-finance results from poor level of acceptance and lack of confidence on sustainability of the micro-finance institutions and services due to poor loan administration (Okpukpara, 2009), difficulty and long process in accessing loan (Lawal et al., 2009; Olomola, 2002). It also

depends on their appraisal of the possible effect of the loan on their business operations (Cheston & Kuhn, 2002; Fernando, 2006; Karnani, 2007).

While some studies (e.g. Fernando, 2006) indicated that most women business owners had negative attitudes toward microfinance as a tool for improving business performance and subsequently family well-being, other studies indicated that women business owners had positive attitudes toward microfinance (e.g Asikhia, 2009; Khandker, 2001). Baron and Kenny (1986) claim that such circumstances need the use of a moderator.

Fernando (2006) argued that women entrepreneurs have negative attitude towards micro-finance due to the several myths inherent in micro-finance. For instance, it is generally believed that micro-finance does not require collaterals but the micro-finance institutions take custody of the compulsory group savings. It is also assumed that microfinance empowers women entrepreneurs but this is at the expense of their forgone household responsibilities, especially in their effort to repay loans. Low interest rate on loan does not really exist because the interest on micro-finance loan is even higher than that of the conventional banks, and the fact that micro-finance banks withhold a certain percentage of the loan as a guarantee against loan defaults. It is erroneously believed that loan repayment means increase in income or good business performance whereas group members usually bailout a member who could not repay her loan on time due to poor business performance. Fernando (2006) concluded that micro-finance should be considered a temporary measure for women empowerment or poverty reduction and not a cure for it.

Karnani (2007) argued that micro-finance does not lead to women entrepreneurs' business performance and wellbeing due to their low level of education, rather the government should build more industries to create jobs for the women. Micro-finance to the women should be used in conjunction with other poverty intervention programs by the government (Karnani, 2007).

Again, Lakwo (2007) found a weak positive relation between credit and women entrepreneurs' business performance in Uganda especially on asset acquisition; though a strong relation on empowerment. The study of Lakwo (2007) provided an inconsistent result compared to previous studies.



On the other hand, Asikhia (2009) who saw attitude towards micro-finance as entrepreneur's perception or knowledge, feeling or emotions, and will or behavior tendencies towards micro-finance institutions' services found a significant positive relationship between the small business owners' expectations of their micro-finance banks and present relationship, and a significant relationship between their expectations and future decisions. These significant relationships meant that most small business owners who are not enjoying expected service delivery presently with their banks are not enjoying good relationships and are likely to leave such micro-finance banks in the future (Asikhia, 2009).

In the same vein, Khandker (2001) found that micro-finance raised the income and consumption of the participants, mostly women, in Bangladesh thereby raising their wellbeing or standard of living. He added that though poverty still persisted but that should not be blamed on micro-finance, rather other poverty reduction strategies should be adopted by the government to reduce poverty in Bangladesh.

Again, Tata and Prasad (2008) also concluded that a strong positive relation exists between opportunity for collaborative exchange and women entrepreneurs' business performance, in USA for example. Antoncic (2006), in Slovenia for example, found a strong positive relation between opportunity for entrepreneurial activity and entrepreneurship performance. A strong positive relation was also found between microfinance factors and entrepreneurs' performance in Ghana, Nicaragua and Kenya respectively (Cheston & Kuhn, 2002; Martin, 1999; Peter, 2001).

These studies revealed inconsistent results regarding women entrepreneurs' attitude towards micro-finance. Baron and Kenny (1986) suggested that when there is a weak or inconsistent relation between predictor and criterion variables, then a moderator is necessary. Therefore, the use of attitude towards micro-finance as a moderator in this study is justified. Given the above trend in the literature, it is arguable that women entrepreneurs' ability to exploit entrepreneurial opportunities, provided by the environment and aided by micro-finance, to achieve business performance depends on their attitude towards micro-finance. That is, the ability of an entrepreneur to utilize the micro-finance factors to start or expand business in order to achieve business performance depends on her attitude towards micro-finance. Therefore, attitude toward micro-finance could moderate the relationship between micro-

finance factors, opportunity for entrepreneurial activity and women entrepreneurs' business performance.

### **2.11.2 Supply side barriers**

Supply side barriers are barriers emanating from microfinance financial institutions. They are divided into market driven barriers, regulatory restrictions and infrastructure constraints (Abu and Ezike, 2012). The supply side factors also constrain the SMEs from accessing financial products and services. These factors are beyond the control of owners and only could be alleviated by policy makers, government policies and public support (Ghosh et al, 2018). Women owned SMEs are prohibited from accessing microfinance products because of higher interest rates charged, demand for collateral and lack of convenient institutions for accessing microfinance products (Hasanova, 2017). For women entrepreneurs, the distance to a bank branch is a frequent supply-driven restriction (Hasanova, 2017).

According to Kumar (2019), the most frequent barrier in rural areas is the distance to the nearest financial institution since most bank branches are located in growth points which in most cases are far from some clients. Thus, it becomes quite challenging for them to visit the bank.

Most women owned SMEs do not have the required credentials such as identities or proof of residence required by official banking institutions when processing loans (Shankar, 2016). Regulators require banks to complete adequate identity verification before opening accounts (Syed, Muzaffar and Mina, 2018; Eigbiremolen and Anaduaka, 2014; Babajide, 2012). Genuine clients may be denied access as a result of these regulations. Poor regulatory frameworks limit the number and quality of financial products and services available to the poor (Maanen, 2016).

According to Brush (1992), women are frequently categorized as "risky" borrowers who are less creditworthy than men, which makes it challenging for them to obtain the money that their enterprises requires

### **2.11.3 Regulatory and infrastructure barriers**

Regulations are typically defined as the imposition of rules and laws by the government in order to govern those under them (Ebimobowei, Sophia and Wisdom, 2012). Whoever breaks some of the rules and regulations faces some punishments and penalties that are intended specifically to modify the economic behaviour of individuals and firms in the private sector

(Wairimu and Mwilana, 2017). These include weak consumer protection, lack of acceptable collateral,

## **2.12 Theoretical literature**

This study was informed by the Model of Entrepreneurial process, the entrepreneurship theory, the resource-based theory, perking order theory, financial systems model and lastly the women empowerment theory.

### **2.12.1 The Model of Entrepreneurial Process**

Shane (2003) developed the entrepreneurship model or process which consists of opportunity detection, opportunity evaluation and the decision to exploit the opportunity. Self-employment, business operations and performance are other elements in the Shane's model. In addition, the theory has four operational measures namely profitability, growth, survival and initial public offering. Survival denotes to perpetuation of entrepreneurial activity while growth entails the increase in the businesses 'sales and employment. Profitability refers to revenue surplus over cost while initial public offer refers to the sale of stock to the public (Shane, 2003).

The organization or external environment creates opportunities for those entrepreneurs who are able to recognize them to launch or improve their firms, which will ultimately increase their welfare (North, 1990; Shane, 2003). The capacity of entrepreneurs to recognize and seize such business opportunities varies. Additionally, it depends on their capacity for information access and disposition toward taking risks (Shane, 2003).

Individual characteristics have an impact on the identification of entrepreneurial opportunity, claims Shane (2003). It includes psychological and demographic elements such goals, attitudes about microfinance, education and training, work experience, age, and social position (Shane ,2003). Entrepreneurial opportunity discovery is also impacted by changes in the business environment, such as those in the economic, financial, political, legal, and sociocultural spheres.

Examples of factors that may influence the finding of an entrepreneurial opportunity include the entrepreneur's income level, the availability of capital, political stability, rules governing private enterprise and property rights, and the entrepreneur's desire for increased social standing. Industry type has an impact on opportunity discovery as well. Entrepreneurs are more drawn to industrial areas including distribution, manufacturing, agriculture, catering, and business services (Brana, 2008; Carter & Shaw, 2006; Gatewood et al., 2004; Riding, 2006;

Shane, 2003; Stohmeyer, 2003). The concentration of industries in a particular location could also influence discovery of entrepreneurial opportunity by those in that location (Shane, 2003).

Another step in the entrepreneurial process is evaluating the recognized business opportunity. A wise choice made at this stage results in the choice to take advantage of the opportunity (Shane, 2003). The entrepreneur's intention determines whether they will take advantage of the business opportunity, and Shane (2003) states that the appropriate indicator of entrepreneurial decision-making is intention that results in the recognition of business opportunities.

Utilisation of the opportunity is influenced by the entrepreneur's education, work experience-related skills or expertise, social networks, credit, and cost-benefit analysis of the company (Shane, 2003). Exploiting the opportunity results in the search for microfinance components, or resource acquisition. The acquisition of resources may also present a chance for entrepreneurial action, such as the start of a new company or the growth of an existing one. Profit performance could result from the effective utilization of the acquired resources in terms of business strategy and organizational design (Brana, 2008; Koontz & Wehrich, 2006; Salman, 2009; Shane, 2003).

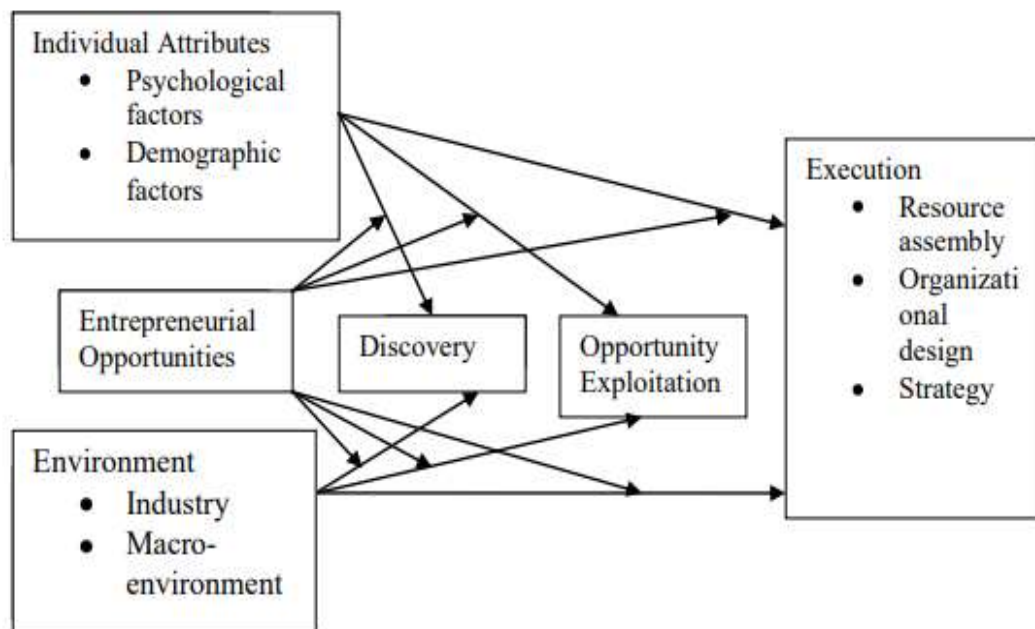


Figure 2.4: A Model of Entrepreneurial Process

Source: Shane (2003)

Shane (2003)' model of entrepreneurial process (Figure 3.1 above) was simplified by him in the direction of the entrepreneurial process (Figure 3.2 below), based on the assumption that entrepreneurial activity is directional and ordered. To achieve business performance, the resources acquired to exploit entrepreneurial opportunity must be organized into a new entity (Shane, 2003).

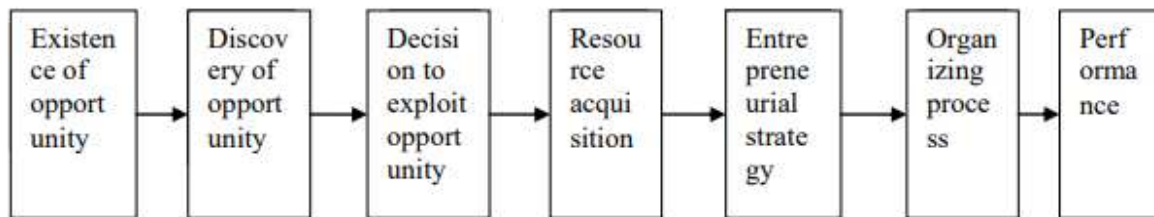


Figure 2.5 Direction of Entrepreneurial Process

Source: Shane (2003)

However, Shane (2003)' model placed much emphasis on formal education, and less emphasis on training, as a means of acquiring skill for entrepreneurial activity. Whereas training could aid the acquisition of entrepreneurial skills for women entrepreneurs with low educational levels especially in developing countries (Ibru, 2009). Again, though savings was discussed by the theory but much emphasis was placed on income as one of the factors that determine entrepreneur's decision to exploit entrepreneurial opportunity. That is, a person with low income is more likely to exploit entrepreneurial opportunity (Shane, 2003). However, income is not the same as savings because poor people could still save (Aportela, 1999). Saving, as used in this study, connotes a factor or service (access to a voluntary savings account) provided by micro-finance institutions to entrepreneurs. This, in concordance with the submissions of Aportela (1999) and Verhoef (2002), would enable women entrepreneurs raise capital, create new source of income as well as handle business and personal exigencies so as to achieve better business performance.

### 2.12.2 The Entrepreneurship Theory (Schumpeter, 1942)

Earlier writers on entrepreneurship focused on entrepreneurial traits, personality traits and behavioral traits (e.g Drucker, 1964; McClelland, 1961). However, entrepreneurship literature in recent times has focused on entrepreneurial orientation with emphasis on entrepreneurial opportunity and the task of acquiring resources to pursue that opportunity. That is, the

entrepreneur perceives profit opportunity in terms of unsatisfied needs of the society and then initiates actions to meet such needs (Kruger, 2004).

There are two phases of Schumpeter's Entrepreneurship Theory. In the first phase, the theory believed that entrepreneurs are inventors of innovation and technology, and therefore have owner-managed firms; buying and using the labor of other people to bring something new (capitalism) thereby leading to economic growth of a nation. In the second phase, Schumpeter believed that it is the large organizations that drive innovation and technology because they have enough resources to invest in Research and Development (R&D). These two sides of the theory have triggered a lot of debates in entrepreneurship literature. Therefore, there are both adherents and critics of Schumpeter (1942)' theory.

In support of Schumpeter (1942), Kruger (2004) posited that entrepreneurship starts with action, the creation of a new organization including the antecedents of its creation. That is, scanning the environment for entrepreneurial opportunity, the identification of the opportunity and the evaluation of the opportunity or feasibility of the new venture. The next dimension of entrepreneurship is venture performance in terms of quantitative growth (turnover, profitability and shareholder's value) or qualitative growth (competitive position, product quality and consumer service) (Kruger, 2004)

In criticizing Schumpeter (1942), Marz (1991) and Swedberg (1991) argued that the theory could not deduce the activities of the innovating entrepreneur and how such activities could be improved upon; as well as the issue of inherited leadership or entrepreneurial qualities. They went on to condemn the action of an entrepreneur who buys or exploits the labor power from people who were static and could not take risk of developing something new because the entrepreneur must work with people.

These criticisms aside, the theory has been credited with its discussion that entrepreneurship enhances owner's profit made possible by innovation, and this leads to imitation that erodes the driven individual's (innovator) profits thereby calling for constant search for new products if the profits are to be maintained. Schumpeter's work dwelt on the effect of innovation on profit, effect innovation on activities of imitators, and effect of profit behavior on activities of innovating entrepreneur. This leads to economic growth (Jones & Wadhvani, 2006; Kruger, 2004).

This study is related to the entrepreneurial theory put forth by Schumpeter in 1942 because it deals with innovation and financial success. This is due to the possibility that micro-finance elements could create opportunities for new businesses or business growth, both of which could generate profits (Allen et al., 2008; Brana, 2008; Salman, 2009).

### **2.12.3 Resource Based Theory (RBV)**

An economic method used to assess the resources available to the business is the RBV theory (Barney, 1991). Wernerfelt first proposed this hypothesis in 1991, and Barney later formalized it. According to the RBV theory, a firm's resources help it gain a competitive edge and perform better (Barney, 1991). The foundation of how a business functions and performs is made up of resources, which can be either material or intangible in character and enable a corporation to do specified activities (O'Cass and Sok, 2013).

These resources can be divided into three categories: capital and physical resources, capital human and organizational resources. Additionally, a company's resources could be intangible resources, tangible resources, knowledge resources, system and procedural resources, cultural values and resources, network resources, intangible resources, resources with dynamic capacity features, or any combination of these (Barney, 1991). These resources influence how well businesses perform (Peteraf and Barney, 2003). As the dominant theory in the fields of strategic management and entrepreneurship, the RBV theory has attracted a lot of attention (Almarri and Gardiner, 2014). Without these resources, businesses find it impossible to perform (Barney and Clark, 2007).

According to Mohamad and Sidek (2013), the RBV theory often relates to company performance. Over the past 20 years, the RBV of the company has been widely used in literature to comprehend the relationship between a business unit's resources or capabilities and its performance or profitability (Mostafiz, Sambasivan and Goh, 2019b). According to RBV, a company will operate well when it has important resources and capabilities available as a source of long-term competitive advantages (Mahoney, 1995). Possessing a variety of valuable, uncommon, and unique assets, competencies, organizational procedures, and company characteristics will provide you a competitive advantage (Barney, 1991). Strong evidence was found by Cook et al. (2008) to support the relationship between strategic resources and company performance.

The exceptional resource bundling that accounts for the variation across firms within the same industry or industry group has historically been the focus of the resource-based view (RBV) of a firm's competitive advantage (Barney, 1991; Rumelt, 1984; Wernerfelt, 1984). Capital from microfinance institutions is a crucial source for the purchase of fixed assets, for working capital, and for financing start-up activities and the owners' living expenses in the case of women-owned SMEs and microfinance institutions (Atmadja et al. 2016). Because they lack the collateral security and other standards demanded by conventional financial institutions, poor individuals including in this case women-owned SMEs have restricted access to traditional loan lines (Shamsuddin, Hmdan and Mostafazi, 2020).

Microfinance organizations offer the financing needed by underprivileged individuals and women-owned SMEs to expand their operations (Rahman and Khan, 2013, Hamdan et al., 2012). Microfinance product availability affects development of women-owned businesses (Novignon, 2022). Additionally, financial resources like micro insurance, loans, and overdrafts that are essential for the development of women-owned SMEs are provided by microfinance institutions (Novignon, 2022; Salhuddi et al; 2021). Additionally, they give firms the non-financial tools they need to expand and advance (Thaher, 2021; Bulte & Lensink, 2019). Without non-financial resources to balance things out, providing financial resources does not yield the desired outcomes. Microfinance non-financial products are essential for the expansion and improvement of businesses, but they have received insufficient scholarly support (Shamsuddin, Hmdan and Mostafazi, 2020).

But according to Barney (1991), not all of an organization's physical and intangible assets will help it create long-term competitive advantage. Further studies support the idea that higher performance and durable competitive advantage can only be achieved when a company has access to important, uncommon, imperfectly replicable, and non-replaceable resources (Barney and Clark, 2007).

Despite the criticisms of RBV Theory, the theory is pertinent to this study since women-owned SMEs can use the resources they have to grow their company (Desai and Shaikh, 2018). In this situation, it is believed that microfinance institutions are important sources of both financial and non-financial resources for the growth of women-owned SMEs. Women-owned SMEs need financial resources to develop, including savings, microcredit, micro insurance, and loan advances, among others (Novignon, 2022). Additionally, non-financial resources, such as need to be added to the financial resources. Training in entrepreneurship, record-keeping,



bookkeeping, company management, and personal and social skills can all have an impact on how well women-owned SMEs perform. According to Penrose (2009), this is supported by the knowledge, skills, business strategy, and competencies required to exploit and combine resources in order to develop and maintain a competitive advantage (Somsuk & Laosirihongthong, 2013). These resources come from non-financial sources that women-owned SMEs can access.

Further, availability of resources within an enterprise is very critical for financial lenders. The argument revolves around resource planning and management, which attracts lenders and improves strategy implementation, resulting in increased firm efficiency and effectiveness. Thus, the provision of resources such as systems for managing records are critical resources for women owned SMEs. These resources enable women owned microfinance to provide records required by microfinance institutions when availing microfinance products. Most SMEs do not keep records which is a barrier to accessing microfinance products (Ahmed, 2002). Financial organizations gather information about their clients in order to assess their creditworthiness and protect themselves against the loss of funds. Before committing their resources to lending, lenders inquire about and obtain information on the performance of the business. Asymmetric information is a problem (Bennett, 1998).

Further, resources such as physical resources are critical in the life of women owned businesses. They provide collateral which is required by microfinance institutions when granting loans (Stevenson and St-Onge, 2005). More unto, the RBV theory supports the claim that MSEs can thrive in a challenging socioeconomic environment by being adaptable, working on themselves and networking. These strategies have synergistic effects because production networks can work together more effectively than they could separately, increasing efficiency (Mensah, 2013; Kraaijenbrink et al., 2010; Pederson, 1996).

Based on the above argument, the RBV theory is relevant for this study as this clearly indicates that the access of financial resources and non-financial resources has a positive impact on women SMEs development.

#### **2.12.4 Pecking Order Theory**

Myers (1984) presented the pecking order idea as a finance strategy for small business operations in 1984. It clarifies the reasons for SME capital structure choices. This idea states that businesses prefer to use internal capital sources first and only turn to external sources of funding if internal sources are insufficient. This theory can be used to finance small businesses.

Most SMEs look for internal capital first before seeking for external funding. Older companies, by definition, have had more time to accumulate retained earnings than younger companies, and as a result, they have more cash available to support operational growth. The Pecking Order Theory states that these funds ought to be used before turning to outside capital sources.

Holmes & Kent (1991) contend that because they have less access to suitable external sources of financing, small enterprises are subject to a more severe form of pecking order in their financial decisions. It has been noted that SMEs have different capital structures, but this is only one of the characteristics that set SMEs' finance decisions apart. Another is their focused reliance on pecking order. While larger companies are financed through the public market, SMEs rely on private financial markets. Compared to information on larger companies, which can be found in the annual reports, information on SMEs is far less easily accessible.

Because of their reliance on private markets, SMEs have limited access to capital. The majority of SMEs rely on commercial banks and financial businesses for funding (Berger & Udell, 1998). Small businesses often face higher capital costs than do larger companies. Lenders are required to protect their investment by expecting higher rates of return due to the size of the loan and lack of knowledge about the quality of SMEs operations. This manifests as a high interest rate and a high cost of capital for the small business. Small and medium-sized businesses (SMEs) must use short-term finance to avoid higher capital costs, which cuts costs but raises risk (Chittenden et al., 1996). When lending to small business owners, the majority of financial institutions insist that they personally guarantee the loan. In the event of default, these personal guarantees give the institution access to the small business owner's personal assets (Berger and Udell, 1998).

The pecking order theory states that businesses borrow money from sources with the least asymmetric information. Lower finance costs are associated with less asymmetric information (Myers & Majluf, 1984). Internally generated funds come first, then private debt, and then external equity. Another useful notion is the trade-off hypothesis. According to the trade-off theory, businesses seek to strike a balance between the tax advantages of borrowing and the costs of financial distress related to borrowing (Ahsan et al., 2016; Cole, 2013), and it forecasts an ideal debt-to-equity ratio (that is the breaking even point). Companies frequently use pecking order financing during the decline stage and trade-off financing throughout the growth and maturity stages, according to Ahsan et al (2016).

### **2.12.5 Financial Systems Model**

The objective of the financial systems approach is to maximize the distribution of MFI services through a long-term organization that prioritizes a financial intermediation model (Rosenberg, 2003). MFIs either provide financial services to the broader public, like commercial banks, or only provide services to their members, like village banks. Savings, commercial finance, for-profit investments, and retained revenues from micro lenders serve as collateral for the loan portfolio of this MFI. These MFIs are separated from unregulated institutions like NGOs that offer informal money lending as well as from formal microcredit that is offered at reduced interest rates by a regulated institution like a state-owned bank that distributes cash from the government or donors to borrowers (Rosenberg, 2003). Those who favour the financial system believes that rather than direct loan portfolio financing, the government and donors should concentrate their limited resources on encouraging the replication of this model. However, this paradigm has a flaw in that it is built on a market approach, which may be thin and ineffective in disadvantaged communities (Rutherford, 2000). On the other hand, Bogan, et al. (2007) claimed that market solutions may be found to get over any obstacles in these areas.

### **2.12.6 Women empowerment theory**

The practice of giving people more influence over the factors influencing their lives is known as empowerment. One such initiative that seeks to improve socioeconomic vulnerability, as well as income and consumption poverty, is microfinance. Women's rights and gender equity are now regarded as crucial elements of pro-poor development initiatives. The "gender and poverty" debate has mostly focused on the idea that women are disproportionately poor because of a lack of resources. Gender disparities in resource-based entitlements are particularly pronounced (land titles, property rights, credit, etc). In light of this, the claim that women will have more negotiating power at home and benefits for family well-being if they have access to credit is made. (2011) Sharma.

The empowerment of women is a major goal for achieving global sustainable development. One strategy to support women's economic independence is by providing them with access to microfinance services. But when it comes to its applicability, empirical research shows a wide range of outcomes. Reviewing earlier research on the effects of microfinance services on various facets of women's empowerment reveals that empowerment of women can take place on three levels, namely the micro level or personal level where an individual's own thoughts

and deeds can demonstrate personal empowerment, at the macro level which shows the outcomes in a larger society where societal empowerment can be observed.

The meso-level, which deals with thoughts and behaviours in relation to other people, is the final level and is where relational empowerment may be seen. We contend that the importance of women's empowerment is greatly influenced by time and culture. We argue that the time between an intervention and its evaluation impacts when empowerment effects on various dimensions show, and that the sort of intervention affects how important the three dimensions are in relation to one another. We believe that cultures may differ with regard to whether specific characteristics of empowerment are seen as markers of empowerment and how women's social standing impacts the growth of their empowerment.

Future programs should plan, implement, and evaluate their interventions based on a three-dimensional model of women's empowerment, according to our recommendation. As a result, our research has two significant practical implications. We first propose that future study distinguish between the three features of women's empowerment based on the model in order to improve understanding of women's empowerment and enable comparisons of findings across studies and cultures. Second, we advise program designers to be explicit about the aspects of women's emancipation that should be supported by interventions. This strategy, in our opinion, will encourage extensive and cross-cultural research on the social, interpersonal, and personal dimensions of women's empowerment.

### **2.13 Gaps in literature.**

Literature review focused on areas that comprise types of financial products being availed to women owned SMEs , types of microfinance non-financial products, effects of microfinance products on women owned SMEs development, the moderating effects of government policies on the relationship between microfinance products and women owned SMEs development, typologies of businesses being pursued by women owned SMEs and the barriers being faced by women owned SMEs when trying to access microfinance products. There are no studies that focused on the influence on microfinance products (microfinance financial and non-financial products) on women owned SMEs development in Zimbabwe. Studies undertaken focused on the impact of microfinance financial products on women owned SMEs development and on SMEs in general. This leaves a gap to establish the effects of microfinance products in

their totality on women owned SMEs development. In addition, studies which incorporated the typologies of businesses being pursued by women in Zimbabwe and Mashonaland west province are scarce. Further, studies incorporating the moderating role of government policies on the relationship between microfinance products and women owned SMEs are scarce. Thus, this study aims to close that gap.

In addition, literature indicates that studies undertaken to establish the barriers faced by women in trying to access microfinance products are scarce. Studies undertaken focuses on the barriers faced by SMEs in general when trying to access microfinance products. However, women by their nature have barriers peculiar to them and hence the need to establish the barriers affecting women owned SMEs from accessing microfinance products.

Further, literature indicates that microfinance institutions are pro poor institutions providing finance to the poor to uplift their standard of living. However, existing literature indicates that microfinance institutions have diverted from their pro poor mandate, they are now focusing on profit, charging high interest rates. Therefore, there is need to verify that through empirical studies such as this.

Literature indicates that there are mixed results on the influence of microfinance products on women owned SMEs. Majority of studies undertaken indicate that microfinance products influences positively women owned SMEs development (Novignon, 2022; Salhuddi et al, 2021; Bekalo, 2018; Chatterjee et al., 2018; Kumar, 2016) while some studies indicates that microfinance products negatively influences women SMEs development (Diagne & Zeller (2001, Ackerly, 1995; Montgomery, 1995; Goetz and Gupta, 1994). Therefore, these mixed results need to be validated by another study. In addition, literature indicates that microfinance financial products such as micro savings, micro insurance, micro credit, micro loans, hire purchase, micro lease and overdrafts should be complemented with microfinance non-financial products such as training and development, training on record keeping, business management, business planning, marketing and sales, product design, financial management, business environment and regulations, human resources, taxation, trade, export personal development (Bulte et al, 2019, Lensink et al, 2017 & Richardson, 2016). No studies have been undertaken in the context of Zimbabwe and therefore a gap exist in literature to be covered.

Conclusively, the knowledge gaps in this study are described as the incomplete knowledge on the influence of microfinance products on women owned SMEs development, the effects of

microfinance products on women owned SMEs development, the typologies of businesses being pursued by women owned SMEs, the moderating effects of government policies on the relationship between microfinance products and women owned SMEs development and the barriers to women owned SMEs development in Zimbabwe and specifically in Mashonaland west province.

#### **2.14 Chapter summary**

Literature review focussed mainly on areas that include; definitions of key terms such as microfinance, microfinance institutions, SMEs, women SMEs, women SMEs development, origin of microfinance, microfinance development, microfinance approaches, criticisms of microfinance, microfinance products namely financial and non-financial, effects of microfinance products on women SMEs development, moderating effects of government policies on the relationship between microfinance products and women SMEs development, typologies of businesses being pursued by women owned SMEs and the barriers faced by women owned SMEs when trying to access microfinance products. Lastly, theories informing this study such as the resource-based theory, perking order theory, financial model theory and the women empowerment theory have been reviewed.

## **CHAPTER 3**

### **UNDERPINNING THEORIES, HYPOTHESIS DEVELOPMENT AND RESEARCH MODEL.**

#### **3.0 Introduction**

The previous chapter reviewed literature and the gaps underpinning this study. Literature on types of microfinance products, effects of microfinance products, the moderating effects of government policies on the relationship between microfinance products and women owned SMEs development was extensively reviewed. The knowledge gaps in entrepreneurship literature and specifically microfinance and women owned SMEs development that forms the basis of this study were identified. This chapter discusses empirical evidence of the study, research hypothesis and research model. The current chapter provides knowledge on the effects influence of microfinance products on women owned SMEs development and the moderating role of government policies on the relationship between microfinance products and women owned SMEs development.

#### **3.1 Effects on microfinance products on women owned SMEs development**

Extant literature has mixed findings on the effects of microfinance products on women owned SMEs development. Majority of studies confirm that microfinance products has a positive effect on women owned SMEs development (Novignon, 2022; Salhuddi et al, 2021; Bekalo, 2018; Chatterjee et al.,2018; Kumar, 2016). In addition, literature has substantiated that microfinance financial products complemented by microfinance non-financial products has a positive effect on women owned SMEs development (Kumar, 2016). The extant literature indicates that when microfinance products are put into good use by women, their businesses develops (Novignon, 2022). This suggest that women owned SMEs should put into good use microfinance products for the development of their businesses.

Empirical studies have been conducted in other countries to determine the effects of microfinance products on women owned SMEs development (Novignon, 2022; Salhuddi et al, 2021; Bekalo, 2018; Chatterjee et al., 2018; Kumar, 2016). In Jamaica, Novignon (2022) examined the impact microfinance funding on MSMEs development. The study concluded that microfinance products had positive effects on MSMEs development. Relatedly, Salhuddi et al (2021) established the effects of microfinance and on development of agriculture and women

entrepreneurship in Punjab, Pakistan. The study found a positive relationship between microfinance funds and women owned SMEs development. In addition, the study noted that microcredit needs to be customised to address the needs of women owned SMEs. Chatterjee et al. (2018) noted a one on one positive relationship between group based financial services and empowerment of microenterprise female loanees both in economic and social terms. In Bolivia, Vogelgesangu (2001) examined the impact of microfinance loans on customer productivity and growth. The study results reviewed that micro credit increased loan borrowers' sales revenue. Importantly, the study revealed that microfinance borrowers who utilised efficiently the loans benefited while those who misused the loans entered into a debt trap. Thaher (2021) established the effect of microfinance services on women entrepreneurs in Jordan. The study concluded that microfinance financial products are crucial in uplifting the women entrepreneurs. Shkodra, Ymeri & Ibish (2021) conducted a study to establish the role of microfinance institutions on developing women entrepreneurship in Kosovo. The study confirmed that microfinance institutions increase the performance of women SMEs.

Relatedly, Aninze, El-Gohary & Hussain, (2018) established the role of microfinance on women empowerment in developing countries. The study confirmed that microfinance institutions improves the standard of living of women, improves gender equality and women empowerment. In Bangladesh, Hashemi, Schuler, and Riley (1996) examined the influence of microfinance products on women empowerment. The study found a significant positive results and women empowerment. The study observed that microcredit specifically increases women's ability to make decisions, which empowers them. Lakwo (2006) claims that there is evidence that female borrowers are developing their money management skills, opening bank accounts, acquiring more independence outside of their home and feeling proud of their contribution to the family's income. In support, Kumar (2016) observed that Keralan women's economic circumstances significantly improved after they joined women's clubs and received microcredit. Bekalo (2018) established the impact of microfinance on the development of micro and small enterprises owned by women in ADDIS ABABA, Ethiopia. The study sample consisted of 120 owners of micro small and medium enterprises. The study used a survey method and found that women owned SMEs who accessed microfinance products improved their living conditions, cash savings, income for the family, child education, household food and diet, household health, business investment and decision making in their families.



In Germany, Stohmeyer (2007) investigated how non-credit microfinance elements (education and apprenticeship training) affected gender-based self-employment. Micro census Scientific Use Files from 2000, 2003, and 2004 were used to choose the respondents. The poll included 700 female and 1,224 male non-academics who created businesses, as well as 886 female grads and 1,560 male graduates who founded businesses. The field of education and apprenticeship training had a beneficial impact on the type of work, according to a hierarchical regression model. Because of their lower levels of education and skill development, women have a lower proportion of self-employed workers than males.

Shane (2003) discussed the credit and non-credit aspects of microfinance (education) on the entrepreneurial opportunity of male and female entrepreneurs in the United States of America and came to the conclusion that prior business experience gained through education leads to preparedness for entrepreneurial activity and that the acquisition of capital is also required for successful entrepreneurship start-up.

Eversole (2009) discussed micro-finance factors and micro-enterprise development in the informal sector of the Australian economy and concluded that micro-finance is a leading strategy for poverty reduction and grassroots development as it could lead to self-employment, social wellbeing of entrepreneurs and enable them participate in household and community decision-making. The emphasis of the study was on household empowerment of local women entrepreneurs. The conclusions from the study would have been far more persuasive if the study had also appraised any other welfare policy on women entrepreneurs.

Vonderlack & Schreiner (2001) discussed credit and savings on women entrepreneurs' wellbeing in Bangladesh, Indonesia, Ghana and Mexico, and concluded that credit and savings could improve the wellbeing of women entrepreneurs in developing countries.

Peter (2001) measured credit on the performance of female-run micro-enterprises in Kenya. A survey of 120 women entrepreneurs was conducted from 1996 to 1997. Descriptive statistics and regression techniques were used to analyse data. The study discovered that there were large increases in assets, sales and profit but small increase in employment. He also advocated for training to be tied to credit since some women did not received any training before loan.

Gine and Karlan (2009) investigated the impact of social capital on Filipino male and female entrepreneurs' use of microcredit. Data from Green Bank of Caraga, a small-town bank in the Philippines, was used in the study. Repayment, savings, loan amounts, client counts, and client retention rates of both group members and non-members were prioritized. The first experiment,

which involved a sample of 3,285 clients from 161 cash centres and 11 credit officers, was conducted in 2004. The second experiment, which used stratified random sampling on the credit officers, was conducted from 2005 to 2007 and involved responses regarding client loan repayment from those credit officers. Regression using ordinary least squares (OLS) was employed. The change from group lending to individual lending was discovered to have no impact on repayment. In other words, individual liability results in less frequent loan monitoring between parties but does not cause default. Due to weekly group meetings and the fact that micro-finance organizations wouldn't lend to lone borrowers without group guarantors, groups were still required.

Social capital and training were quantified in the USA by Kickul, Page, Gundry, and Sampson in 2007. In 2002, the study polled 421 female business owners in Pennsylvania and New Hampshire. Physical capital, connecting networks, and training were proven to have a favourable impact on firm growth and are therefore essential for success. Despite the fact that the sample size was adequate, the scope was constrained.

Doocy, Norell, Teffera and Burnham (2005) studied micro-finance programs and improvement decision of male and female entrepreneurs in Ethiopia. Questionnaires were administered on 614 households (408 vs. 206) to compare those who received loans and those who did not, though they were clients of the micro-finance bank in 2003. Stratified random sampling, by survey site and client sex, and then systematic sampling was used to select the sample members. Using regression analysis, it was discovered that evaluation of micro-finance services had positive impact on management's decisions. For example, the management of WISDOM Micro-finance Institution was able to improve its services by introducing increased savings to clients and use of female loan officers. The focus of their study was on decision-making process of micro-finance institutions.

In Ghana, the effects of microfinance on women's empowerment were measured by Cheston and Kuhn in 2002. In 2001, a survey was carried out in which 10 female entrepreneurs who had been Sinapi Aba Trust Bank customers were interviewed orally and 1,200 female entrepreneurs were given questionnaires. Using descriptive statistics, it was discovered that micro-finance helped the women become more independent and provided financial support to their families and communities. Additionally, it resulted in women's emancipation through increased self-esteem, participation in household and community affairs, and confidence. Income, output, and employment all increased for entrepreneurs. Training improved client

relationships, and health education gave information that guaranteed the entrepreneur's excellent health and the success of her business. They argued that financial services for entrepreneurs may be bundled with programs for health education, literacy, or business training. Smith and Jain (1999) examined the effects of microfinance loans and health education on the performance of women's microenterprises and the empowerment of micro entrepreneurs in Ecuador and Honduras. It was discovered that including healthcare and health education in microfinance enhanced the health of borrowers and their families, significantly improved firm performance, and empowered entrepreneurs.

Ojo (2009) examined the effects of microfinance on the growth of female entrepreneurs in Nigeria. Purposive and then simple random sampling were utilized in a survey procedure. 48 fully completed questionnaires were used, drawn from a sample of 60 businesses in Lagos State, Nigeria. The study discovered no significant relationship between credit and entrepreneurship development using descriptive statistics (ANOVA) and linear regression, but strong positive relationships between the micro-finance components (credit and savings) and entrepreneurship productivity. The study's focus was on the growth of entrepreneurship in Nigeria as well as credit and savings.

The results may have been much more intriguing if the study's scope had not been restricted to a single State in a certain region of Nigeria, which is not the only commercial hub in the nation. In a related study, May (2007) talked about the relationship between education and asset acquisition in entrepreneurship development and microcredit. She came to the conclusion that the biggest barriers to women's economic development in Nigeria were disparities in educational attainment and access to productive resources, such as loans. Discussion papers by Adepelumi (2007) and Edozien (2008), focusing on public microfinance institutions and their outreach to women entrepreneurs, were published.

Ibru (2009) talked on the impact of human capital (skill development training) on women's entrepreneurship in Nigeria. She came to the conclusion that many microfinance institutions do not provide formal business training to their clients because they believe that everyone is an established entrepreneur. However, she argued that information and communication technologies should be included in the microfinance programs. For instance, sending brief communications using the Global Systems Mobile (GSM) service could improve confidentiality. Since it would not be practical for microfinance institutions to offer ICT to every client, which could raise their transaction costs, this study does not believe that it is

necessary to measure information and communication technology. The performance of the microfinance institutions' profits is decreased by an increase in transaction costs (Schreiner, 2001).

Capital, skills (training), and networks were measured in Mayer, Hackler, and McFarland's (2007) study on women entrepreneurs' perspectives in the USA. In 2002, a study was conducted using data from the 2002 Economic Census Survey of Business Owners, which included a sample of 50 women-owned businesses in the 50 most populated US cities. Data were analysed using correlation analysis. The survey discovered that women considered capital, education, and social networks to be essential factors for business growth. They also found that managerial abilities and financial accessibility assist women who run their own businesses. Women-employed and -owned businesses profit from a local environment that gives women the chance to network and build social capital. However, there are hurdles that women must overcome, such as financial access issues, obstacles to career advancement, and preconceptions.

Diagne & Zeller (2001) carried out a study in Malawi and they came up with the assertion that MFIs products do not have any effect in household income stream meaning that they do not affect the development of women owned SMEs. Because the infrastructure and market for SME operations are not developed, investing in them will have no influence on household income. Some studies have also claimed that employing gender empowerment as an impact indicator has a negative influence on microcredit (Goetz and Gupta, 1994; Ackerly, 1995; Montgomery, D.R, 1995). (1996). Using a "managerial control" index as a measure of women's empowerment, it was discovered that the majority of married women had no influence over the loans they took out. Women, on the other hand, were the primary target of the credit scheme. The loans were managed by men, which prevented the development goal of financing to women from being achieved (Goetz and Gupta, 1994). Women are marginalized when it comes to credit, according to evidence from an accounting knowledge as an indicator of women empowerment (Ackerly, 1995). Kessy & Urio (2006) and Mosha & Liheta (2014) looked into the role that microfinance services played in eradicating poverty in Tanzania. Data from MFIs and clients were both used in the study. The research' results showed that microfinance services raised peoples' incomes, capital investments rose, businesses expanded and new firms were founded.

Akanji (2006) examined the effects of credit and savings on the income of women entrepreneurs and discovered that savings were just as important as credit. Due to their lack of understanding of the requirements of the poor, official micro-finance institutions were also found to be ineffective. She also argued that microfinance programs should incorporate training that covers literacy, skill development, particularly for individuals with only a primary education, and apprenticeship training for occupations requiring a vocational degree.

On the other hand, some studies concluded that microfinance products do not lead to women owned SMEs development. In Bangladesh, Coleman (1999) investigated the effects of microfinance on borrowers. The study concluded that microfinance credit had no impact on accumulation of physical assets of the borrower. The women got themselves into a debt trap because they utilised the money for their personal spending and were obliged to borrow from money lenders at exorbitant interest rates to repay the loans and qualify for more loans. The study concluded that credit was ineffective in lifting the poor out of poverty or improving their economic situation. The study went on to say that the poor are too poor due to a number of other problems, including lack of access to markets, pricing stocks, and unequal land distribution, but not lack of credit. Montgomery et al., (1996) noted that majority of married women do not have control over the loans they take from microfinance and hence they remain poor. Men manage and use their loans (Goetz and Gupta, 1994). Based on literature review, it is hypothesised that:

H<sub>1</sub> There is a positive relationship between microfinance financial products and women owned SMEs development.

H<sub>2</sub> There is a positive relationship between microfinance non-financial products and women owned SMEs development.

### **3.2 The moderating effects of government policies on the relationship between microfinance products and women owned SMEs development.**

Literature reviewed indicates that the government affects the operations of microfinance institutions and businesses in various ways. The government through its policies such as policies on interest rates (RBZ, 2020), policies on taxes, policies on minimal capital requirements required to register microfinance institutions positively affects the relationship between microfinance products and women owned SMEs development. For example, the government

limits the growth of informal sources of finance through the registration and supervision role. This puts sanity in the financial sector. The government through policies such as financial inclusion improves the financial literacy of women owned SMEs. The government through its policies enhances financial deepening (International Monetary Fund, 2015), ensures availability of safe, appropriate and affordable credit, increases productivity (Khan, 2015), increases economic growth (Zhu et al, 2018), facilitates smoothing of consumption by the low-income households facilitates, increases employment levels, enhances financial stability Mishkin (2018). Literature review indicates that less has been undertaken to test the moderating effect of government policies on the relationship between microfinance products and women SMEs development. However literature indicates that scholars are in agreement that government policies affects the operations of microfinance institutions and ultimately affects the nurture and price of products they offer to SMEs. The government affects the relationship between microfinance products and women owned SMEs through regulations. In a study in Kenya, Moseki, Chesoli and Muya (2020) established the moderating role of government policies in the relationship between microfinance services and financial performance of small and medium enterprises, the study found a significant positive relationship between government policies and financial performance of SMEs. Based on literature review, it is hypothesised that:

H<sub>3a</sub> There relationship between microfinance financial products and women owned SMEs development is positively moderated by government policies.

H<sub>3b</sub> Government policies moderates the relationship between microfinance non-financial products and women SMEs development.

Based on the hypothesised relationship, the research model in figure 3.1 is proposed.

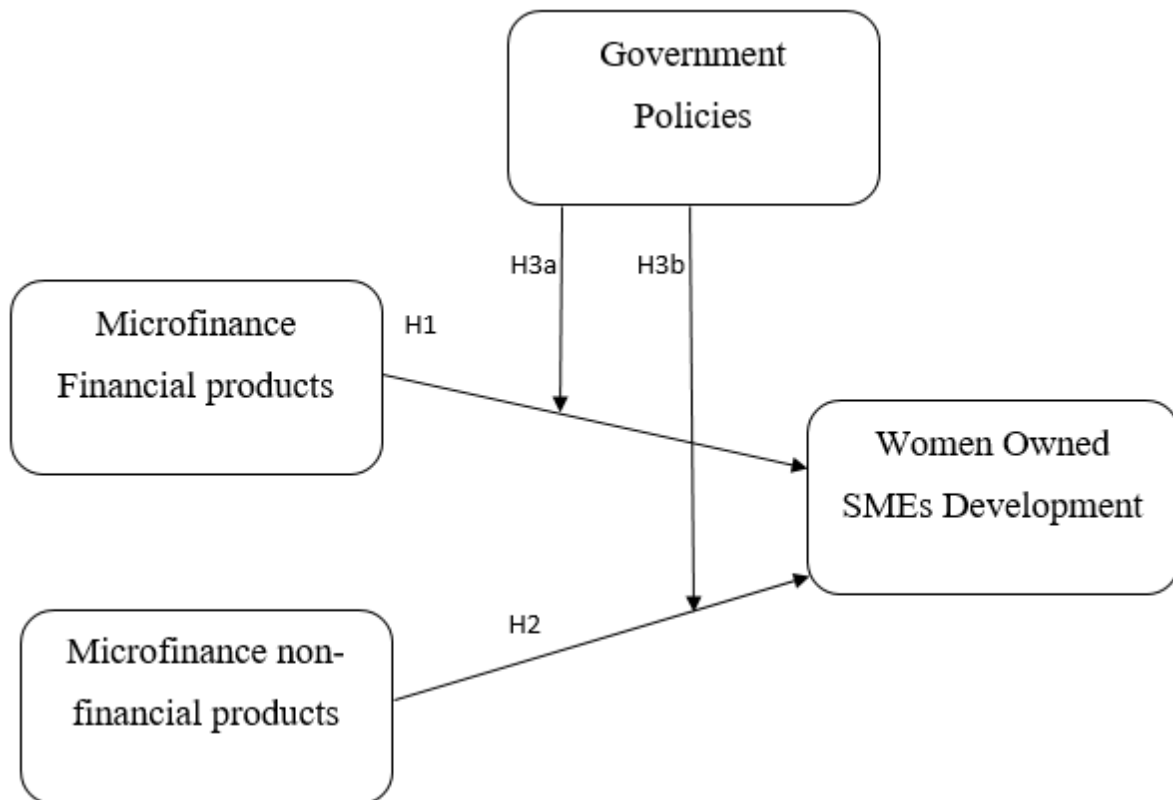


Figure 3.1: Research model of the study derived from literature review.

### 3.3 Chapter summary

The current chapter reviewed results from previous studies and developed research hypothesis. Hypothesis were developed after establishing relationships among variables and in this study microfinance financial products and women owned SMEs development, microfinance non-financial products and women owned SMEs development, government policies, microfinance financial products and women owned SMEs development and government policies and women owned SMEs development. Lastly, the research model was formulated.

## CHAPTER 4

### RESEARCH METHODOLOGY

#### 4.0 Introduction

This chapter details the methodology adopted in this research study. Methodology refers to the methods, rules, assumptions used by a discipline and procedures or set of procedures followed when undertaking a research study (Creswell & Poth, 2018). In particular, this chapter explains the research assumptions, the philosophy adopted, research approach, research design, and population of the study, sample size and sampling procedures adopted. In addition, this chapter explains how the study ensured reliability, validity and ethical considerations.

#### 4.1 Research paradigms

Research paradigms are philosophical frameworks that guides how a research is scientifically undertaken (Hennink, Hutter & Bailey, 2020). Its root is the Greek word "paradeigma," which signifies pattern (Kinunja and Kuyini, 2017). A research philosophy is described by Saunders et al. (2016) as a system of values, beliefs, norms, and assumptions concerning the creation of knowledge or the consumption of information. Simply said, research philosophy refers to opinions on how information about a phenomenon should be obtained, analysed and applied. Such convictions, presumptions, and social conventions influence researchers' perspectives on certain research topics. A research philosophy is vital to research because it contains a philosophical orientation that provides direction to the researchers thinking and actions (Scotland, 2012). Research cannot be conducted without reference to paradigms, as such, paradigms cover systems of practice and thinking that describe scientists and the nature of their inquiries. Each research paradigm has its own view of nature (ontology), clarification of whether knowledge is internal or external (epistemology) and clarification of methods to generate the knowledge (methodology) (Denzin & Lincoln, 2010, Krauss, 2005). Paradigms can be classified as positivism, post-positivism, constructivism and pragmatism (Bonache & Festing, 2020; Bhattacharjee, 2012; Scotland, 2012). Research and knowledge advancement have evolved and generated many research paradigms. However, the present study adopted pragmatism research philosophy which guided this study towards understanding the influence of microfinance programs on women owned SMEs development in Mashonaland west province of Zimbabwe.

#### 4.2 Pragmatism

Pragmatism research philosophy interrogates and evaluates ideas and beliefs in terms of their practical functioning (Cordeiro & Kelly, 2019). It is an alternative to positivism premised on



post positivism's critical theory and participatory approaches to research (Barker, 2016). The central thrust of pragmatism is on what works. Pragmatism evades the contentious issues of reality and truth by accepting philosophically that both singular and multiple reality exist and can empirically be studied (Barker, 2016). It agrees very well with post-positivism on some ontological and epistemological beliefs. Epistemologically, pragmatism consists of several facets (Barker, 2016; Gilad, 2015; Goldkuhl, 2012). Firstly, it argues that research is not necessarily undertaken to precisely signify reality and an accurate account of phenomena, but to produce constructive knowledge which is practically useful (Gilad, 2015, Goldkuhl, 2012). Pragmatism research philosophy allowed the researcher to use mixed methods in data collection.

The pragmatist school of thought, as opposed to critical realism, which focuses on explaining what we see and perceive as nature's reality, emphasises what actually holds true. According to the pragmatic research theory, researchers can decipher the rules governing human behavior just as they did with the laws governing the physical universe (Bellemare and Lim, 2018). Contrary to positivism, pragmatism maintains that, although the subjects of the study should be quantified scientifically, human beings are thought to differ from natural phenomena in that they respond to stimuli in a variety of complex ways. As a result, it is necessary to further investigate the reasons behind these behaviours using qualitative methods. As a result, interpretivism is required for a thorough investigation.

Pragmatism, enabled the research to view research problem as more important than the prescriptions of traditional research paradigms. This rational informed the research to adopt methods of research and data collection most appropriate in this particular study. For instance, pragmatism informed the thesis to use different methods to collect and analyse data for different objectives on the current study. Pragmatism informed the thesis that knowledge on the influence of microfinance programs on women owned SMEs development was to be constructed based on the reality of the experiences of women owned SMEs. Multiple methods to investigate the problem in its social and historical settings were adopted.

The overall research approach used a mixture of quantitative and qualitative data collection and data analysis procedures within the same study. This supports Creswell's (2012) who believes that pragmatism recognises reality from multiple beliefs. Its logic is that while the world exists in reality and relative spheres, there is need for research to focus on the desired

outcomes of the research and not the process. Pragmatism, therefore, enabled this study to focus on the study using whatever ontological, epistemological and methodological approaches that suited the context of the study.

Pragmatism strengthened the current study in various ways. Pragmatism allowed the researcher to reflect on data from several theoretical viewpoints, strengthening the research design, research instruments, credibility and validity of the study as pointed by Cresswell (2012). Pragmatism empowered the researcher to use the questionnaire and interview guides in data collection. Guided by pragmatism research philosophy, the current thesis assumed that while the truth about the nature of microfinance products and women owned SMEs development exist independent of the researcher, it was also possible to get insight into how women owned SMEs perceive how microfinance programs influence their development.

Pragmatism enabled the researcher to overcome limitations inherent in positivism research philosophy. For example, in establishing the barriers to accessing microfinance products and typologies of businesses being pursued by women. These elements are not generic and hence required the researcher to interact with women owned SMEs and get data. Further, a mixture of questionnaires and interviews to study the same issues neutralised the weaknesses of induction and deduction leading to validity of findings. Pragmatism was also appropriate in this current study because it allowed the researcher to cover a large population within a short period of time and at a lesser cost.

The use of pragmatism in this study contributed to advancement of knowledge on the influence of microfinance programs on women owned SMEs development. For instance, by adopting pragmatism, the study did not totally cast-off positivist views but sought to contribute towards reforming positivism, making it more appropriate to studying entrepreneurship within its social realities (Baskar and Callionices, 2008). Pragmatism, therefore, enabled the thesis to improve the space between positivism and interpretivism paradigm (Cresswell, 2002). The next section illustrates how pragmatism was arrived at from the two paradigms of positivism and interpretivism. In the process an attempt is made to ground pragmatism into the research problem. Firstly, philosophical assumptions with implications are presented in table 4.1 below before explaining the philosophies in detail.

Table 4.1: Philosophical assumptions with implications for practice

<b>Philosophical Assumption</b>	<b>Questions</b>	<b>Characteristics</b>	<b>Implication for practice</b>
Ontological	What is the nature of reality?	Reality is multiple as seen through many views.	Researcher reports different perspectives as themes develop in the findings.
Epistemological	What counts as knowledge? How are knowledge claims justified? What is the relationship between the researcher and that which is being researched?	Subjective evidence obtained from participants. Researcher tries to lessen the distance between himself/herself and that being researched.	Researcher relies on quotes as evidence from the participants as well as collaborations. Spends time in the field with participants and becomes an insider.
Axiological	What is the role of values?	Researcher acknowledges that research is value-laden and that biases are present in relation to their role in the study context.	Researcher openly discusses values that shape the narrative and includes his or her own interpretation in conjunction with those of participants.

Source: Saunders (2016)

#### 4.1.1 Ontology

Ontology means the science of “being” (Busse, Humm, Lubbert & Moelter, 2015). Creswell (2002) views ontology as the study of reality. Relatedly, Babbie (2010) opine it as a system of beliefs that reflects the researcher’s interpretation of what constitutes reality. It is the most comprehensive dimensions of science as it covers everything that exist, the kind of world being investigated, the nature of existence and the structure of reality (Crotty, 2003). The world is

divided into natural and social world (Busse, Humm, Lubbert and Moelter, 2015; Smith, 2003). Based on these two worlds, philosophy has identified the natural ontology and the social ontology (Busse et al, 2015). Natural ontology studies the nature of the physical world and aims to discover the nature of physical matter in all its forms (Smith, 2003). Natural ontology studies existence and properties of non-social entities which includes physics, chemistry, biology and other hard sciences (International Social Ontology Society, 2018). Social ontology is the study of the nature and properties of the social world and is concerned with studying the various entities in the world that arises from social interaction and processes. Social entities which are studied includes gender, social class, race, behaviour and personality. Therefore, this study situated on the social ontology perspectives.

Ontology addresses the question “What is there that can be known?”(Guba & Lincoln, 1989). Researchers in ontology try to establish why a particular thing happens and how it is related to some other things (Austin, 2017). For instance, in this research, the researcher intended to understand the types of microfinance financial products that are availed to women owned SMEs, types of microfinance secondary products (non-financial products) that are offered to women owned SMEs, the effects of microfinance programs on women owned SMEs development, the moderating effects of government policies on the relationship between microfinance programs and women owned SMEs development, typologies of businesses commonly pursued by women owned SMEs and the barriers to accessing microfinance products by women owned SMEs. The philosophy of ontology also addresses the question: What is out there that can be known (Ahamed, 2008). In this study, the researcher wanted to establish the influence of microfinance programs on women SMEs development in Mashonaland West Province. These are critical ontological questions which previous researchers have not answered hence a knowledge gap exist in the current stock of knowledge on MFIs programs and women owned SMEs development research. From the ontological viewpoint, we can study the nature and existence of MFIs, types of products they offer to women entrepreneurs, the nature of microfinance programs, barriers faced by women owned SMEs when trying to access these products and typologies of businesses mainly pursued by women entrepreneurs. These are the important ontological questions underpinning this research. Next is the discussion on the positivist and interpretivist ontology before adopting pragmatism.

The researcher assumed that microfinance programs existed in the financial sector and microfinance institutions avails microfinance financial and non-financial products. This was independent from the researcher's perspective and values (William, 2011). Further, the researcher assumed that after receiving microfinance financial and non-financial products (micro-loans, micro savings and insurance among others) women owned SMEs developed. Microfinance programs were therefore seen as the determining factors for women owned SMEs development. Through this perspective, the researcher assumed that women owned SMEs development would be visible through increased profits, increased outlets, increased capital size, improved business management, new products development, acquiring of new equipment, development of production capacity, diversification, employment creation, business survival and women empowerment. In addition, the researcher assumed that women pursue businesses such as cross border business, retailing businesses, baking, cake making, and agriculture among others. However, this ontology had limitations of only seeing certain types of businesses, not seeing the barriers affecting women SMEs as per individual SMEs as these barriers are specific to each SME.

#### **4.1.2 Epistemology**

Epistemology is a method of understanding and explaining how scientists know what they know (Saunders, Lewis & Thornhill, 2013). It is the study or theory of the nature and grounds of knowledge especially with reference to its limit and validity (Rothfeld, 2020). It is about ways of acquiring knowledge, ways of studying the world and phenomena in it (Kivunja and Kuyini, 2017; Kawulich, 2012). Cohen, Manion & Morrison (2006) noted that some of the epistemological assumptions focuses on how knowledge can be acquired, how researchers come to know and how it is communicated. The epistemology of a research paradigm indicates the relevant and right research methods, data collection instruments to be used as well as data analysis and interpretation procedures. Epistemology research paradigm is divided into objective epistemology and subjective epistemology (Erickson and Kovalainen, 2011). Objective epistemology believes the world exists externally to the knower and the phenomenon to be known (Dammark, 2012), the investigator and the investigated exist separately (Shah and Al-bargi, 2013) and the two do not influence each other and that meaning exist in the objects (Shah and Al-bargi, 2013). Subjective epistemology believes knowledge is subjective and socially constructed (Dieronitou, 2014; Kawulich, 2012) and that a close relationship between the researcher and the object or phenomenon being studied exist in generating knowledge. The knower and the phenomenon to be known are inseparable and the two influence each other (Al-

Saadi, 2014). The researcher's epistemological position in this study is both objective and subjective. The fundamental epistemological questions in this research is: What is the influence of microfinance products on women owned SMEs development in Mashonaland West Province. In light of that, the research adopts the mixed research method.

In light of that, epistemology was used to decide and define sources and acceptability of data. As pointed out by Denzin and Lincoln (2000), epistemology is a branch of philosophy that deals with sources of knowledge, limitations and whether they are intuitive, authoritarian, logical or empirical. The epistemology in this case determined at given point, whether data was something that had to be acquired, or was something that had to be personally experienced. This was useful in providing the researcher with grounding for deciding the kind of data possible for each research question, its sources and how the researcher could ensure that the data was adequate and legitimate (Creswell, 2012). The current study adopted a pragmatic epistemology regarding how data on the influence of microfinance programmes on women owned SMEs development. The next section discusses the positivist and interpretivism epistemology before taking a pragmatic stance.

#### **4.1.3 Axiology**

The Greek words *axios* which means worthy and *logos* which means science were combined to create the English word *axiology*. Theory of value or *axiology* is another name for the philosophical study of goodness (Arora, 2010). Chopra (2005) views *axiology* as the branch of philosophy that studies judgements, values, ethics and aesthetics. When applied to social research studies such as this one, Walter (2013) believes the researcher needs to clarify his or her *axiological* positions and that of the research participants. According to the scholar, ignoring *axiology* in social science is similar to a physical scientist who ignores the laws of physics. Walter (2013) believes social research focuses on the social world where cultural, moral and political values are central issues in examining social phenomena. Equally, Pathirage, Amaratunga and Haigh (2005) believes *axiology* affects the way reality is investigated and is very critical in social research. The researcher's *axiological* position is articulated in the section on ethical considerations.

#### **4.2 Research Approaches.**

Creswell and Poets (2018) defined research approach as a plan, a procedure that encompasses wide assumptions and methods of data collection, analysis and interpretation. They are

procedures, schemes and algorithms used in research (Gounder, 2012). They are based on the research problem under study, research philosophy adopted and data collection and analysis approach. They are essentially planned, scientific and value neutral (Gounder, 2012). Research methods help researchers in their research process. In research, three main research approaches are dominantly used and these are qualitative, quantitative and mixed research methods (Hennink, Hutter & Bailey, 2020; Kumar, 2020; Khaldi, 2017; Saunders et al, 2016). Qualitative methods are data collection methods or analysis methods which produce non-numeric data (Disman & Barliana, 2017). Quantitative methods are data collection methods or data analysis procedures that produces or uses numerical data (Saunders et al, 2016; Zikmund et al, 2010). In light of research objectives, research questions, pragmatism research philosophy, the current study adopted the mixed research methodology.

Cresswell (2003) defined mixed methods as an approach which involves the collection and analysis of both qualitative and quantitative data in a single study. Mixed methods entail the employment of more than one type of research method in a single study. The use of mixed methods in a single study is also known as triangulation and it provides a broader and more complete vision of a problem in this study on the influence of Microfinance programs on women-owned SMEs development (Almeida, 2018). In this study, mixed methods allowed the researcher to collect numerical data and qualitative data on the influence of microfinance programs on women owned SMEs development and subjected them to statistical analysis and on one hand content analysis. Mixed methods are divided into four models. These models are convergent parallel, exploratory sequential, explanatory sequential and embedded models. The convergent parallel research method was adopted in this study as shown on figure 4.1 below;

### Convergent Parallel Model

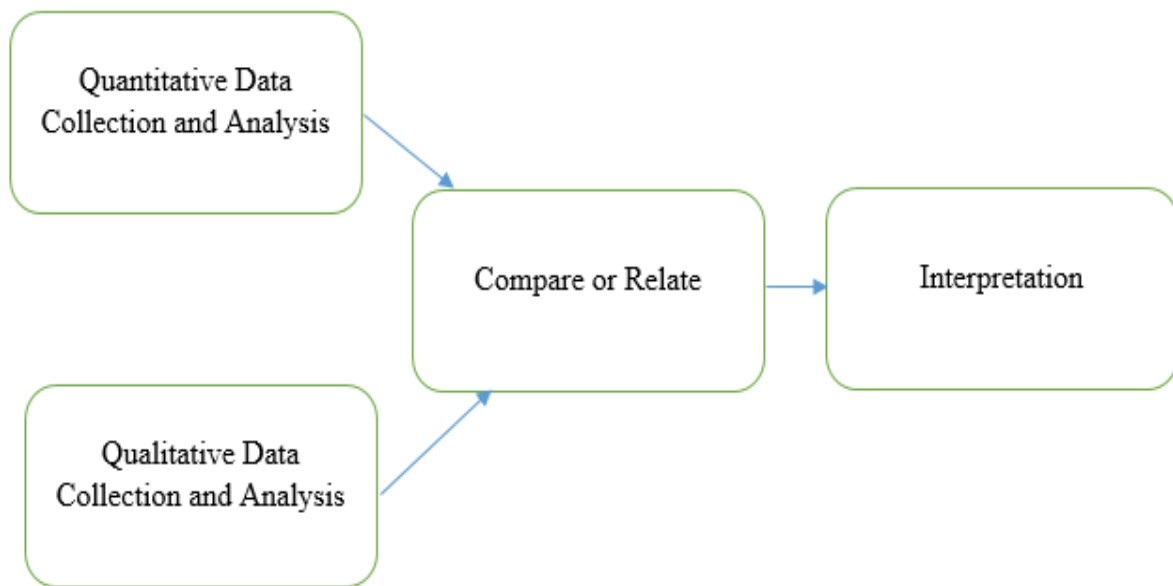


Figure 4.1: Convergent Parallel Model

*Source Developed for this study (2021)*

As shown on figure 4.1 above, the researcher collected quantitative data and qualitative data concurrently and analysed the two data sets simultaneously. Quantitative methods were used to collect and analyse data on the types of microfinance products that are availed to women owned SMEs, the effects of microfinance products on women owned SMEs and the moderating effects of government policies on the relationship between microfinance products and women owned SMEs development. Equally, qualitative methods were used to collect and analyse data on the typologies of businesses commonly pursued by women owned SMEs, the barriers faced by women owned SMEs when in need of accessing finance from microfinance institutions and their opinions on the effectiveness of microfinance products on improving their businesses. In addition, qualitative methods were used to collect data on their opinions on the role of the government in the promotion of women owned SMEs. This study was mainly quantitative supported by qualitative.

#### 4.2.1 Justification for mixed methods

Mixed methods have been adopted because they have become more popular in modern research studies as explained by Greener (2008) and Yu & Khazanchi (2017). Mixed methods are popular because they provide many advantages to researchers which they also provided to this current study. The use of quantitative and qualitative data provided a better understanding of



the research problem under study as qualitative allows the researcher to probe more on the questions which were not addressed well by the manipulation of numbers only. The research objectives required the use of both methods. The quantitative or qualitative research approach were not enough to address the research problem and answer the research questions given that objectives such as identifying the types of microfinance products that are availed to women owned SMEs, the effects of microfinance products on women owned SMEs development and the effects of government policies on the influence of microfinance products and women owned SMEs development required quantitative methods while objectives such as establishing the typologies of businesses commonly pursued by women owned SMEs, the barriers faced by women owned SMEs when in need of accessing finance from microfinance institutions and their opinions on the effectiveness of microfinance products on improving their businesses required qualitative methods. In light of that, quantitative methods alone could not adequately bring out the desired results since the researcher could be deriving conclusions from the questionnaires so the researcher needed to be part of the respondents in order to probe further. Further, the qualitative methods allowed the researchers to openly express opinions and the research to infer causal relationships between variables. Schiffman and Kanuk (2004) uphold that quantitative and qualitative methods are complementary in nature.

Although the use of the mixed approach was inevitable due to the nature of the problem, the researcher recognised the debate surrounding their use. Firstly, there is a school of thought that argues that qualitative and quantitative inquiries are irreconcilable and equally exclusive on the basis of their ontological, epistemological assumptions (Bryman, 2006). In the same school, other views claim that research problems are oriented towards either qualitative or quantitative approaches and therefore both inquiries cannot be used in the same study (Kennedy, 2009). However, there is another school of thought that supports combining the two approaches (Ogwuegbuzie and Leech, 2006). The school argues that neither approach is superior to the other. Emphasis therefore must not be on polarising them but on complementing them. This logic asserts that polarising the two approaches restricts, rather than advancing frontiers of new methodologies (Ogwuegbuzie and Leech, 2006). This thesis, therefore, combined the two methods on the basis of strengthening the weaknesses of each method by the strength of the other. Both approaches were critical in addressing the problem. A single method could not have succeeded in handling divergence and bringing totality to the study (Kennedy, 2009, Brannen, 2005). The use of mixed methods was done in accordance to the research problem, research paradigm, research questions, conceptual and theoretical frameworks. This allowed

the researcher to align the research methodology with the underlying ontological and epistemological assumptions of the thesis.

### **4.3 Research design**

Research design refers to procedures taken to complete a study (Cortes & Jamieson, 2020). It serves as the framework for research and the glue that holds all the components of a research project together. It is a blueprint, a roadmap or an outline used in a research study to answer research questions (Tierney, Dreber & Ly, 2020; Geoffrey, 2019; Terell, 2012). Thus, a research design guides the researcher's data collection, analyses, and interpretation. A research design allows the researcher to extrapolate relationships between the variables that are under investigation and enables generalisability of study results. Research designs are grouped into experimental research design, cross sectional survey design, case study, longitudinal and comparative design. In addition, research designs are grouped into three categories namely descriptive, exploratory and explanatory, by method of data collection and by type of data and mode of analysis (Saunders et al, 2016). Saunders et al (2016) believes it is possible and permissible to use two research designs in a single study. Based on research objectives, research philosophies and research approach adopted, the current study adopted the cross-sectional survey research design.

Hemed (2015) defines a cross sectional research design as a snapshot of a population at a particular point in time. A cross sectional survey involves the collection of data at one period of time hence it gives a clear picture of the situation at that particular time (Bhandari, 2016). Cross sectional survey design is mainly connected with social surveys and social surveys are closely linked to structured interviews and questionnaires in minds of most people (Bryman & Bell, 2012). Cross-sectional studies are normally used to investigate relationships amongst variables (Bryman & Bell, 2012). Thus, in the current study, the variables are MFIs programs, government policies and women SMEs development. MFIs programs are the independent variables and Women SMEs development is the dependent variable and government policies are the moderating variables.

Depending on the purpose of the study, cross sectional survey takes three forms namely descriptive, exploratory and explanatory designs (Glasow, 2005). The study embraced the cross sectional descriptive and explanatory survey research designs.

Cross sectional descriptive survey research design is usually used to qualitatively or quantitatively describe the main characteristics of a population and investigate the relationships between the variables (Glasow, 2005). The main purpose of this study was to describe and explain the influence of microfinance products on women owned SMEs development in Zimbabwe. In particular, it describes the typologies of businesses commonly pursued by women in Mashonaland West province, the types of microfinance products availed to women owned SMEs in Mashonaland West province, the effects of microfinance products on women owned SMEs development. In addition, this design allowed women owned SMEs to explain the barriers to accessing microfinance products, their opinion on the role of the government in the promotion of women owned SMEs. This knowledge is not documented in the current stock of literature. Description is key in research because it enriches immensely our understanding of variables investigated and when applied to the current study, it enhances our knowledge about the typologies of businesses commonly pursued by women, the types of products that are availed to women owned SMEs, the effects of microfinance products on women owned SMEs development and the moderating effects of government policies on the relationship between microfinance products and women SMEs development. De Vaus (2002) believes descriptions of such phenomenon contributes significantly to social and economic policy reforms. He further elucidated that competent descriptions have revealed and confirmed the existence of social, political and economic problems and have challenged existing assumptions about situations and the way things are and eventually have caused appropriate remedial action to be undertaken. It is based on these arguments that the cross-sectional descriptive survey research design has been adopted. De Vaus (2002) opine that descriptions of phenomenon lead to the why questions of explanatory research. Cross-sectional explanatory survey research studies address the why question. Thus, it provides reasons or explanation as to why a particular phenomenon happens (Saunders et al., 2016; Alexander Lopes, Ricchetti-Masterson, & Yeatts, 2015; Bryman & Bell, 2012). In relation to the current study, one of its focus is to know why women owned SMEs are not developing despite accessing microfinance products. Why underperformance is a chronic phenomenon. The cross-sectional descriptive and explanatory survey designs are chosen because of their ability to facilitate the collection of data for the purpose of description and explanation (Neeru, 2012).

Survey research designs are used to collect data about variables such as beliefs, opinions, attitudes, characteristics, practices, actions, behaviours and preferences (Mathers et al., 2009; Glasow, 2005; Polland, 2005). According to Saunders et al. (2016) the survey research design

is usually associated with the deductive approach which is the approach to research that is being adopted by the researcher. The cross-sectional descriptive and explanatory survey research designs allow the collection and analysis of quantitative data using statistical inferences and qualitative data using content and thematic analysis (Mathers et al., 2009) hence they are consistent with post-positivism and pragmatism research paradigms within which this research is situated. The survey research design is used in descriptive, exploratory and explanatory studies (Saunders et al., 2016). The purpose of this research is not only to describe the programs being offered by MFIs to women owned SMEs but also to establish the influence of MFIs programs on women owned SMEs development. The data collected in descriptive and explanatory survey research design can be used to suggest possible reasons for particular relationships between variables and to produce models or theories of these relationships (Saunders et al., 2016; Bryman & Bell, 2012, Mathers et al., 2007; Oslen & George, 2004). Survey research designs allow generalisation of results (Ghazi, Petersen, Reddy & Nekkanti, 2017). Generalisation of research findings in survey research is consistent with post-positivism research paradigm, which is one of the philosophical orientations of this research. In addition, there is need to generate findings that are representative of the whole population. The cross-sectional survey design is also economic as it allows collection of huge amounts of data in a short space of time, hence it is less time consuming and less expensive than the census (Bhandari, 2016; Saunders et al, 2016; Bryman & Bell, 2012; Wilson, 2011). It was deemed necessary to employ the cross-sectional survey research design since data collection is a critical aspect of the study.

#### **4.4 Population**

Kumar (2019) defined population as a set of elements such as people, animals or plants sharing common and specific properties. It is a whole group of people meeting the set criterion (Salaria, 2012; Barnes, Burns & Grove, 2003). Similarly, Cohen, Manion and Morrison (2013) view population as a “group of people sharing the same traits, which are of interest to the researcher”. Thus, a population is a group from which the researcher would like to make inferences. Proper definition of population determines the correct sources of data (Rahi, 2017)

The study sought to establish the influence of microfinance products on women SMEs development in Mashonaland west province of Zimbabwe. The target population for this study comprised of women owned SMEs represented by owners or managers as units of analysis. Mashonaland west province is divided into 8 districts namely Chegutu, Hurungwe, Kadoma, Kariba, Makonde, Mhondoro Ngezi, Sanyati and Zvimba. In light of that, the population of this

study was drawn from these districts. The study also targeted women owned SMEs in towns such as Chinhoyi, Chirundu, Kadoma, Kariba and Karoi as well as women owned SMEs in major growth points such as Murombedzi, Banket, Nyabira, Lions den, Norton, Mhangura, Magunje and Sanyati. The current study believed this group was the ideal target group for questions related to the study's objectives. The population size for this study consisted women owned SMEs operating in Mashonaland west province who have obtained microfinance loans. The population size was unknown. In situations where the population size is unknown, an arbitrary figure of 20 000 is recommended (Raosoft, 2011). Therefore, the population of this study was 20 000.

#### **4.5 Sampling and Sample Size**

A sample is defined as a subclass of the population which must be representative of the population (Chikari, 2020). Equally, Saunders et al (2007) defines a sample as a subset of people selected to represent total population. Extant literature (Creswell, 2014; Zimkund & Babin, 2008; Aaker, Kumar and Day, 2007) indicate that it is not feasible to study the entire population due to cost and time involved. Therefore, a researcher may only use a portion of the total population when conducting studies (Aaker, Kumar and Day, 2007). Brewer and Rojas (2008) further claims that research studies may make conclusions based on results drawn from a small part of the population. In light of that, the researcher had to employ sampling in the current study as the population consisted of women owned SMEs in Mashonaland west dispersed around the province. Sampling is a process of judiciously selecting a portion of the population that represents the whole population in a specific chosen research area which should assist the researcher to be able to see all the characteristics of the population and generalise the research findings. Field (2013) views sampling as a process of selecting models from a group or population to become the basis for approximating and forecasting the result of the populace as well as to spot the unknown portion of information. This study applied mixed research methods and hence the sample size for quantitative methods and the sample size for qualitative methods were determined, see section 4.5.1 and 4.5.2.

Sampling was undertaken because it was not feasible to access all elements of the population due to time and cost. Sampling is supported by Brewer and Rojas (2008) and Zimkund and Babin (2008) who assert that sampling reduces manpower requirements, costs and saves time. In support, Saunders et al. (2009) reports that sampling provides dependable and precise results ad compared to a census which is normally subject to errors. Sampling provides manageability of the study elements (Field, 2013).

#### **4.5.1 Sample size for the quantitative research component**

Several methods are used to determine sample sizes for quantitative methods. These include Cochran's formula (Adil Mohamed, Ishak, Ahamad, 2016), Kerjie and Morgan (1970) Sample Calculator, Raosoft (2004) sample calculator among others. Factors such as the population size and research design (Delice, 2010; Lodico, Spaulding & Voegtle, 2010), sampling error, confidence level and interval (Freedman & Taub, 2006) are considered when determining sample sizes in quantitative studies. Business and management researchers estimate the physiognomies of the population to be plus or minus 3% to 5% of the population's true values (Saunders et al., 2016). Past researchers (Adil Mohamed et al., 2016; Bambale, 2014) have used + or -5%. In view of that, the level of accuracy for this study was + or -5%. The sample size for this study was 377 women owned SMEs which was determined using Raosoft (2004) web-based sample size calculator at a confidence level of 95% and a margin of error of 5%. Extant literature indicates that the Raosoft (2004) sample calculator is popular in most social science researches (Chigumira (2018; Dinterman and Katchova, 2018; Mueller & Mueller, 2018, Saunders et al, 2016).

#### **4.5.2 Sample size determination for the qualitative research component**

There is no straight answer on the question on how many respondents to include in a qualitative research (Vasileiou et al. (2018). Thus, sampling in qualitative research studies needs to be addressed rigorously and is fundamental to the quality of validity of the study (Curtis et al, 2000). Mason (2010) believes that the sample size in qualitative research should be large enough to ensure that all perceptions are uncovered. Some principles and guidelines for achieving appropriate sample size in qualitative studies have been recommended (Malterud et al, 2016). One of the principles is saturation (Boddy, 2016; Matterud et al, 2016) which involves adding participants during data gathering until additional participants do not provide additional perspectives and information. Actual sample size is attained when additional participants cease to add value to the information already provided. According to Mason (2010), there is a point of diminishing returns in data collection in qualitative studies where additional participants do not add more insights to the phenomenon under investigation. However, other scholars like Boddy (2016) argued that saturation has a disadvantage of not giving a sample size before collection of data commences. Researchers have suggested sample guidelines for qualitative studies presented on the table below:

Table 4.2: Sample size determination guidelines for qualitative studies

<b>Sample size</b>	<b>Research type</b>	<b>Research authority</b>
At least 6	Phenomenology	Morse, 1994
5-25	Phenomenology	Creswell, 1998
20-30	Grounded theory	Creswell, 1998
20-40	Grounded theory	Marshall et al, 2013
5-25	Case study	Creswell, 1998
30-50	Ethnoscience & ethnography	Morse, 1994
20 plus	All qualitative studies	Green & Thorogood, 2009
25 plus	All qualitative studies	Charmaz, 2006

*Source: Developed from literature review (2021)*

Boddy (2016) believes qualitative sample sizes of ten are deemed to be adequate for sampling in a homogenous population, sample sizes of 20-30 are suitable for researchers using a grounded theory to inquiry (Creswell, 2014), 15-30 is ideal for case study interviews, 5-25 for phenomenology (Creswell, 2014), 30-50 for both ethnoscience and ethnography (Green & Thorogood, 2009). The sample size for the qualitative component of this study was 30 which was the point of saturation. Applying the principle of saturation, the actual sample size was 30 participants and these successfully took part in the interviews. The sample size of 30 (thirty) is consistent with most of the sample size determination guidelines for case study types of qualitative studies as described above.

#### **4.6 Sampling methods and techniques**

Sampling is a technique for choosing particular individuals or a small subset of the population in order to draw statistical conclusions from them and estimate the characteristics of the entire population (Saunders et al, 2016). Simple random sampling, stratified sampling, and cluster sampling are examples of probability sampling techniques. Non-probability sampling techniques include judgemental/purposive sampling, quota sampling, and convenience sampling (Saunders et al., 2007). According to Saunders and Rojon (2014), the degree of accuracy, the accessibility of resources, and the participants' prior knowledge all have a role in the selection of the sample method. By using the probability method, every population member has an equal chance of being chosen (Wilson, 2010; Zikmund & Babin, 2007, Bogdan & Biklen, 2006). The probability sampling approach is thought to be the only one that can be used

to display a real sample that accurately represents the entire population (Bogdan & Biklen, 2006).

According to Baxter & Jack (2008) and Miller (2000), the non-probability sampling method is based on the researcher's judgment. It has various bias-related possibilities that could distort research results (Margrit, 2012; Silverman, 2010). Non-probability sampling, according to Yin (2010), is the ideal sampling strategy for research since it takes into account demographic characteristics. Non-probability sampling is considered to be a workable strategy due to the time and expense of data collecting (Babbie, 2010; DiCicco-Bloom, 2009; Flick, 2009). The non-probability sampling method, according to Creswell (2014), employs random procedures as well as the researcher's discretion regarding convenience. Purposive, practical, and quota sampling are examples of non-random sampling (Bryman & Bell, 2011; Neuman, 2007).

Purposive sampling is normally referred to as judgmental sampling (Etikan, Musa and Alkassin, 2015). This involves the deliberate choice of participants based on the qualities the participant possesses. Saunders et al (2012) defines purposive sampling as a non-probability method which uses the judgement of the researcher to select elements to be included in the research. In this case, researchers believe that they can obtain a representative sample by using a sound judgment which saves time and money. Purposive sampling focuses mainly on concentrating on elements with particular characteristics deemed important in the data collection process (Etikan et al, 2015). Simply put, the researcher makes choices on elements to be included on the study based on experience, cost and time.

Quota sampling is a non-probability sampling method which focuses on creating a sample which represents the whole population (Lewis, Thornhill and Saunders, 2012). This method ensures that specific numbers are obtained from each specified population sub group but with essentially no randomisation of unit selection within the subgroup (ILO, 2009)

Convenience Sampling is also known as haphazard sampling or accidental sampling (Etikan et al, 2015). This method selects members to be included in the study based on criteria such as easy accessibility, geographical proximity and willingness to participate (Etikan et al, 2015). Convenience sampling is useful and requires less planning (ILO, 2009).



In simple, convenience sampling, purposive sampling and quota sampling are based on the researcher's judgement. The current study used a judgemental selection strategy, a non-probability sampling method, to choose women-owned SMEs that would take part in the study. This approach is predicated on the notion that study participants must meet certain requirements in order to participate (Creswell, 2014). Which participant offers the most desirable or useful information to achieve study objectives is decided by the researcher (Etikan, Musa, & Alkassim, 2016). When Bryman and Bell (2011) came to the same conclusion as Etikan et al. (2015), they agreed that the researcher should concentrate on persons with a similar perspective who have the necessary data and are willing to provide it. According to the theory of judgmental sampling, study participants are selected in the hopes that each will contribute rich and detailed information. The choice of the sample technique depends on the nature and type of the investigation, according to Saunders et al. (2009). The study used judgmental sampling because it enabled the researcher to select Mashonaland West women-owned SMEs who have been using microfinance products for the previous five years, are readily available, and are willing to take part in the study.

#### **4.7 Research Instruments**

Research instruments are tools, devices or strategies used for collecting data in a research study. They include questionnaires, interviews and observation checklist (Annum, 2015; Bryman & Bell, 2012), fact finding strategies and tools for data collection. Data collection instruments should be well decided based on research objectives and research questions (Saunders et al., 2009). Questionnaires and interview guides are the commonly used research instruments in data collection (Clark & Maguire, 2020). The current study adopted structured self-administered questionnaires and semi structured interview guides as data collection instruments. These tools were adopted in line with pragmatism research philosophy, and mixed methods research strategy.

##### **4.7.1 Questionnaire**

Neville (2007) argues that a questionnaire is a quantitative research instrument used for the collection of data by asking all or a sample of people to respond to the same questions. Questionnaires take many forms in terms of structure, nature of questions and method by which they are administered. They can be in printed or electronic form, structured or unstructured, self-administered or electronically delivered (Saunders et al., 2016, Annum, 2015). Structured

questionnaires are those in which researchers have some control over the answer as they give respondents a limited number of alternatives to select from, hence are described as closed (Annum, 2015; Neville, 2007). Unstructured questionnaires on the other hand are termed open-ended as respondents are free to answer questions in own words; providing respondents with spaces to express their opinions towards a question (Annum, 2015) Questionnaires are best and appropriate for survey research because they are relatively less costly and can be easily distributed (Zikmund, Babin, Carr and Griffin, 2010). They allow researchers to collect data from a large number of respondents (Saunders et al, 2016; Crowther & Lancanster, 2009). Compared to other methods, questionnaires are a relatively simple and cost-effective way of data collection. In the current study, research participants were contacted and informed that they had been randomly selected to participate in the study. The purpose of the study, its importance to the organisations and the researcher were explained to the respondents. Respondents were given adequate time to attend to the closed ended questionnaires which were collected after some days to make sure a high response rate was achieved.

#### **4.7.2 Interview guides**

An interview is a verbal method of gathering data. It is a general method for data collection that offsets the limitations of other methods such as the questionnaire (Zikmund et al, 2010). They are viewed as conversation (Robson, 2009). It is a technique that involves the use of verbal communication between the researcher and the respondent (Mathers et al. 1998). Interviews can be structured, unstructured, semi-structured, face-to-face interviews and telephonic interviews (Robson, 2009). Interviews have a human element (Annum, 2015). Saunders et al. (2016) noted that interviews provide researchers the prospect to probe for answers when answers that have been given are not clear, when there is need to repeat the question if not understood and permit the researcher to gather information by observation of facial expressions, gestures. The current study adopted structured interview guides. The current study adopted structured in-depth interviews. Structured in-depth interview questions are pre-determined, meaning that they are prepared well in advance before the interview. The questions are standardized to facilitate collection of data for analysis. Diaz (2015) and Marshall and Rossman (2010) considers in-depth open and semi-structured face-to-face interviews as the most appropriate data collection tool for a research such as this one.

#### **4.7.3 Justification for adopting Questionnaires and Interview guides.**

The current study used a closed-ended questionnaire since it was practical, economical, easy to administer, analyse, and set up, less time-consuming for the respondents, and effective at gathering data from a large sample, as evidenced by (Pratama, 2020; Hurst & Bird, 2019; Gray & Wyman, 2004). The study collected a large amount of data from women SMEs in Mashonaland West province, therefore, the use of a questionnaire was justified. Further, closed ended questions were easier and quicker to code, data analysis was simpler and opinions were easier to compare. Although, open ended questions can be rich in getting in depth responses, they were not used because they are taxing to administer, data analysis is difficult, they are time consuming and they have a potential to demotivate respondents as reported by Gray & Wyman (2004). However, respondents were given room to give their responses or answer at the end of each and every question.

Objective questions in the questionnaire were used to reduce bias as reported by Schwind, Knierim, Haas & Henze, (2019). Questionnaires allowed respondents to respond to questions in the absence of the researcher. In the current study, respondents did not identify themselves. Research participants were contacted and informed that they had been randomly selected to participate in the study as respondents. The purpose of the study, its importance to the SMEs and contribution to the performance of the SMEs and MFIs sector and the national economy was explained to them. Respondents were given adequate time to attend to the questionnaires which were collected after some days to make sure a high response rate would be achieved. . Open-ended questions were included in their questionnaires to lodge any further comments they could have on particular questions, and to enable them to justify their response choices on the close-ended questions

Closed-ended questions ensured objective answering of questions that needed straightforward answers like age, gender, position in the organisation, level of education, number of years at the current position, among others. The use of closed-ended questions also helped in managing the amount of time spent with a single respondent to avoid boredom on the part of the respondent.

Despite the highlighted advantages of using the questionnaire method in the present study, it is prone to the problem of low response rates and incomplete information if some respondents choose not to return the questionnaires or leave some questions unanswered. Moreover, Kothari (2004) highlights that the questionnaire is only useful when the respondents are cooperative

and educated, and that it is likely to be the slowest of all data collection methods. However, as already highlighted, the challenge of potentially low response rates was managed by ensuring that the questionnaires were personally administered, which guaranteed prompt responses. Moreover, the fact that the questionnaires were personally administered enabled the researcher to provide explanations on questions respondents found difficult to understand. Personally, administering questionnaires also reduced the possibility of incomplete data on the questionnaire.

In this current study, 5-point likert scale was used on items in the questionnaire. 5-point likert scale allowed the researcher to administer questionnaires more accurately and economically to a large sample of women SMEs who accessed microfinance products in Mashonaland West province. The study had only one questionnaire for women SMEs who accessed microfinance products for their business. The questionnaire was constructed basing on literature reviewed of this current study.

Structured in-depth face to face interviews were used as another instrument for data collection for the qualitative research. They were adopted because they are appropriate in qualitative research studies as they are characterised by flexibility allowing the interviewer to probe, rephrase questions and get instant feedback (Saunders et al., 2016; Robson, 2007) and because the researcher wanted to get in-depth opinions, views and experiences of the respondents.

#### **4.8 Research Instrument design and Content Development**

Subsequent to the determination of sample size the next thing was to develop the instruments for the collection of data. The nature of the research necessitated the development of two research instruments: self-administered questionnaire (see Appendix A) and structured standardized interview guide (see Appendix B). In designing the instruments technical considerations were taken into account and these included the layout of the instruments, nature, arrangement and order of the questions, length of the instruments, content and language. Design and content of the instruments were based on the study objectives and questions. Content development of the instruments entailed descriptions of the constructs and measurement items which were derived from the theories forming the theoretical basis of the study.

#### **4.8.1 The Questionnaire design and content**

Questionnaire design involves the process of creating questions and ordering questions in accordance to research objectives to be addressed by the research. A questionnaire consists of a number of questions that respondents are expected to answer in a given format. Questionnaire design depends on the type of data to be collected. The current study's objectives were to establish the influence of microfinance products on women owned SMEs development. In particular, the study focused on establishing the types of microfinance non-financial products being availed by women owned SMEs in Mashonaland West province, the types of microfinance non-financial products, the effects of microfinance products on women owned SMEs development, the moderating effects of government policies on the relationship between microfinance products and women owned SMEs development, the typologies of businesses being pursued by women owned SMEs and the barriers faced by women owned SMEs when trying to access microfinance products. The questionnaire was designed with more closed ended questions and less open-ended questions to guide the respondents. Literature review was used as a point of reference on designing the questionnaire.

The questionnaire comprised three (3) sections, section A-C. Section A of the questionnaire focused on five items measuring demographic data. The questions measured demographic data of women SMEs who participated on the study, these include the gender, position in the organisation, age, level of education and length of business. This section had questions on demographic information meant to enable the researcher understand, describe and establish the status of women owned SMEs at the time of study and be able to compare the results against findings from past similar studies by other researchers.

Section B of the questionnaire dealt with the objectives of the questionnaire. Section B of the questionnaire was divided into B1 up to B6. Each question answered specific research objectives. All items in section B were measured using five-point likert scale in which the scales were 1=strongly disagree; 2=disagree; 3=neither agree nor disagree; 4=agree and 5=strongly agree. Section B1 measured the types of microfinance financial products being availed to women owned SMEs. These were coded as Microloans (FP1), Micro savings (FP2), Micro insurance (FP3), Micro-leasing (FP4), Hire purchase (FP5), Mortgage (FP6), Overdrafts (FP7), Money transfers (FP8), Emergency loans (FP10) and Consumption loans (FP11).

Section B2 measured the types of microfinance non-financial products being availed to women owned SMEs in Mashonaland west province. The microfinance non-financial questions were coded as technical skills (NFP1), Managerial skills (NFP2), Networking (NFP3), Mentoring (NFP4), Business training (NFP5), Marketing Assistance (NFP6), Customer Care (NFP7), Account manager support services (NFP8), Business record keeping (NFP9), Entrepreneurial skills (NFP10) and Personal development skills (NFP11).

The questionnaire was designed with section B3 which measured the effects of microfinance products on women owned SMEs development. The questions on the questionnaire were coded as Business Survival (MFP1), Employment creation (MFP2), Increased profits (MFP3), Increased outlets (MFP4), Increased capital size (MFP5), Improved business management (MFP6), New products development (MFP7), Acquiring of new equipment (MFP8), Development of new production capacity (MFP9), Diversification (MFP10) and Empowerment (MFP11).

The fourth objective of the study was to establish the moderating effects of government policies on the relationship between microfinance products and women owned SMEs development which questions on section B4 were designed to answer. The moderating effects of government policies on the relationship between microfinance products and women owned SMEs were coded as growth of the informal sources of credit (ME1), Enhances financial deepening (ME2), Ensures viability of safe, appropriate and affordable credit (ME3), Increased economic growth and development (ME4), Higher productivity (ME5), Facilitates smoothening of consumption by the income households (ME6), Increases in employment levels (ME7), Increases in employment levels, Enhances financial stability (41), Implications of pro-cyclicality (ME8), Poor connectivity (ME9) and Moral hazard (ME10)

Further, section B5 of the questionnaire focused on the typologies of businesses being pursued by women owned SMEs and was measured by eleven items. Items to measure the types of businesses being pursued by women in Mashonaland West province were measure using the following measures and coded as Agriculture (TB1), Construction (2), Food products (TB3), Healthcare, beauty and cosmetics (TB4), Manufacturing (TB5), Retail and wholesale (TB6), Services (TB7), Tourism, transport, hotel and restaurants, Trade (TB9), Cleaning and maintenance (10) and Direct sales (TB11).

Lastly, section B6 focused on barriers to accessing microfinance products by women owned SMEs. Questions on section B6 were designed to answer the objective and were coded as BFP1- Lack of acceptable collateral, BFP2- Irregular income, BFP3- Lack of trust, BFP4- Literacy level, BFP5- High Interest rates, BFP6- Lack of technology, BFP7-Distance to access MFIs, BFP8-Policy regulations and BFP9-In appropriate products. After designing the questionnaire, the interview guide was also designed since objectives such as effects of microfinance products on women owned SMEs development, typologies of businesses being pursued by women needed interaction with women SMEs through interviews. The next section 3.8.2 shows the interview design.

#### **4.8.2 Interview design**

The interview guide consisted of four questions and each question was dedicated to a specific theme related to the research objectives and questions. The questions were on the effects of microfinance products on women owned SMEs development, typologies of businesses being pursued by women owned SMEs and the barriers faced by women owned SMEs when trying to access microfinance products.

#### **4.9 Credibility of the measurement instruments**

The quality of the research, which in turn depends on whether concerns of validity and reliability for questionnaires and reliability of interview guides were taken into consideration, determines the credibility of research findings and conclusions (Saunders et al., 2016). A pilot study was conducted to preserve the validity and reliability of research tools.

##### **4.9.1 Pilot testing**

A pilot test is the first step of a well organised research and is a smaller –sized study which assist in the planning, modification, validation and assessing the feasibility of the main study (In, 2017). A pilot study improves the research quality and efficiency (In, 2017). In the current study, a pilot study was conducted with 30 selected women SMEs in Chinhoyi who were selected purposively and conveniently. The current study improved the questionnaire. The pilot study enabled the researcher to eliminate ambiguous items, possible problems in administering the research instruments, tested data collection questionnaire, helped in identifying the feasibility of the study and ensured the validity and reliability of the research instruments. The pilot tested sample was subjected to reliability tests of constructs using Cronbach`s alpha statistic, Kaiser-

Meyer-Olkin (KMO) and Bartlett's Test of Sphericity and Exploratory factor analysis. Cronbach alpha is a measure of the internal consistency of a scale or test expressed as a number between 0 and 1 used to measure the internal consistency of the data collection instrument (Bonett & Wright, 2014). According to Tiber (2018) it is a statistic that indicates that measurement instruments that have been constructed are fit for purpose. Internal consistency refers to the extent or degree to which all the items in a measurement instrument measure the same constructs or concepts for example women SMEs development. A Cronbach alpha value of 0.7 or higher is considered to indicate the level of consistency that is acceptable (Tiber, 2018; Tavakol & Dennick, 2011; Vehkalahti, 2011). Cronbach alpha is a coefficient of reliability that provides unbiased data generalisability (Bonett & Wright, 2014). As highlighted by Tavakol and Dennick (2011) and Vehkalahti (2011), a high alpha validates the internal validity and reliability of the instrument meaning that the researcher can confidently generalise the responses from the data collection instrument to the population of the study and a low alpha means the number of questions are insufficient and interrelatedness of the questions is poor. Cronbach alpha tests were performed using SPSS version 21 and the results are presented in chapter five and showed that the questionnaire was reliable.

#### **4.10 Validity**

Validity refers to the extent to which a research instrument measures what it is intended to measure (Thatcher, 2010). Validity is the degree to which the instrument measures what it claims to measure (Heale & Twycross, 2015). Wong and Yamat (2020) defined validity as the accuracy of an instrument in measuring the anticipated construct within a research. Mohajan (2017) believes validity is concerned with what the instrument measures and how it does so. Thus, in line with Cresswell (2014)'s recommendation for mixed methods studies, the convergent approach was used to ensure research instrument validity in this study. The convergent approach encompasses the incorporation of both qualitative and quantitative validity management strategies in a study. For the entire study, triangulation was adopted as a validity management technique, encompassing the use of various sources of data to evaluate the same outcomes (Ghrayeb et al., 2011). In the present study, this involved the use of questionnaire surveys and interviews as data collection techniques from women SMEs in Mashonaland west province. Theoretical triangulation or methodological pluralism was also adopted by combining quantitative and qualitative research techniques to ensure the validity of the study's findings. Additional strategies that were specific to quantitative and qualitative data validation were also employed as discussed further below.



The degree to which the measurement instrument has sufficient coverage is referred to as content validity. In other words, the questions must include all of the aspects they are expected to include and not leave out any of them (Wilson, 2013; Jackson, 2011). There are two methods for ensuring content validity of the instrument and these are the judgmental and quantitative approach. The judgmental approach was applied during instrument development. A thorough literature review of the constructs was conducted to identify the most widely used measurement items and constructs. The instruments were then evaluated by expert lecturers with knowledge in entrepreneurship, microfinance and SMEs. The experts noted essential constructs to be retained and undesirable constructs to be removed. Cognisant of the recommendations from the experts, the final instruments were developed and were then administered.

Construct validity also known as external validity is the second form of validity that was checked. It was assessed through convergent validity and discriminant validity. Convergent validity measures the extent to which measurement items of a construct are correlated (Malhotra & Dash, 2010) and was established through checking factor loading, average variance extracted (AVE) and composite reliability. All the constructs had the acceptable levels of AVE which were above 0.5 the threshold criterion. The factor loading of all the construct indicators were more than the acceptable level ( $>0.5$ ). Kaiser-Meyer-Olkin (KMO) and Bartlett's Test of factor analysis were used to test construct validity while the Exploratory Factor analysis was used to test for predictive validity. This improved the clarity of the questionnaire. Results are presented in chapter 5.

#### **4.11 Reliability**

The degree to which a measurement procedure's results can be replicated and yield similar results (Hair, et al., 2013; Wong et al., 2012; Cooper & Schindler, 2011). Bolarinwa (2015) defines reliability as the degree to which variables in a study are consistent with the outcomes that they are designed to evaluate. As a result, replicability of outcomes after multiple efforts plays a big role in reliability. The instrument must be dependable in order for the results to be consistent (Henseler et al., 2014). In quantitative research, reliability is an important measurement scale because it specifies the standardisation of items on a measurement scale. Internal consistency of a construct determines reliability (Field, 2010). Saunders et al. (2016) says reliability is the extent to which a researcher's data collection techniques and or analysis

procedures produces consistent findings. Thus, absence of reliability in a measurement instrument leads to wrong findings and conclusions. To ensure that the measurement instruments, the questionnaire and interview guide satisfied the principles of reliability, the researcher conducted reliability tests using Cronbach alpha values of the constructs and their measurement items for the questionnaire. The results are presented in chapter 5.

#### **4.12 Credibility of Interview guide**

In research, it is commendable to establish the trustworthiness of research instruments used in qualitative studies as this will ensure the credibility, transferability, confirmability and dependability of research findings (Murebwa, 2020). Trustworthiness of a study entails the degree of confidence in data, interpretation, and methods used to ensure the quality of a study (Pilot & Beck, 2014). It ensures the study's usefulness and integrity of findings (Cope, 2014). Credibility is the equivalent of internal validity in quantitative research and is concerned with the aspect of truth-value (Korstjens & Moser, 2018). Transferability is how the qualitative researcher demonstrates that the research study's findings are applicable to other contexts. In this case, other contexts can mean similar situations, similar populations, and similar phenomena. Transferability corresponds to external validity that is generalising a study's results. In this study, transferability was achieved thorough description of the research context and underlying assumptions as espoused by Trochim (2006). Confirmability is the degree of neutrality in the research study's findings. In simple, this entails that the discoveries are grounded on partakers' responses and not any potential bias or personal motivations of the researcher. In this study, the findings are based women owned SMEs responses and no researcher's bias. Finally, dependability is the extent that the study could be repeated by other researchers and that the findings would be consistent. The methodology used in the current study allows future researchers to repeat the same study in other settings.

#### **4.13 Data Collection Procedure**

Door to door visits to the women owned SMEs in the study area, Mashonaland west province of Zimbabwe were done. Liaisons were also made with known women owned SMEs in the province, who informed the researcher on the days when women owned SMEs owners were accessed especially during training workshops and galas. The researcher was assisted by provincial women owned SMEs cluster leaders, who were all familiar with other women owned SMEs in the province. SMEs owners helped a lot in identifying other locations where the researcher could get other key informants who were required for the study. On the other hand,

prior appointments were made with women owned SMEs before visiting their offices for questionnaire administration and interviews. The researcher personally collected data from the study's key informants, the women owned SMEs owners or managers. The setting up of prior appointments ensured that the respondents were available during the time of visit by the researcher in order to avoid the wastage of time and monetary resources.

#### **4.14 Data Analysis and Presentation Methods**

The study adopted quantitative and qualitative data analysis techniques because literature distinguishes between quantitative and qualitative data analysis, and between parametric and nonparametric data analysis in quantitative research (Saunders et al., 2016, Coopers & Schindler, 2014). Ngulube (2015) cited in Murebwa (2020) denotes that qualitative data analysis consist of raw data searching, evaluating, recognising, coding, mapping, exploring and describing patterns, trends, themes and categories in order to interpret them and provide their underlying meanings. In research, parametric and nonparametric data analyses are forms of quantitative data analysis procedures. In line with Atkinson and Meciou (2017), this study ignored the characteristics of parametric and non-parametric characteristics and used descriptive statistics in IBM's Statistical Package for Social Sciences (SPSS) Version 26 to analyse the study's quantitative variables. These included the frequencies, the mean and standard deviation. The mean is regarded as the most stable measure in social sciences than the mode (Atkinson and Meciou (2017). In addition, Structural Equation Modelling in AMOS version 21 was used to test hypothesis. Structural Equation Modelling in AMOS is regarded as the strongest tool for measuring relationships.

#### **4.15 Ethical Considerations**

Saunders et al. (2009) underscore that research ethics are concerned with the appropriateness of the researcher's behavior in connection with the rights of the enlisted respondents, subjects and those affected by the research work. Expounding, Choga and Njaya (2011) illuminate that these research ethics are concerned with protecting participants from harm, ensure that there is informed consent of the participants, and ensure that their privacy and confidentiality rights are upheld and that the researchers uphold professional conduct. These rights were fully observed in this study as the researcher clearly explained the purpose of the study to the participants, who were also notified that participation was not compulsory and that they were free to withdraw anytime if they felt uncomfortable. Also, confidentiality was guaranteed to the

participants by ensuring that no names were written and also divulging to them that the study would be solely used for academic purposes. Participant information sheets were presented to interview participants to invite them to participate in the research and to explain the nature, purpose and consequences of the research study. Participants were also presented with informed consent forms for signing if they chose to participate in the interviews. A university clearance letter was also obtained and presented to every individual who participated in the study.

#### **4.15 Chapter summary**

The current chapter provided an outline of the methodology adopted in undertaking the study. Firstly, the philosophical underpinnings that guided the study were explained. Also, the research strategy and design were clearly presented in the chapter. An overview of the study area was given and the population and the targeted respondents were presented. The sampling procedure adopted was outlined, and the sample size specified. Moreover, specific data collection instruments and procedures were spelt out as well as the data analysis and presentation methods adopted. The chapter also articulated on how reliability, validity and ethical issues were handled in the study. The next chapter (chapter five) focuses on the presentation of the study's results.

## CHAPTER FIVE

### ANALYSIS AND RESULTS

#### 5.0 Introduction

The study assessed the influence of microfinance programs on women owned SMEs development in Mashonaland west province in Zimbabwe. The research methodology used in this study was presented in chapter 4. The current chapter presents the analysis of data and results. Data generated is presented in line with the research objectives and questions which guided the current study. The research questions focused on the types of microfinance products that are availed to women owned businesses in Mashonaland west province in Zimbabwe, the effects of microfinance products on women owned SMEs, the barriers to accessing microfinance products by women owned SMEs, typologies of women owned SMEs in Mashonaland west province in Zimbabwe and the moderating effects of government policies on the relationship between MFIs programs and women owned SMEs development. Data for each research question is presented in tabular form and a data description of each data follows below. In particular, the current chapter presents and analyses data on response rate, respondents' socio-demographic profile and descriptive statistics on research objectives and hypotheses tested.

#### 5.1 Response rate

##### 5.1.1 Questionnaire response rate

The researcher distributed 377 questionnaires to women owned SMEs in Mashonaland West province of Zimbabwe. A total of 362 questionnaires were returned and usable, resulting in a response rate of 96 percent. This is a high response rate which can be relied upon given that only 4% of the targeted sample did not respond. Thus, inferences can be drawn from this sample response rate. The response rate of 96 percent was acceptable as it increases sample representativeness and eliminates bias as supported by Cooper and Schindler (2014) and Bryman (2012). Saunders et al. (2007) says a response rate of more than 50% is sufficient to proceed with data analysis. The current study's response rate matches that of a related study done in Zambia's higher education by Mwiya et al., (2017) which had a 93 percent response rate. In support, Saunders et al. (2009) believes a response rate is adequate when it is in line with similar investigations undertaken elsewhere. Based on such justification, the current response rate was considered adequate to justify the continuation of the study. Table 5.1 below shows the response rate.

Table 5.1: Questionnaire Response Rate

	Number of distributed questionnaires	Number of returned questionnaires	Mortality
Count	377	362	15
Frequency	100	96	4

Source: Field survey (2021)

### 5.1.2 Interviews conducted

The study had targeted to conduct as many interviews to gather data to answer research objectives. However, only 30 interviews were conducted and the results reached data saturation. Saturation refers to a point at which the researcher finds out that all the needed data have been collected and there is no any new relevant information or data that can be collected from the respondents or subjects of the study (Fusch et al., 2018). Saturation signifies that a researcher has to stop collecting more data for a particular study. Data saturation has been widely used in social science studies and has become one of the important elements of qualitative approach which has its roots in grounded theory as developed by Glaser and Strauss (1967). Data saturation was reached perhaps because of relevancy of research subject and number of research tools as cited by Mwita (2022). Data Saturation ensured the validity and adequacy of data collected and ensured the reliability of study results.

### 5.1.3 Responses by age

The study established the age distribution of respondents and table 5.2 below presents the age distribution of women owned SMEs who participated in the current study.

Table 5.2: Response by age

	Frequency	Percent	Valid Percent
Below 20 years	90	25.3	25.3
20 years to below 30 years	154	41.4	41.4
30 years_and_below 40 years	93	26.1	26.1
40 years and above	25	7.3	7.3
Total	362	100.0	100.0

Source: Primary Data (2021)

Table 5.2 above shows that majority (41.4%) of women owned SMEs who participated on the study were aged between 20 years and below 30 years. The second largest group of respondents were above 30 years (26.1%) and below 40 years. The third highest respondent group had 25.3% constituted by those below 20 years and the last group had 7.3% constituted by those above 40 years. The fact that 25.3 percent of respondents were below 20 years may indicate that majority of women are engaging into business at a tender age. This may also signify that Zimbabwe has high unemployment rate and after secondary school, women end up taking employment.

#### 5.1.4 Level of education of the respondents

The study also established the level of education of women owned SMEs who participated on the research study. Majority (68.5%) of women owned SMEs had secondary levels of education as shown on table 5.3 below. Results also show that 14.8% had diplomas, 7.3% had undergraduate degrees, 5% had accessed master's degrees and 4% had Doctorate degrees. Table 5.3 below presents the results.

Table 5.3: Level of education of Women SMEs who participated on the study

	Frequency	Percent	Valid Percent	Cumulative Percent
Secondary Education	250	68.5	68.5	68.5
Diploma	50	14.8	14.8	83.3
Undergraduate Degree	27	7.3	7.3	90.6
Master's Degree	20	5.4	5.4	96.0
Doctorate	15	4.0	4.0	100.0
Total	362	100.0	100.0	

*Source: Research data (2021)*

Table 5.3 above shows that majority of women owned SMEs who participated on the study were literate. This is perhaps because majority of Zimbabweans are literate as supported by the ZimStat's 2014 labour force survey which indicated that 98 % of people aged 15 and above had finished at least grade 3 at primary school level in Zimbabwe (ZimStat, 2015). Based on their literacy rate, this implies that women who partook on this study may have understanding of microfinance business. The results also imply that women who would have gone to school up to secondary level are the ones who will be willing to take up entrepreneurial responsibilities

maybe because industries in Zimbabwe require people with diplomas and digress rather than low skills hence people resort to starting their own businesses.

### 5.1.5 Years' in business

The study sought to establish the years in business of women who participated on this study. This was deemed important as this could provide insights on their experience with microfinance products and the effects of microfinance products on their businesses. Results are presented on table 5.4 below.

Table 5.4: Years in business

Number of years in Business	Frequency	Percent	Valid Percent	Cumulative Percent
below_1_year	18	4.8	4.8	4.8
1 year to below_5_years	95	25.5	25.5	30.4
5 years to below_10_years	104	29.0	29.0	59.4
10 years to below 15_years	62	17.7	17.7	77.2
15_years_and_above	83	22.8	22.8	100.0
Total	362	100.0	100.0	

Source: Research data (2021)

Results shown in table 5.4 above shows that most women owned SMEs (29%) who participated on the study were in business for a period between 5 years and below 10 years, 25.5% had been in business between 1 year and 5 years, 10 years and below 15 years were 17.7% and 15 years and above were 22.8%. Cumulatively, results in table 5.4 above indicates that majority of women SMEs (69.5%) had more than 5 years in business. This implies that they have survived the challenges of business and probably had insightful information in respect to study objectives.

### 5.2 Types of microfinance products that are availed to women owned SMEs by microfinance institutions

The study sought to establish the microfinance products which are availed to women owned SMEs by microfinance institutions in Zimbabwe. The microfinance products availed to women owned SMEs were grouped into financial and non-financial products.



### 5.2.1 Financial products

The study sought to establish the financial products which are availed to women owned SMEs by microfinance institutions. Financial products include Microloans (FP1), Micro savings (FP2), Micro insurance (FP3), Micro-leasing (FP4), Hire purchase (FP5), Mortgage (FP6), Overdrafts (FP7), Money transfers (FP8), Emergency loans (FP10) and Consumption loans (FP11). Responses on the financial products availed to women SMEs in Mashonaland West province are presented in table 5.5 below.

Table 5.5: Types of microfinance financial products being availed to women owned SMEs in Mashonaland west province of Zimbabwe

Item Code	Item description	Response	Mean	Std. Deviation
FP1	Microloans	Agree	4.46	.713
FP2	Micro-savings	Agree	4.02	.988
FP3	Micro-insurance	Strongly disagree	1.49	.501
FP4	Micro-leasing	Disagree	1.53	.500
FP5	Hire purchase	Agree	4.33	.471
FP6	Mortgage	Disagree	1.80	.908
FP7	Overdrafts	Disagree	1.58	.698
FP8	Money transfer	Disagree	1.53	.500
FP10	Emergency loans	Agree	4.12	1.104
FP11	consumption loans	Agree	4.20	1.171
Overall			<b>3.91</b>	<b>.76</b>

Source: Research data (2021)

The results shown on the table 5.5 above shows that women owned SMEs who participated on the study agreed that microloans, micro savings, hire purchase, emergence loans and consumption loans were availed to them by microfinance institutions. They strongly disagreed that microfinance products such as micro insurance, micro leasing, mortgage, overdrafts, and money transfers were availed to them by microfinance institutions. The results imply that the women SMEs were aware of the microfinance financial products that are offered by MFIs. In addition, this implies that they have accessed the microfinance financial products. In addition, an average mean of 3.91 and an average standard deviation of 0.76 falls on the agree side and generally this indicates that women SMEs are aware of the financial products availed by microfinance institutions.

### 5.2.2 Microfinance non-financial products being availed to women owned SMEs in Mashonaland west province of Zimbabwe.

Further, the study sought to establish the non-financial products (secondary products (SP) being availed by microfinance institutions to women owned SMEs in Mashonaland west province of Zimbabwe. This was deemed necessary as microfinance financial products alone have been argued that they are inadequate to improve the performance of SMEs. They need to be embedded with non-financial products. The microfinance non-financial products include technical skills (SP12), Managerial skills (SP13), Networking (SP14), Mentoring (SP15), Business training (SP16), Marketing Assistance (SP17), Customer Care (SP18), Account manager support services (SP19), Business record keeping (SP20), Entrepreneurial skills (SP21) and Personal development skills (SP22). Table 4.6 below shows the results.

Table 5.6: microfinance non-financial products being availed to women owned SMEs in Mashonaland west province of Zimbabwe.

Item code	Item Description	Response	Mean	Std. Deviation
SP12	Technical skills	Disagree	1.65	.477
SP13	Managerial skills	Disagree	1.73	.445
SP14	Networking	Agree	4.20	.400
SP15	Mentoring	Disagree	1.69	.463
SP16	Business training	Disagree	1.70	.459
SP17	Marketing assistance	Disagree	1.62	.486
SP18	Customer care	Disagree	1.69	.463
SP19	Account manager support services	Disagree	1.70	.459
SP20	Business record keeping	Disagree	1.62	.486
SP21	Entrepreneurial skills	Disagree	1.61	.488
SP22	Personal development skills	Disagree	1.73	.445
Overall		Disagree	<b>1.90</b>	<b>.46</b>

Source: Research data (2021)

Results in table 5.6 above shows that women owned SMEs who participated on the study confirmed that microfinance institutions were only availing networking as a non-financial product. Further, results indicate that women owned SMEs who took part in the study disagreed that microfinance institutions avail technical skills, managerial skills, mentoring, business training, marketing assistance, customer care, account manager support services, business record keeping, entrepreneurial skills and personal development skills. This implies that they

were not receiving those services and might not be aware of such services. Overall, the results have a mean of 1.90 and standard deviation of 0.46 which falls on the disagree side which means generally, there is a disagreement on the availability of microfinance non-financial products from microfinance institutions.

### 5.3 Influence of microfinance products on women owned SMEs development

After establishing the types of microfinance products availed to women SMEs, the study further sought to establish the effects of microfinance products on women owned SMEs development. Measures used for measuring women owned SMEs development include Business Survival (MFP1), Employment creation (MFP2), Increased profits (MFP3), Increased outlets (MFP4), Increased capital size (MFP5), Improved business management (MFP6), New products development (MFP7), Acquiring of new equipment (MFP8), Development of new production capacity (MFP9), Diversification (MFP10) and Empowerment (MFP11). Table 5.7 below shows the results.

Table 5.7: Influence of microfinance products on women-owned SMEs development in Mashonaland west province of Zimbabwe

Item code	Item description	Responses	Mean	Std. Deviation
MFP1	Business survival	Agree	4.23	.424
MFP2	Employment creation	Agree	4.37	.484
MFP3	Increased profits	Agree	4.37	.484
MFP4	Increased outlets	Agree	4.37	.484
MFP5	Increased capital size	Agree	4.52	.500
MFP6	Improved business management	Agree	4.24	1.028
MFP7	New products development	Agree	4.38	.730
MFP8	Acquiring of new equipment	Agree	4.34	.814
MFP9	Development of production capacity	Agree	4.15	1.044
MFP10	Diversification	Agree	4.00	.945
MFP11	Empowerment	Agree	4.03	1.172
<b>Overall</b>		<b>Agree</b>	<b>4.27</b>	<b>.74</b>

Source: Research data (2021)

The results from table 5.7 above shows an overall mean score of 4.27 and standard deviation of 0.74 which implies that women-owned SMEs agrees that after receiving microfinance products their businesses developed in different ways. Majority of women confessed that their capital size increased which was supported by a mean score of 4.52, their businesses survived, which was supported by a mean score of 4.23, they created employment, which is supported by a mean score of 4.37, increased profits which is supported by a mean score of 4.37, increased outlets which is supported by a mean score of 4.37, improved business management which is supported by a mean score of 4.24, developed new products which is supported by a mean score of 4.38, acquired new equipment which is supported by a mean score of 4.34, developed new production capacities which is supported by a mean score of 4.15, diversified their business which is supported by a mean of 4.0 and empowered women with a mean of 4.03. Generally, all respondents agreed that after receiving microfinance products, their businesses developed.

### **5.3.1 Usefulness of microfinance products**

In addition, the study sought to establish the usefulness of microfinance products to women owned SMEs through interviews. 30 Interviews were conducted and all the 30 interviewees responded to this question and they all indicated that MFIs were useful to them. They all gave a YES answer. All the women who were interviewed believed that MFIs have been useful to them and gave their own reasons. A word cloud of their verbatim responses is shown in figure 5.1 below.



Figure 5.1: Word cloud of women owned SMEs verbatim responses on why MFIs have been useful to them

Source: Survey data (2021)

Figure 5.1 above shows that top three themes emerged from the interviewees’ verbatim responses. These three themes were the words able, business and loans. The frequency analysis of these themes is summarized in the table below.

Table 5.8: Frequency Analysis of usefulness themes.

Emerging theme	Number of interviewees who mentioned the same theme n=30	Number of times the theme was mentioned
Business	13	13
Able	12	13
Loans	6	6

Source: Research data (2021)

Table 5.8 above shows that the word business emerged as the top theme which was mentioned by 13 out of the 30 respondents for 13 times. Below is the extracted word output for the theme to show how the interviewees referred to the theme in their verbatim responses.

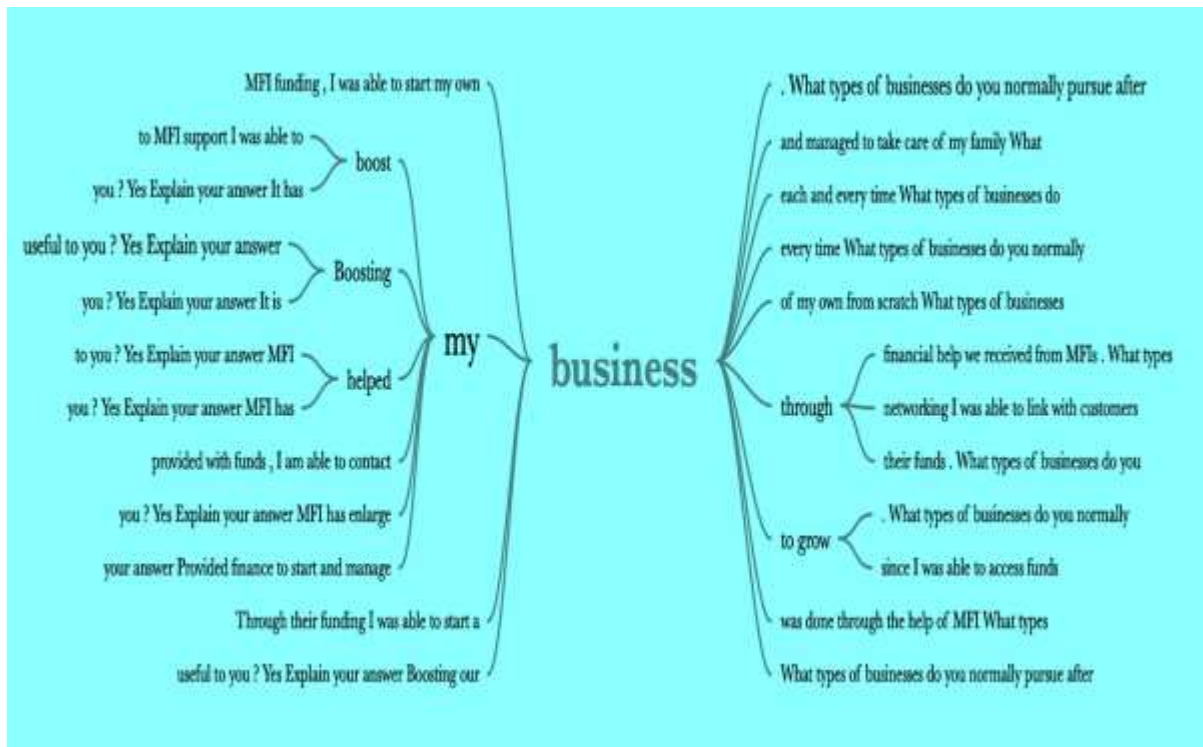


Figure 5.2: Word tree output for the word able

Source: Primary data (2021)

The word tree output in figure 5.2 above indicates that women owned SMEs who were interviewed, one indicated that she started her own businesses as a result of getting microfinance products, one confirmed that microfinance products boosted her business, another respondent indicated that through microfinance products her business managed to grow while another interviewee indicated that microfinance products enlarged her business. Another interviewee indicated that microfinance products helped her business to take care of her families. In addition, the word tree also indicates that one respondent was able to access funds from microfinance institutions and another woman owned SME was able to network. Overall, this implies that microfinance products helped women owned SMEs. These results confirm with the results of quantitative analysis which indicated that microfinance products had positive effects on women SMEs development. This implies that microfinance products were helpful to women owned SMEs in a number of ways.

Table 5.8 above shows that the word able was mentioned by 12/30 interviewees for 13 times. Hence, it emerged as the second most discussed theme as shown in the word tree output below.

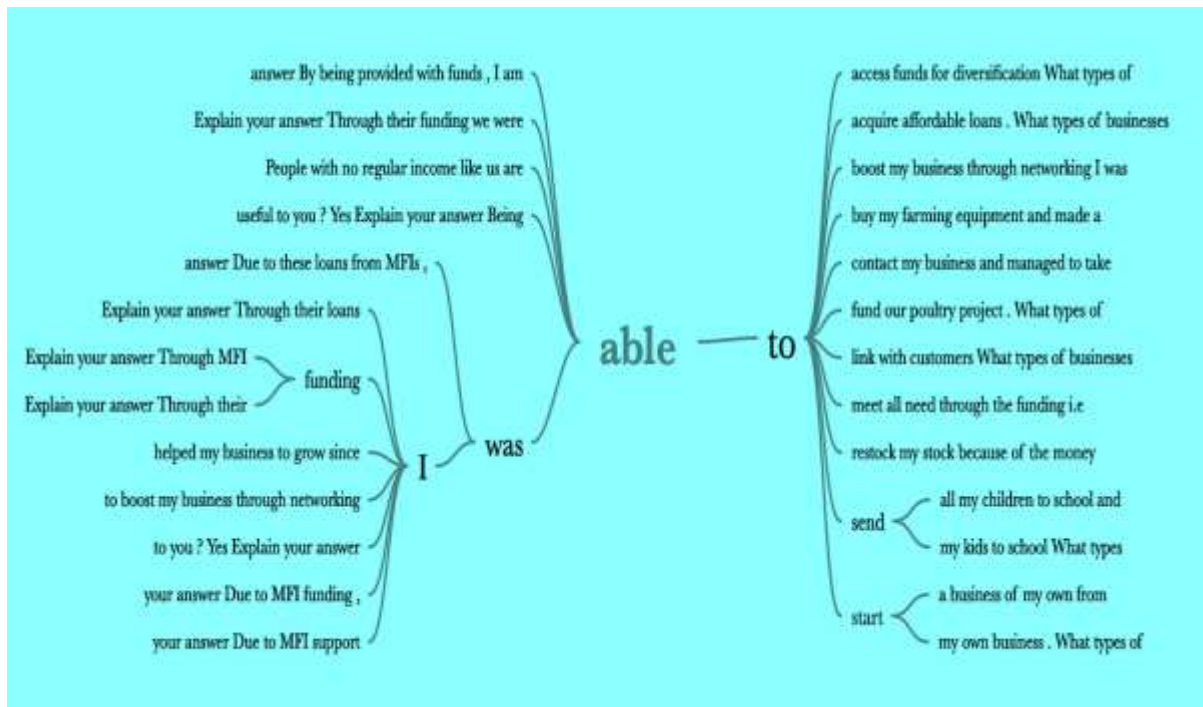


Figure 5.3: Word tree output for the word able

Source: Primary data (2021)

Figure 5.3 above shows the word tree output for the word able which was cited by women owned SMEs. One women SMEs respondent said “Due to microfinance products, her business was able to access funds for diversification”. Another respond said, “I was able to acquire affordable loans due to availability of microfinance institutions”. Another women SME owner said “I was able to boost my business through networking”. Another women SME owner indicated that, microfinance institutions enabled her to start her own business, the other responded indicated that she was able to send her children to school while the other respondent showed that she was able to restock her stock. The other respondent claimed that she was able to meet all her needs and the other respondent indicated that she was able to link with her customers. In addition, the other respondent indicated that she was able to fund for her poultry project while other interview indicated that she was able to conduct her business. Of the last two interviews, one indicated that she was able to buy her farming equipment and the other interview confirmed that she was able to boost business through networking. These results imply that microfinance institutions helped women SMEs in a variety of ways but positively. These results validate the quantitative results on the effects of microfinance products on women owned SMEs development.

Equally, table 5.8 shows that the third most discussed theme was the word loans. It was mentioned by 6/30 respondents for 6 times. The word tree output for the theme loans is displayed on figure 5.4 below.



Figure 5.4: Word tree output for the word loans

Source: Primary data (2021)

Figure 5.4 above shows the word tree output of the word loans which emerged 6 times from interviewees. Women owned SME1 mentioned that she managed to access affordable loans from MFIs. The other interviewee indicated that microfinance institutions helped her with consumption loans, the other respondent indicated that through loans, she was able to buy farming equipment. The other women owned SME indicated that she was able to send her kids to school due to loans from MFIs. Lastly, one woman indicated that she was managed to restock due to MFIs loans. These responses are also closely related to the able theme and the business theme. This implies that women owned SMEs were able to acquire loans for their personal and business consumption.

#### **5.4 Moderating effects of government policies on the relationship between microfinance programs and women SMEs development**

The study sought to establish the moderating effects of government policies on the relationship between microfinance programs and women owned SMEs development. The moderating effect of government policies on women owned SMEs development were measured using measures such as limited growth of the informal sources of credit (ME1), Enhances financial deepening (M2), Ensures viability of safe, appropriate and affordable credit (ME3), Increased economic growth and development (ME4), Higher productivity (ME5), Facilitates smoothening of consumption by the income households (ME6), Increases in employment levels (ME7), Enhances financial stability (8), Implications of pro-cyclicality (ME9), Poor connectivity (ME10) and Moral hazard (ME11). Table 5.9 below shows the results.



Table 5.9: Moderating effect of government policies on the relationship between microfinance programs and women owned SMEs development

Item code	Item description	Responses	Mean	Std. Deviation
ME1	Limited growth of informal sources of credit	Agree	3.70	1.191
ME2	enhances financial deepening	Agree	4.16	.726
ME3	Ensures availability of safe, appropriate and affordable credit	Agree	4.20	.687
ME4	Increased economic growth and development	Agree	4.33	.610
ME5	Higher productivity	Agree	4.23	.744
ME6	Facilitates smoothening of consumption by the income households	Agree	4.35	.705
ME7	Increases in employment levels	Agree	4.27	.644
ME8	Enhances financial stability	Agree	4.31	.591
ME9	Implications of pro-cyclicality	Agree	3.99	.840
ME10	Poor connectivity	Agree	3.82	.957
ME11	Moral hazard	Agree	3.88	1.044
Overall		Agree	4.11	.79

Source: Survey (2021)

Table 5.9 above indicates that women owned SMEs revealed that the government moderates the growth of informal sources of finance, enhances financial deepening, ensures availability of safe, appropriate and affordable credit, increases economic growth and development, leads to higher productivity, facilitates smoothening of consumption by the income households, increases in employment levels, enhances financial stability, has implications of pro-cyclicality, moderates poor connectivity and moral hazards. All the responses had a mean response of 4.11 falling on the agree side, implying that government policies moderate the relationship between microfinance and women SMEs development.

### 5.5 Typologies of businesses pursued by women SMEs

The study sought to establish the typologies of businesses mainly pursued by women-owned SMEs in Mashonaland west province. The table 5.10 below shows the types of businesses that are pursued by women-owned SMEs in Mashonaland west province which are coded as Agriculture (TB1), Construction (TB2), Food products (TB3), Healthcare, beauty and cosmetics (TB4), Manufacturing (TB5), Retail and wholesale (TB6), Services (7) Tourism,

transport, hotel and Restaurants (TB8), Trade (9), Cleaning and maintenance (10) and Direct sales (11)

Table 5.10: Typologies of businesses mainly pursued by Women SMEs

Item code	Item description	Response	Mean	Std. Deviation
TB1	Agriculture	Agree	4.34	1.054
TB2	Construction	Disagree	1.94	.952
TB3	Food products	Strongly agree	4.50	.691
TB4	Healthcare, beauty and cosmetics	Agree	4.34	.830
TB5	Manufacturing	Strongly Agree	4.58	1.076
TB6	Retail and wholesale	Agree	4.42	.603
TB7	Services	Agree	4.15	.831
TB8	Tourism, transport, hotel and Restaurants	Agree	3.94	.922
TB9	Trade	Agree	4.32	.760
TB10	Cleaning and maintenance	Agree	3.82	.946
TB11	Direct sales	Agree	3.91	.663
Overall			<b>3.98</b>	<b>.85</b>

Source: Research data (2021)

The results shown in table 5.10 above shows that women owned SMEs who partook in the study indicated that they were mainly pursuing businesses such as Agriculture shown by a mean of 4.3, indicating that they agreed, Food products shown by a mean of 4.50 indicating that they strongly agreed, Healthy businesses indicated by a mean of 4.34 showing that they agreed, Beauty and Cosmetics shown by a mean of 4.34 showing that they agreed, Manufacturing depicted by a mean of 4.58 indicating that they strongly agreed, Retail and Wholesalers shown by a mean of 4.42 showing that they agreed, Services shown by a mean of 4.15 which shows that they agreed, Tourism and Transport depicted by a mean of 3.94 which shows that they agreed, Hotel and Restaurants shown by 3.94 which means they agreed, Trade shown by 4.32 which means they agreed, Cleaning and maintenance shown by 3.82 which means they agreed and Direct sales shown by 3.91 which means they agreed. Results further indicates that manufacturing, retail and wholesale are the main businesses being pursued by women as indicated by strongly agreed. The overall mean of the responses is 3.98 and standard deviation is .85 which implies that women who partook in the study generally agreed that they are somehow engage in business. Further, women who partook in this study were interviewed

with the objective of getting further insights on the typologies of business being pursued by women. Table 5.11 below shows the results on the frequency analysis on the types of businesses being pursued by women which emerged from the interviews.

Table 5.11: Frequency Analysis for the types of businesses commonly pursued by women

Emerging theme	Number of interviewees who mentioned the same theme n=30	Number of times the theme was mentioned
Manufacturing	19	19
Retail	16	16
Wholesale	16	16
Agriculture	15	15

Source: Research data (2021)

Table 5.11 above indicates that all the 30 interviewees responded to this question and the top 4 themes which emerged from the interviewees' verbatim responses were manufacturing (top theme mentioned by 19 interviewees for 19 times), retail and wholesale (second top themes both mentioned by 16 interviewees for 16 times) and agriculture (fourth top theme mentioned by 15 interviewees for 15 times). This implies that although there are other businesses being pursued by women owned SMEs, manufacturing, retail, wholesale and agriculture are the main businesses being pursued by women SMEs. The current qualitative results confirm with the quantitative results on the typologies of businesses being pursued by women which also indicates that manufacturing, agriculture, retail and wholesale are the main businesses being pursued by women SMEs amongst others.

### **5.6 Barriers to accessing microfinance products by women owned SMEs in Mashonaland west province of Zimbabwe.**

The study sought to establish the barriers to accessing microfinance products by women-owned SMEs in Mashonaland west province of Zimbabwe. The results from the table 5.12 below shows that women-owned SMEs are facing barriers when trying to access microfinance products. These barriers were measured using mean scores and standard deviation of variables such as BFP1- Lack of acceptable collateral, BFP2- Irregular income, BFP3- Lack of trust, BFP4- Literacy level, BFP5- High Interest rates, BFP6- Lack of technology, BFP7-Distance to access MFIs, BFP8-Policy regulations and BFP9-In appropriate products. This is shown in table 5.12 below.

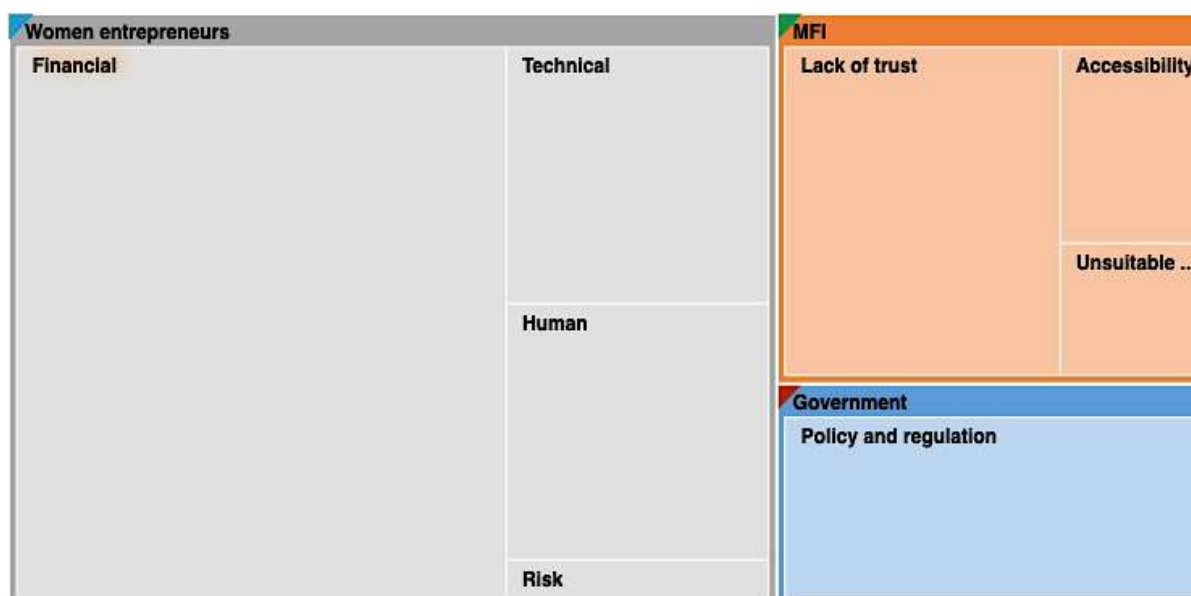
Table 5.12: Barriers to accessing microfinance products by women-owned SMEs in Mashonaland west province of Zimbabwe

Item code	Item description	Response	Mean	Std. Deviation
BFP1	Lack of acceptable collateral	Agree	4.34	1.045
BFP2	Irregular income	Agree	4.20	1.094
BFP3	Lack of trust	Agree	4.38	1.003
BFP4	Literacy level	Agree	4.37	.986
BFP5	High Interest rates	Agree	4.42	.897
BFP6	Technology	Agree	3.72	1.382
BFP7	Distance to access the MFIs	Agree	4.34	1.045
BFP8	Policy regulations	Agree	3.82	1.477
BFP9	Inappropriate products	Agree	3.67	1.350
Overall		Agree	4.14	1.03

Source: Survey data (2021)

Results in table 5.12 above shows that the barriers to accessing microfinance products by women owned SMEs are lack of acceptable collateral, irregular income, lack of trust, literacy level, high interest rates, technology, distance to access microfinance institutions, policy regulations and inappropriate products from microfinance institutions. All the responses had a mean above four implying that they agreed that the mentioned barriers were the barriers to accessing microfinance products. Further, interviews were conducted on 30 women owned SMEs to establish the barriers to accessing microfinance products by women SMEs. Table 5.13 below shows the results from interviews.

Table 5.13: The common barriers faced by women owned SMEs in trying to get assistance from MFIs.



Source: Primary data (2021)

Table 5.13 above indicates that all the 30 interviewees responded to this question. Their responses were initially coded under 3 barrier categories namely MFI, women entrepreneurs and government. Their responses were further coded under 8 emerging themes namely financial, technical, human, risk, lack of trust, accessibility, unsuitable products and policy and regulation as shown in table 5.14 below which shows the frequency analysis of the barriers.

Table 5.14: A frequency analysis of the emerging themes is tabulated below.

Emerging theme	Number of interviewees who mentioned the same theme n=30	Number of times theme was mentioned
<b>Women entrepreneurs:</b>		
Financial	22	28
Technical	7	7
Human	7	7
Risk	1	1
<b>MFI:</b>		
Lack of trust	10	10
Accessibility	3	3
Unsuitable products	2	2
<b>Government:</b>		
Policy and regulation	9	9

Source: Primary data (2021)

Table 5.14 above shows that the top 3 themes that emerged from the interviewees' verbatim responses were financial; lack of trust and policy and regulation. These are individually analysed below.

The financial theme which fell under the women owned SMEs related barriers emerged as the top theme. It was mentioned by 22/30 interviewees for 28 times. A word cloud of the verbatim responses coded under this theme was extracted. The word cloud shows that the majority of the interviewees (20/30) bemoaned their lack of collateral as the main barrier to access microfinance products. This implies that lack of collateral is the major barrier to women owned SMEs inability to access finance from microfinance institutions.



Figure 5.5: word cloud for the common barriers

*Source: Primary data (2021)*

As shown on table 5.14 above, the lack of trust theme was an MFI related barrier to finance for women owned SMEs. It emerged as the second most discussed theme which was mentioned by 10/30 interviewees for 10 times. This implies that women owned SMEs do not trust microfinance institutions and hence they do not seek financial products from them.

The third most discussed theme was the policy and regulation which was mentioned by 9/30 interviewees for 9 times. The theme was coded under government related barriers to finance faced by women owned SMEs. This implies that microfinance policies are the barrier to access microfinance products. Further the study sought to establish the role of the government on women SMEs development. 30 interviews were contacted and figure 5.6 below shows the results.



Figure 5.6: Word cloud on the roles the government should play in promotion of financial inclusion and women owned SMEs development.

Source: Primary data (2021)

Figure 5.6 above shows the word cloud on what roles should the government play in promotion of financial inclusion and women owned SMEs development. 29/30 interviewees responded to this question. From the analysis the top three themes that emerged from the interviewees verbatim responses were reduce, provide, rates and taxes. These are discussed below.

The word reduce was mentioned by 11/30 interviewees for 11 times and it emerged as the top theme. As shown on the word tree below.

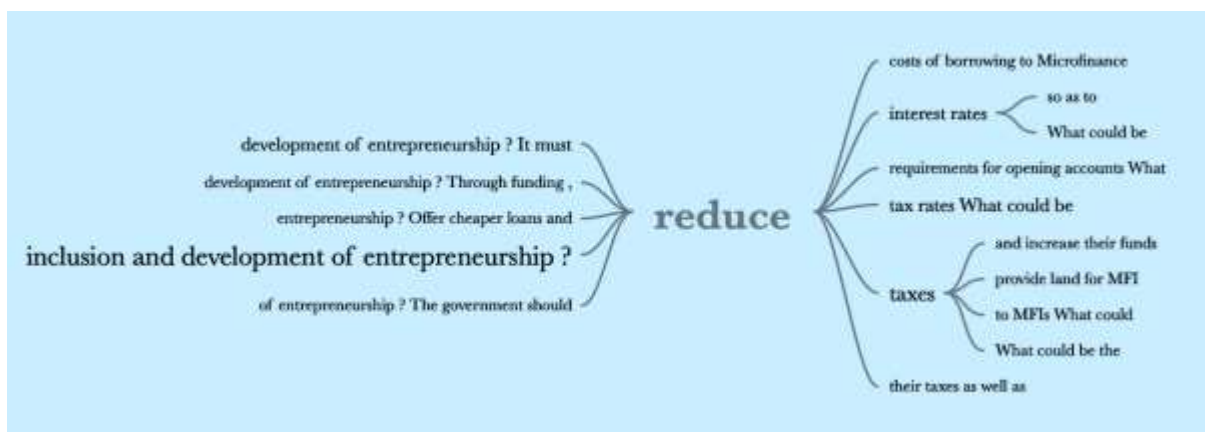


Figure 5.7: Word tree for the theme “reduce”

Source: Primary data (2021)

As shown on figure 5.7 above, 11 interviewees mentioned the word reduce. Among the interviews, one indicated the government should promote the development of women

entrepreneurship through the provision of funding, the other interviewee mentioned that the government should provide cheaper loans, one mentioned that the government should reduce costs of borrowing to microfinance. Equally, the other respondent indicated that the government should reduce the requirements for opening of accounts while the other three women SME mentioned that the government should reduce taxes. Lastly, the other interviewee indicated that the government should reduce interest rates.

The second most discussed theme which emerged was the provide theme which was mentioned by 8/30 interviews.

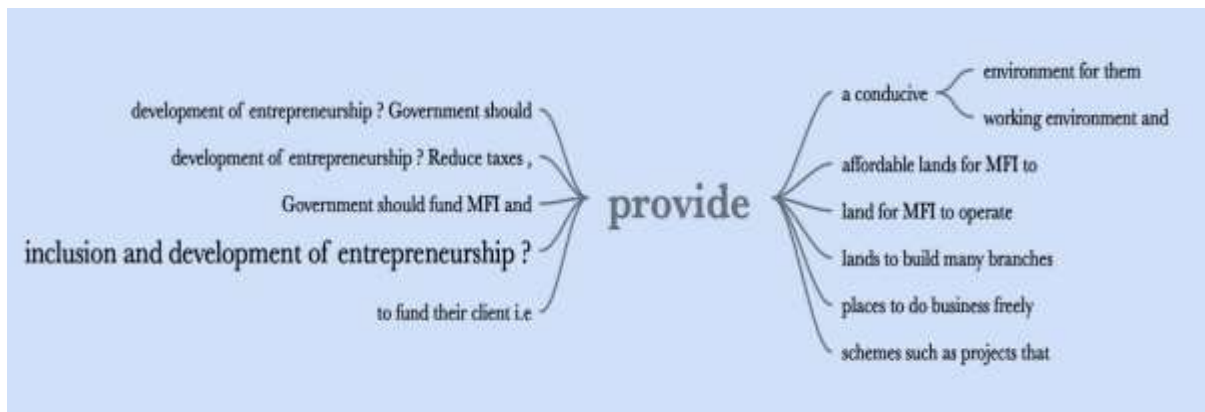


Figure 5.8: Word tree for the theme “provide”

Source: Primary data (2021)

Results in figure 5.8 above indicates that 8 interviewees mentioned the word provide and a word tree output was established. One interview mentioned that the government must reduce taxes to promote financial inclusion of women. Another interview mentioned that the government should fund MFIs to promote financial inclusion. One interview indicated that the government should provide a conducive environment for women SMEs and MFIs. While another interviewee said the government should provide land for MFIs while another mentioned that the government should provide MFIs land to build many branches, one mentioned that women should be given land to build freely and the other interviewee mentioned that the government should provide schemes for women owned SMEs development. Interview responses in the word tree above implies that the government has a role to play to promote financial inclusion of women SMEs and women SMEs development.

Similarly, the third most discussed themes were rates and taxes. They were both mentioned by 6/30 interviewees for 6 times. The word tree outputs for the 2 themes is shown on figure 5.9 and figure 5.10 below.



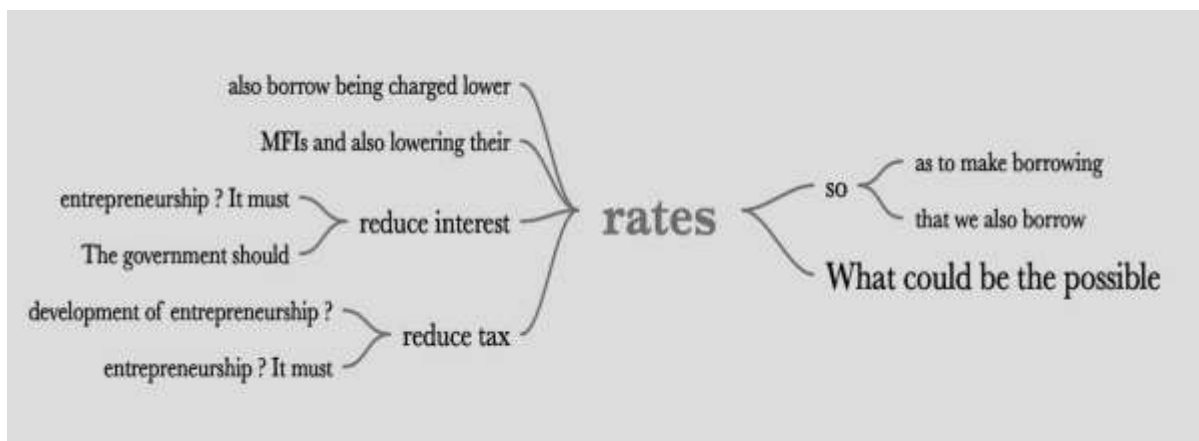


Figure 5.9: word tree for the theme “rates”

Source: Primary data (2021)

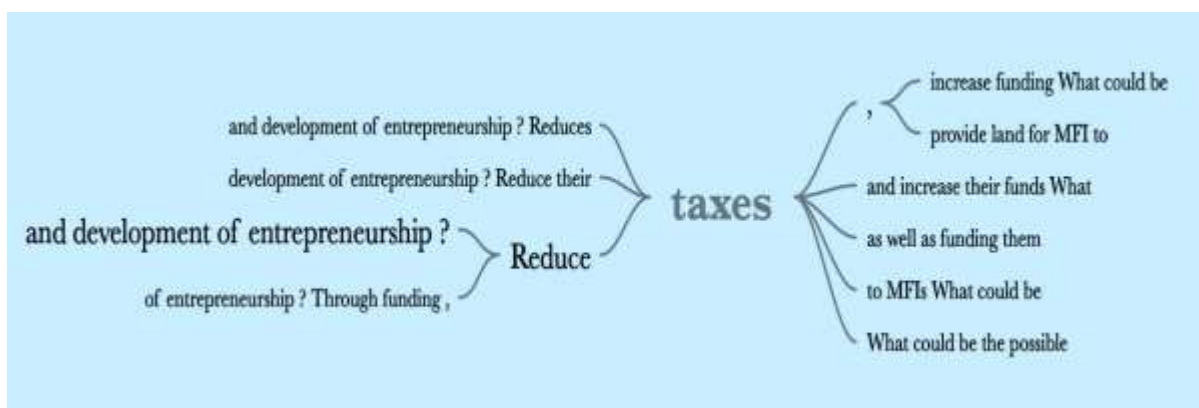


Figure 5.10: word tree for the theme “rates”

Source: Primary data (2021)

Results shown on word tree in figure 5.9 and figure 5.10 above indicates that the words rates and the word taxes were mentioned by 6/30 interviews 6 times. On interviews two interview respondents mentioned that the government should reduce taxes to promote financial inclusion of women owned SMEs and the other two interview respondents mentioned that the government should reduce interest rates as a measure of promoting financial inclusion. Similarly, the other respondent indicated that the amount being borrowed should be charged lower while the other respondent mentioned that MFIs should charge lower prices for the amount being borrowed. Results on figure 5.10 clearly indicate that the cost of loaning from microfinance institutions is high and the taxes charged are also high. This also indicates that interest rate is the barrier to accessing microfinance by women owned SMEs, validating the

quantitative result on higher interest rates as the barrier to accessing microfinance products by women owned SMEs.

Similarly, results in figure 5.10 above indicates that respondents indicated that the government should reduce taxes, increase funding for women owned SMEs, provide land to MFIs to build branches throughout the country, increase funding to MFIs so that they will avail cheaper loans to women owned SMEs. This again implies that the cost of acquiring finance from microfinance institutions is very high and the government should intervene through reducing taxes in Zimbabwe. This also validates the interest rates as a barrier to accessing microfinance products.

## **5.7 Scale Validation**

Data was validated using exploratory factor analysis (EFA) and reliability analysis before undertaking structural equation modelling to assess research hypotheses. SPSS® version 21 and AMOS® version 21 were used to conduct these analyses.

### **5.7.1 Exploratory Factor Analysis**

Exploratory factor analysis was used to better understand the item structures of variables and to determine which items in the questionnaire truly measured the underlying constructs. The main objective of factor analysis, according to Field (2000), is to understand the structure of a latent variable and to develop a questionnaire to measure that latent variable.

### **5.7.2 Sampling Adequacy**

The data's suitability for factor analysis was assessed using the Kaiser Meyer Olkin Measure of Sampling Adequacy (KMO) and Bartlett's Test of Sphericity in SPSS Version 21 before doing exploratory factor analysis. The sample's adequacy was determined using the KMO sampling adequacy measure. The KMO statistic has a range of 0 to 1, with 0 indicating absolute sample inadequacy and 1 indicating absolute sample adequacy. A reading of 0.5 was recommended by Kaiser as the bare minimum for the sample to be adequate. The Bartlett's Test of Sphericity was used to determine the suitability of data to perform factor analysis. According to Field (2009), the Bartlett's test of sphericity should be significant at  $p < 0.05$ . Table 4.9 shows the results (KMO = .948, Approx. Chi-square = 20385.878, Degrees of freedom [DF] = 595;  $p < 0.001$ ), which indicated that the sample was appropriate and permitted exploratory factor analysis to be performed as recommended by Field (2009). Exploratory factor analysis was

used to refine and minimize the number of associated variables to a manageable and relevant level before employing them in future investigations. To make factor results easier to read, the factor rotation approach was applied. The Varimax approach was used to simplify factor analysis since it maximizes the total sum of variables of squared loadings, i.e. squared correlations between variables and factors (Zikmund & Babin, 2016).

Table 5.15: KMO and Bartlett's Test

<b>Kaiser-Meyer-Olkin Measure of Sampling Adequacy</b>		.901
<b>Bartlett's Test of Sphericity</b>	Approx. Chi-Square	33017.12
	Df	601
	Sig.	.000

Source: Survey (2021)

Table 5.16 below shows the factor loadings for each factor. Factors with loadings less than 0.3 were suppressed (Field, 2013), therefore they were not shown. Guadagnoli & Velicer, (1998) suggested that loadings greater than 0.4 should be taken into account to make understanding easier. Table 5.16 include all the variables with factor loadings above 0.4. As a result, the results in Appendix D met Guadagnoli & Velicer minimum cut off criterion for factor loadings (1998).

According to the above information, rotation converged in 11 iterations, with a total variance explained of 70.292 percent, well above the required limit of 60% (Atalay et al., 2013). Appendix D shows that the rotated component matrix solution yielded eleven components.

### 5.7.3 Reliability

The degree to which a measurement procedure's results can be replicated and yield similar results (Hair, et al., 2013; Wong et al., 2012; Cooper & Schindler, 2011). Bolarinwa (2015) defines reliability as the degree to which variables in a study are consistent with the outcomes that they are designed to evaluate. As a result, replicability of outcomes after multiple efforts plays a big role in reliability. The instrument must be dependable in order for the results to be consistent (Henseler et al., 2014). In quantitative research, reliability is an important measurement scale. Because it specifies the standardisation of items on a measurement scale, internal consistency of a construct determines reliability (Field, 2010). Cronbach's Alpha ( $\alpha$ ) was used to assess construct internal consistency. Table 5.17 shows the constructs of the study's reliability.

Table 5.17: Cronbach's Alpha Reliability Test

Construct	Number of Items	Cronbach's alpha ( $\alpha$ )
Financial Products	11	0.926
Secondary Products (Non-Financial)	11	0.981
Effects of MFP on SMEs Development	11	0.882
Government Policies	11	0.839
Typologies of Businesses by Women	11	0.786
Barriers	11	0.889

Source: Field Survey (2021)

The Cronbach alphas shown in table 5.17 above shows that all the Cronbach alpha were above 0.7 hence the questionnaire was reliable.

#### 5.7.4 Convergent Validity

The success with which a research instrument measures what it is supposed to measure is known as validity (Field, 2009). In terms of meaningfulness and accuracy, the research instrument must measure what it's supposed to assess (Heale & Twycross, 2015; Noble & Smith, 2015). Validity can be determined in a variety of methods. According to Heale and Twycross, convergent and discriminant validity were used to evaluate data validity in this study (2015). Convergent validity is a technique for determining construct validity. This is done to guarantee that no construct has any associations with other ideas from which it is supposed to differ. As a result, factors belonging to an underlying idea must be linked to those to which they are supposed to be associated (Hair et al., 2013). A measurement model was initially evaluated to ensure that it was fit for testing before assessing convergent validity. To obtain better estimates, the measurement model was estimated using Maximum Likelihood Estimation (MLE) (Chang et al., 2010; Field, 2009). Appendix E shows the standardized factor loadings and critical ratios (CRs) used to determine convergent validity. The measurement model fit indices were determined using CMIN/DF (2/Df), Goodness of fit index (GFI), Adjusted GFI (AGFI), Normed Fit Index (NFI), Tucker-Lewis Index (TLI), Comparative fit index (CFI), and Root mean square error of approximation (RMSEA). The findings indicate that the convergent validity requirements were met. Model fit indices (CMIN/DF = 4.619; GFI = .899; AGFI = .871; NFI = .939; TLI = .944; CFI = .952 and RMSEA=0.71) were found in the measurement model. According to Hooper et al. (2008), a decent model should have a 2/DF between 0 and 5, with smaller values indicating a better fit. Furthermore, according to Reisinger and Mavondo (2007), values for GFI, AGFI, NFI, TLI, and CFI describe a good fit when they

are closer to 1, while RMSEA must be between 0.05 and 0.10. All items had standardised factor loadings above the cut-off threshold of 0.4 as shown in Appendix E (Guadagnoli & Velicer, (1998). Critical ratios (CRs) were substantial and significant (p 0.001), as expected.

The results show that standardised factor loadings for all items were more than the minimal criterion of 0.4, as shown in Table 5.18 (Guadagnoli & Velicer, (1998). Critical ratios were also significant at p 0.001. Furthermore, all AVEs (Table 5.18) for all structures show values that exceed Guadagnoli & Velicer (1998) of 0.4. As a result, the convergent validity minimum requirements were met.

### 5.7.5 Discriminant Validity

The degree to which items within a construct are strongly correlated with other measures of a similar variable but not with other items of a separate construct to which it is unrelated is referred to as discriminant validity (Edward, 2013). Average variance extracted (AVEs) were compared to squared interconstruct correlations to determine discriminant validity (SICCs). If the average variance extracted values are greater than the squared inter-construct correlations, discriminant validity is acceptable (Henseler, et al., 2014). Because they were all larger than their matching squared inter-construct, the requirements necessary for discriminant validity were met, as shown in Table 4.19 (Fornell & Larcker, 1981; Segars, 1997).

Table 5.19 Discriminant Validity

Construct	FP	SP	MFP	ME	TB	BFP
<b>Financial Products</b>	<b>.609</b>					
<b>Secondary Products (Non-Financial)</b>	.367	<b>.642</b>				
<b>Effects of MFP on SMEs Development</b>	.401	.319	<b>.578</b>			
<b>Government Policies</b>	.332	.411	.334	<b>.703</b>		
<b>Typologies Of Businesses By Women</b>	.407	.227	.274	.297	<b>.647</b>	
<b>Barriers</b>	.339	.298	.199	.346	.339	<b>.703</b>

Note: Diagonal elements in bold represent AVEs

Source: Research data (2021)

Table 4.8 shows that all average variance extracted figures were more than matching squared inter-construct correlations and were greater than 0.5. (Hu & Bentler, 1999; Segars, 1997). As a result, all of the requirements for discriminant validity were met.

## 5.8 Hypotheses testing

The study tested the hypothesis using AMOS version 21. In AMOS version 21, the structural equation modeling technique was employed to analyse putative relationships (H1 and H2). Microfinance initiatives were seen as a secondary concept. Maximum Likelihood Estimation (MLE) was used to calculate the structural model (Field, 2009). Structural equation modeling is appropriate because it can both detect relationships and indicate a general match between observed data and the research model (McQuitty & Wolf, 2013). The structural model had good model fit indices (CMIN/DF = 4.619; GFI =.899; AGFI =.871; NFI =.939; TLI =.944; CFI =.952; RMSEA =.071). Table 5.18 shows the results of the hypotheses testing. The following are the research hypotheses that were put to the test:

- H<sub>1</sub>: There is a positive relationship between Microfinance products and women SMEs development.
- H<sub>2</sub>: Microfinance non-financial products lead to women SMEs development
- H<sub>3a</sub>: The relationship between Microfinance products and women SMEs development is moderated by government policies.
- H<sub>3b</sub>: Government policy moderates the influence of non-financial products on women-owned enterprise development

In AMOS version 21, the structural equation modeling technique was employed to analyze putative relationships (H1 and H2). Microfinance initiatives were seen as a secondary concept. Maximum Likelihood Estimation (MLE) was used to calculate the structural model (Field, 2009). Structural equation modeling is appropriate because it can both detect relationships and indicate a general match between observed data and the research model (McQuitty & Wolf, 2013). The structural model had good model fit indices (CMIN/DF = 4.619; GFI =.899; AGFI =.871; NFI =.939; TLI =.944; CFI =.952; RMSEA =.071). Table 5.18 shows the results of the hypotheses testing.

Table 5.18: Hypothesis testing results (H1 and H2)

Hypotheses	Hypothesised Relationship	SRW	CR	Remark
H <sub>1</sub>	Microfinance products → Women SMEs Development	.324	21.364****	Supported
H <sub>2</sub>	Microfinance non-financial products → Women SMEs Development	.297	16.543****	Supported

Notes: SRW - standardized regression weight, CR - critical ratio, \*\*\*\* significant at p < 0.001

Source: Research data (2021)

H1 and H2 were both supported, as shown in Table 5.18. This indicates that Microfinance financial and non-financial had a positive effect on the development of women-owned enterprises. Figure 5.11 indicates model 1 that was used to test the relationships H1 and H2, with results shown in standardized formats.

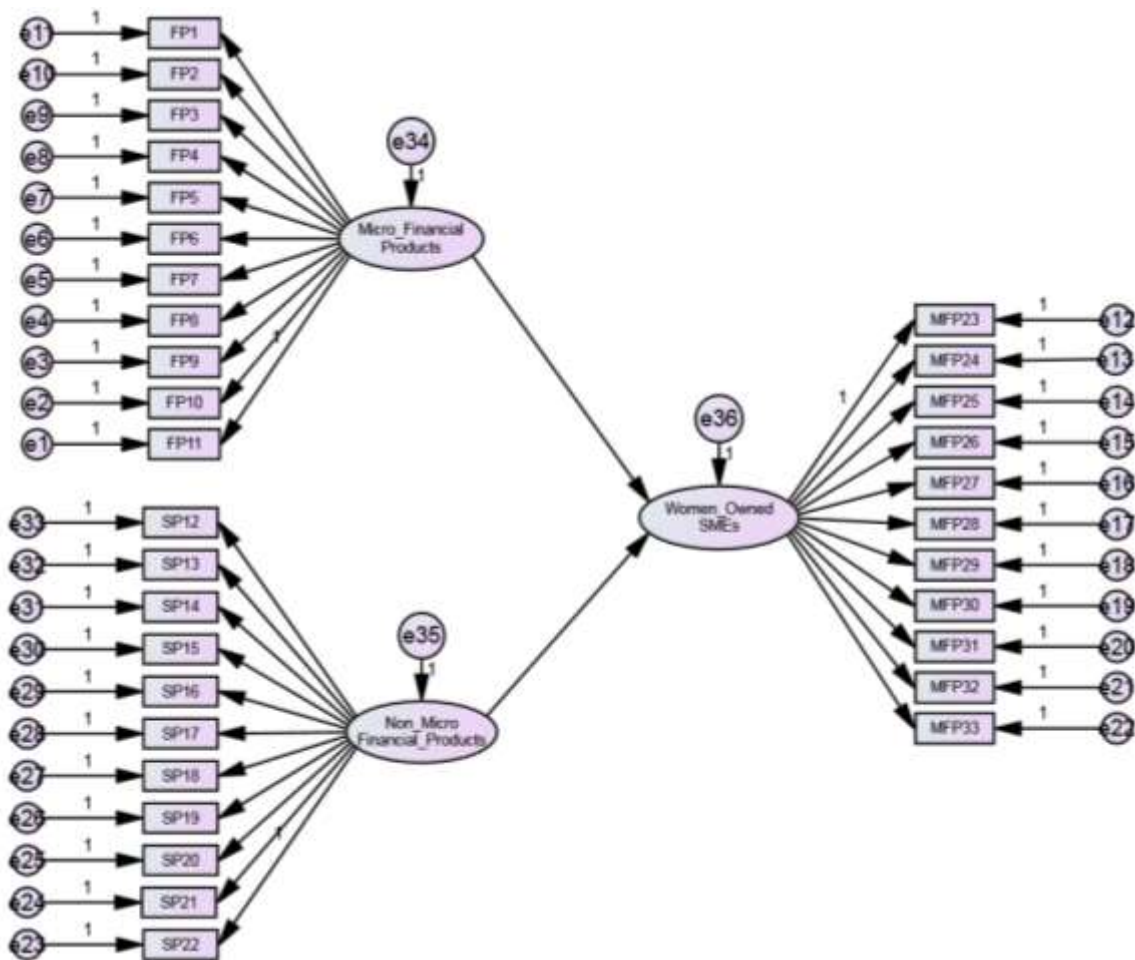


Figure 5.11: Model that was used to test the relationships H1 and H2.

Source: Survey (2021)

### 5.9 Moderation test results

The study sought to establish the moderating effect of government policies on the relationship between microfinance products and women SMEs development. Moderated regression analysis was used to test H<sub>3a</sub> and H<sub>3b</sub>. Results are summarised in Table 5.19 below.

Table 5.19: Coefficients of moderated regression results

Variable	Beta	t-statistic	p value
Micro finance products	.106	2.104	.000
Non-financial products	.101	2.226	.000
Government policies	.103	2.201	.000
Micro finance products × Government policies	.113	2.009	.000
Non-financial products × Government policies	1.09	2.117	.000

Source: Research data (2021)

Results in table 5.19 above show that coefficients for the interaction terms (Micro finance products × Government policies) were insignificant ( $p > 0.000$ ). This suggests that government policies moderate the effect of micro finance products on women SMEs development. Therefore,  $H_{3a}$  was supported.

Results also indicate that coefficients for the interaction terms (Non-financial products × Government policies) were significant ( $p > 0.000$ ). This suggests that government policies moderate the effect of non-financial products on women SMEs development. Therefore,  $H_{3b}$  was also supported.

### 5.10 Chapter Summary

The current chapter presented results. In particular, the chapter presented socio demographic characteristics, reliability and validity, descriptive statistics of research objectives, themes from qualitative results, exploratory factor analysis and hypothesis testing. The next chapter focuses on discussion of results.



## **CHAPTER 6**

### **DISCUSSION OF RESULTS**

#### **6.0 Introduction**

The previous chapter presented the findings of this study. The current chapter discusses the research results. The chapter discusses the results with reference to literature reviewed in chapter two, three and four. The aim is to determine whether the results concur or disagree with previous studies and show areas where knowledge has been contributed. In light of the study objectives, the discussion is presented in sections according to research objectives but starting with demographic data. The objectives of the study were to establish the types of financial products that are available to women owned SMEs by microfinance institutions, to determine the types of secondary products that are offered by microfinance institutions to women owned SMEs, to determine the effects of microfinance programs on women owned SMEs development, to establish the moderating effect of government policies on the relationship between microfinance programs and women owned SMEs development, to establish the typologies of businesses commonly pursued by women owned SMEs and to investigate the barriers to accessing microfinance financial products from microfinance institutions.

#### **6.1 Demographic data**

Demographic variables are vital determinants of answers in any study. In the current study, demographic variables such as age, level of education and years in business are discussed. These variables were regarded as useful as this may show their awareness of microfinance products and the extent to which they have used microfinance products.

##### **6.1.1 Age of respondents**

The 20 years to below 40 years age group cumulatively dominated in this study as shown on table 5.2 in chapter five, this represents 67.5% in total. This means that majority of women who are still at their youthful stage established their businesses. This can be attributed to high levels of unemployment in Zimbabwe. This also indicates that most energetic and most productive age group participated in entrepreneurial activities and in this case small businesses. The results indicate that women in different age groups are involved into businesses. This concurs with ILO (2017) which indicated that majority of women in Zimbabwe are into business. In addition, the results indicate that women start businesses as early as below 20 years as shown by 25.3 % of the women owned SMEs who participated on the study. This might be

as a result of early marriages and dropping out of school. This is also a sign of the responsibilities of women in Zimbabwe and across the globe. This age group might also be experiencing challenges associated with marriage and patriarchal societies. The results support the results found by Moore (2014) where the majority of women SMEs in Tanzania were below 40 years. These results are also consistent with Chigudu (2018) who conducted a study on the extent of women participation in management of SMEs in Harare and the responses were similar to the responses on this study. Chigudu's study had 12.9% of the respondents below 25 years, 25% were between 26 years and 30 years, 31.1 % were between 31-35 years, 15.9% were between 36 and 40%, 6.8% were between 41 and 45 years and 8.3% were above 46%. This trend follows the similar pattern of the results of this study. This clearly indicates that women owned SMEs are found on all age groups and decline as women become too old.

### **6.1.2 Level of education**

Results in table 5.3 of the results section indicates that majority of women owned SMEs who partook in the study are literate. This implies that they are able to read and write and might be able to interpret research instruments. The higher literate rate is attributed to higher literacy level in Zimbabwe where the Zimbabwe statistics indicates that people aged 15 and above in Zimbabwe had finished at least grade three (ZimStat, 2015). The highest level of education might be attributed to the Zimbabwe Education Act (Chapter 25:04) which stipulates that all children in Zimbabwe have the right to education. The level of education was deemed important as this guarantees that women owned SMEs who participated on the study were able to read and write and hence meaningful results were expected.

### **6.1.3 Years in business**

Majority of women who partook in this study had more than 5 years in business cumulatively (69.5%) as shown on table 5.4. This shows that these respondents might be aware of microfinance products and might have used the products in their businesses. Their length in business might as well give them the capacity to evaluate the influence of microfinance products on their businesses. This might also be attributed to Zimbabwe's reforms towards giving women equal rights to economic resources as well as access to ownership and control over land and other forms of property and financial services in line with sustainable development goal number 5a.

## **6.2 Types of financial products that are availed to women owned SMEs by microfinance institutions**

Generally, results from chapter five reveals that women owned SMEs agreed that microfinance institutions are availing microfinance financial products to women owned SMEs in Mashonaland west province in Zimbabwe. In particular, they agreed and strongly agreed that microfinance institutions are availing microfinance products such as microloans, micro savings, hire purchase, emergence loans and consumption loans. These results are confirming with literature reviewed which indicates that microfinance financial products offered by microfinance include loans, savings deposits, remittances and payment services (Nargiza., 2013; Ledgerwood, 1999). This is also supported by the types of microfinance registered institutions in Zimbabwe, where majority are Credit only microfinance institutions offering loans and very few are deposit taking microfinance institutions offering deposit taking and credit altogether as reported by the RBZ Banking and Supervision Report, 2022). This supports Mish and Kapingura (2012) who reported that women were accessing consumption loans from microfinance institutions in Chinhoyi. Relatedly, this is supported by Selome and Tshuma (2014) who reported that providing women with microcredit finance is viewed as a means of reducing women poverty, empowering them, reducing their vulnerability and improving their well-being especially in the rural areas. Majority of studies in Zimbabwe focused on microfinance and SMEs in Zimbabwe (Hosho, Gumbo & Mulenga, 2018, Machingambi, 2014; Pomerai, 2014; Murisa, 2013), however, these studies indicates that microfinance institutions in Zimbabwe mainly focus on provision of loans with less focus on microfinance non-financial products. The RBZ Banking and Supervision (2020) indicates that the RBZ availed microfinance facilities for women. These facilities are loans awarded to women owned SMEs, which is a true indicator that loans are dominant products being availed to women owned SMEs in Zimbabwe.

Equally, this supports studies from other countries. For example, in Indonesia, microfinance institutions offer financial products such as micro savings and micro insurance (Kusuma, Sumarwan and Kusumajati, 2022). In Tanzania, microfinance institutions offer micro finance financial products such as micro savings and microloans (Mgema, Kilambo & Rukiko, 2022).

On the other hand, women owned SMEs who responded to the study strongly disagreed that microfinance products such as micro insurance, micro leasing, mortgage, overdrafts, and money transfers were availed to them by microfinance institutions. The results imply that the women owned SMEs were aware of the microfinance financial products that are offered by

MFIs and these products were not availed to them. This clearly indicates that they are focusing on making money by charging higher interest rates on financial products as evidenced by results in chapter four where women owned SMEs requested the government to reduce interest rates.

### **6.3 Types of non-financial products availed by microfinance institutions to women SMEs in Zimbabwe.**

Microfinance non-financial products are complementary products offered by microfinance institutions to SMEs (Bulte et al, 2019, Lensink et al, 2017 & Richardson, 2016). The non-financial services are usually grouped into three main categories which are then further divided into semi services (Hansen et al, 2020). These services are social services which can further be divided into social training and personal assistance and business services which can be divided into business training and individual business consulting and then lastly technical assistance which looks at technical training and individual technical assistance (Hansen et al, 2020). Literature review shows that microfinance non-financial products such as technical skills, managerial skills, networking, mentoring, business training, marketing assistance, customer care, account manager support services, business record keeping, entrepreneurial skills and personal development skills are normally availed by microfinance institutions and as such these were measures used to measure microfinance non-financial products.

Results presented in Table 5.6 in chapter four shows that women owned SMEs who responded to the study confirmed that microfinance institutions were only availing networking as a non-financial product. Further, results indicate that women owned SMEs who responded to the study disagreed that microfinance institutions in Zimbabwe avail microfinance non-financial products such as technical skills, managerial skills, mentoring, business training, marketing assistance, customer care, account manager support services, business record keeping, entrepreneurial skills and personal development skills. This implies that they were not receiving those services and might not be aware of the existence of such services. Overall, the results have a mean of 1.90 and standard deviation of 0.46 which falls on the disagree side which means generally, there is a disagreement on the availability of microfinance non-financial products. This confirms with microfinance reports from RBZ which indicates that Zimbabwe has Credit only microfinance institutions and Deposit taking microfinance institutions and these institutions concentrate on providing loans and deposit taking services. In support, Munyoro et al (2017) reports that financial education is provided by NGOs in Zimbabwe and not by MFIs. Results obtained are also in agreement with literature reviewed in

chapter two which indicates the microfinance architecture in Zimbabwe from 2015 to 2021. According to RBZ microfinance quarterly reports from 2015 to 2021, microfinance institutions offered limited financial products such as loans and savings (RBZ, Quarterly reports, 2015-2021). In confirming this, RBZ (2012) reported that microfinance organisations provide group loans, contract financing and re-order financing. These results disagree with literature as literature indicates that microfinance products include financial and non-financial products (Bulte et al, 2019, Lensink et al, 2017 & Richardson, 2016). This indicates a missing element in the provision of microfinance products in Zimbabwe and perhaps this is the reason why the visibility and development of women owned SMEs is low.

Results obtained contradict with some literature reviewed and agrees with some literature reviewed as well. Some literature reviewed confirms with literature in other countries which indicates that microfinance institutions are not offering a range of microfinance non-financial products. In Nigeria, many microfinance institutions do not provide non-financial products to their clients. For example, Ibru (2009) concluded that many microfinance institutions in Nigeria do not provide formal business training to their clients because they believe that everyone is an established entrepreneur. Although, microfinance institutions do not offer non-financial products, the study concluded that information technology and communication programs should be included in the microfinance programs. In addition, Ibru (2009) claims that women entrepreneurs especially in underdeveloped nations lack education and hence training is a crucial non-financial microfinance product that should be availed.

Relatedly, literature shows that there are also other countries offering a variety of microfinance non-financial products. In Indonesia, microfinance institutions offer non-financial products which focuses on three pillars namely, self-reliance, solidarity and education (Kusuma, Sumarwan and Kusumajati, 2022). In particular, they offer education related to family financial management and the facilitation of household businesses. In Tanzania, microfinance institutions offer non-financial products such as entrepreneurial skills training and social ties (networking) (Mgema, Kilambo & Rukiko, 2022). In Myanmar, microfinance institutions offer non-financial products such as training and skills development and social capital (Hsu, 2022).

In Germany, microfinance institutions offer education and apprenticeship training as a strategy of influencing gender-based self-employment (Stohmeyer, 2007). Equally, in USA, microfinance institutions offer microfinance non-financial products such as network and skills training as complementary products to financial products and these have generated positive

effects on women owned SMEs development (Mayer, Hackler, and McFarland, 2007). Managerial abilities training influences women owned SMEs development. Training is supported as an important microfinance non-financial product because it is linked to entrepreneurship based on the made school of thought which believes that entrepreneurs are made through training Abaho, 2015).

Although the discussion indicates that there are other countries not offering microfinance non-financial products, the discussion is clearly indicating that microfinance should offer a complete package of products which include non-financial products to influence women SMEs development since literature reviewed indicates that majority lack skills required to navigate in business.

#### **6.4 Effects of microfinance products on women-owned SMEs development.**

The objective of the study was to establish the effects of financial and non-financial microfinance products on women-owned SMEs development. In light of that, the following hypothesis were tested in chapter 5:

H1 There is a positive relationship between microfinance financial products and women SMEs development.

H2 Microfinance non-financial products leads to women SMEs development.

The results in chapter 5 extends the entrepreneurship process theory, Schumpeter's entrepreneurship theory, the resource-based theory and the women empowerment theory. Results in chapter 5 indicates that microfinance products have a positive effect on women owned SMEs development. This implies that microfinance products provide women owned SMEs with resources which assist them to embark on various entrepreneurship activities which empowers them economically, financially, technologically and intellectually. Without resources women SMEs cannot empower, develop and be empowered. There is adequate information that supports that microfinance products influence women-owned SMEs' development. The insinuation is that the knowledge and usage of MFIs programs by women SMEs results in women-owned SMEs' development and growth. The results indicate that women SMEs which received microfinance products developed in various ways. This confirms with Bulte & Lensink (2019) and Hansen et al, (2020) who claims that women-owned SMEs development is indomitable to the knowledge and usage of MFIs programs. This shows that MFIs are helping women entrepreneurs to develop their ventures. This supports Kisaka &

Mwewu (2014) who reported that financial products especially micro-loans play a critical role in the growth of small firms. This also agrees with the sentiments of Fauster (2014) who pinpointed that microcredit has a favorable impact on SME's sales revenue and that there is a positive relationship between average sales revenue, microfinance loan, and training. The findings support the results from a study undertaken by Novignon (2022) in Jamaica which concluded that the amount of credit obtained is positively associated with the performance of MSMEs, a 1% increase in the credit amount received is associated with a 0.226% increase in firm profits. This implies that the more financial products being received by women SMEs, the more growth and development of women SMEs measured by profits. Further, the results support previous findings by Salhuddi et al (2021) who found a positive relationship between microfinance funds and women owned SMEs development. In addition, the study noted that microcredit needs to be customised to address the needs of women owned SMEs.

Chatterjee et al. (2018) noted a one on one positive relationship between group based financial services and empowerment of female microenterprises. Equally, Ledzorkuku-Krowor & Ahiabor (2013) found that small and medium enterprises in Ghana were aware of microfinance products and benefited extensively from the use of microfinance financial products. In addition to all these sentiments, Ngwenya & Ndlovu (2003) noted that MFIs had a major influence in connecting SMEs and the disadvantages of credit sources. They however advised the Zimbabwean government to develop a strategic plan for prudential operations involving SMEs and MFIs. Moreover, study findings confirm with literature that microfinance products improve women SMEs developments In Ethiopia, Bekalo (2018) found that women owned SMEs who accessed microfinance products improved their living conditions, cash savings, income for the family, child education, household food and diet, household health, business investment and decision making in their families. Similarly, significant positive relationship has been observed between credit and eight different dimensions of women's empowerment in a cross-organizations in Bangladesh (Hashemi, Schuler & Riley, 1996). Microcredit increases women's ability to make decisions, which empowers them (Barnes et al., 2001b). In support, Lakwo (2006) believes microfinance products develops women SMEs' money management skills, opening bank accounts, acquiring more independence outside of the home and feeling proud of their contribution to the family's income.

This also confirms with Thaher (2021) who found that microfinance products were crucial in uplifting women entrepreneurs. In Kosovo, Shkodra, Ymeri & Ibish (2021) concluded that microfinance products increase the performance of women owned SMEs. Aninze, El-Gohary &

Hussain, (2018) established the role of microfinance on women empowerment in developing countries. The study confirmed that microfinance institutions improves the standard of living of women, improves gender equality and women empowerment. Kessy and Urio (2006) and Mosha and Liheta (2014) looked into the role that microfinance services played in eradicating poverty in Tanzania. Data from MFIs and clients were both used in the study. The research' results showed that microfinance services raised peoples' incomes, capital investments rose, businesses expanded, and new firms were founded. The majority of rural people in developing nations have found microfinance to be a viable source of funding because inadequate infrastructure makes it difficult for traditional banks to operate there (Dhakal & Nepal, 2016).

However, these results contradict with some studies which were undertaken in other countries. Diagne & Zeller (2001) carried out a study in Malawi and they came up with the assertion that MFIs products do not have any effect in household income stream meaning that they do not affect the development of women owned SMEs. Some studies have also claimed that employing gender empowerment as an impact indicator has a negative influence on microcredit (Goetz and Gupta, 1994; Ackerly, 1995; Montgomery, 1995). Coleman (1999) investigated whether MFI loans were efficiently used by borrowers and concluded that village bank credit had no significant and physical asset accumulation for the borrowers. The women got themselves into a debt trap because they utilised the money from the village banks for personal spending and were obliged to borrow from money lenders at exorbitant interest rates to repay the village bank loans and qualify for more loans. The study concluded that credit was ineffective in lifting the poor out of poverty or improving their economic situation. Goetz and Gupta (1994) reported that microfinance products do not improve women SMEs because the loans in most cases are used by men for other purposes. In India, microfinance showed no appreciable increases in women's economic empowerment (Banerjee, 2013).

In addition, the results from the study suggest that microfinance institutions in Zimbabwe and in Mashonaland west province are not offering various microfinance non-financial products. The study findings reveal that microfinance institutions are offering networking as a non-financial product to women SMEs. Further, the results indicate that networking as a microfinance non-financial product lead to SMEs growth. This implies that MFIs that offer non-financial products together with financial products improves their clients' businesses as well as improving their own businesses. The results indicate that microfinance institutions in Zimbabwe are not offering a complete package of microfinance products. The results indicate



that they are concentrating on financial products. This affects the development of women owned SMEs. Richardson (2016) describes non-financial products as business improvement services that are usually offered by financial institutions (banks and MFIs) to complement their core financial offerings to SMEs. Hansen et al (2020) claim that non-financial products are the services that focus on the encroachment on the welfare of micro-entrepreneurs and these include social training and personal assistance which includes health, education, nutrition, and literacy training. Similarly, Bulte et al (2017) claim that non-financial services are the services that improve an organization's performance, market access, and competitiveness. According to Dutt et al (2016), non-financial services are services that include consulting services, capacity building initiatives, and business linkages that help managers to manage transaction risks and build sponsor capability. Therefore, this clearly shows that women-owned SMEs development is affected by microfinance institutions inability to avail microfinance non-financial services.

Although the discussion indicates that some studies indicate that microfinance products had either weak or no relationship with women owned SMEs development, majority of the studies indicates that microfinance products have positive influence on women owned SMEs development.

## **6.5 The moderating effects of government policies on the relationship between microfinance programs and women owned SMEs development**

The moderating effects of government policies on the relationship between microfinance programs and women SMEs development are grouped into two namely the moderating effects of government policies on the relationship between microfinance financial programs and women owned SMEs development and the effects of government policies on the relationship between microfinance non-financial products and women owned SMEs development.

### **6.5.1 The moderating effects of government policies on the relationship between microfinance financial products and women-owned SMEs development.**

The study sought to establish the moderating effects of government policies on the relationship between microfinance financial products and women-owned SMEs development. The results indicate that if sound government policies are implemented, women owned SMEs will have access to microfinance financial products without any hindrances, thus their businesses will develop in various ways. These results also suggest that government policies have a detrimental effect on the development of women-owned SMEs. The government moderates the relationship

between microfinance financial products and women owned SMEs directly through regulations they put in place in the microfinance sector. These policies include policies to protect depositors, policies to protect borrowers, policies on interest rates to be charged, administrative charges and the total amount to be advanced to business. For example, in Zimbabwe, directly, the government through the Reserve Bank of Zimbabwe, the government moderates the relationship between microfinance and borrowers through regulating interest rates to be charged by MFIs (RBZ Banking and Supervision Report, 2016). For example, in the event that the RBZ reduces interest rate, microfinance will advance loans at a cheaper rate and this will positively improve the profit margins of women owned SMEs. Cheaper interest rates may result into loyal relationship between MFIs and women owned SMEs.

In addition, the government through its policies moderates the relationship between microfinance and women owned SMEs through registering and licencing MFIs. According to the Microfinance Act of Zimbabwe, The RBZ is responsible for registering, licensing and supervision of MFIs in Zimbabwe. This implies that the government through RBZ moderates the growth informal sources of finance, enhances financial deepening, ensures availability of safe, appropriate and affordable credit, increases economic growth and development, leads to higher productivity, facilitates smoothening of consumption by the income households, increases employment levels, enhances financial stability, has implications of pro-cyclicality, moderates poor connectivity and moral hazards. All the responses had a mean response of 4.11 falling on the agree side, implying that government policies moderate the relationship between microfinance and women SMEs development.

The results are also in support of that of Gabor & Brooks (2017); Dorfleitner & Roble (2018); Elton, Mwosi, Edaku Ogwel & Obote (2018) who also noted that government policies moderates the effects of microfinance financial products on women-owned SMEs development since the regulations make it easier for MFIs to register and access funds. This enables the sector to have multiple providers of microfinance products. Multiple providers will end up competing for the existing customers. Competition is likely to affect their prices of products. Once prices of loans (interest rates) are low, it means the women owned SMEs profit margins will grow. Alexandre & Eisenhart (2013) also noted that government policies moderate the effects of financial products on women's SME development by providing policies that support the use of technology which provides true imperfection of finance. The development and the adaptation of digital innovations through partnerships for financial

inclusion would accelerate the delivery of financial services. Improved financial inclusion propels and plays a vital role in promoting access to credit). The results are also supported by Chesoli and Muya (2020) in Kenya who established) established the moderating role of government policies in the relationship between microfinance services and financial performance of small and medium enterprises, the study found a significant positive relationship between government policies and financial performance of SMEs.

In addition the study sought to test the moderating effects of government policies on the relationship between microfinance non-financial products on women-owned SMEs development hence the hypothesis tested was H<sub>3b</sub>: The relationship between microfinance non-financial products and women SMEs development is moderated by government policies.

The study findings confirm that government policies moderate the effects of microfinance non-financial products on women-owned SMEs' development. The results suggest that if the government put in place favourable policies, MFIs would be in a position to offer non-financial products to women entrepreneurs which will lead towards the development of their businesses and improvement of the country's gross domestic product (Dorfleitner & Roble, 2018). This also implies that if women entrepreneurs receive expected services from the MFIs, they become loyal to those institutions. They will continue doing business with the same institution. The government may facilitate training of women owned SMEs which will increase their understanding of finance and business management. This will likely increase their repayment rate and hence creating a good relationship between the microfinance and women owned SMEs. Gray (2006) also stated that exposure to training and development will ensure that small business owners and managers are equipped with some of the necessary abilities for meeting the modern organization's transformation expectations.

According to Frank & Luthje (2002), Charney & Libecap (2000), and Robinson & Sexton (1994), there is a favorable association between education and business formation. They also stated that entrepreneurship can be taught and that education may help to improve entrepreneurial skills, abilities, and attitudes. Women entrepreneurs, according to Van der Merwe and Nieman (2003), require training and advice in areas such as writing a business plan, conducting market research, identifying business and market opportunities, marketing and advertising, entrepreneurial skills training, financial and cash flow planning, networking opportunities, and management counselling and advice so that they will be able to make rightful

decisions and develop their ventures. This can only be achieved if the government chips in and try to moderate the relationship between MFIs and women owned SMEs.

### **6.6 Types of businesses that are mainly pursued by women.**

Women Owned SMEs have been identified as a significant untapped source of economic growth and development for all people (Roy, 2017) and they are the engines for economic development (Simuka, 2021). They contribute to women empowerment, family welfare, employment creation, production, contribution to exports & facilitating equitable distribution of income among citizens. Finscope (2012) indicates that 58% of Micro Small and Medium Enterprises in Zimbabwe are women owned and Mashonaland west province has 52% of women who are financially included. In light of that, the study sought to establish the typologies of businesses that are mainly pursued by women. Literature reviewed showed that women are now venturing into various businesses even those which were male dominated and they have ventured into businesses such as cross border trading, vending, agriculture, retail, services sector, mining and stone quarrying and multiple sector trading (ILO, 2017) Globally women now operate businesses such as wholesale and retail commerce, hotels, restaurants and services (Mac Manus, 2018). Based on literature review, the typologies of businesses were identified and described quantitatively as agriculture, construction, food products, healthcare, beauty and cosmetics, manufacturing, retail and wholesale, services, tourism, transport, hotel and restaurants, trade, cleaning and maintenance. Qualitatively, interviews were conducted and themes emerged.

Quantitative results reveals that women entrepreneurs mainly venture into food product business and manufacturing businesses as these had strongly agree result. Further, quantitative results indicates that women SMEs also venture into businesses such as agriculture, healthy beauty and cosmetics, retail and wholesale, services, tourism, transport, hotel and restaurants, cleaning and maintenance and direct sales. In addition the results indicates that women in Mashonaland west province are not in the construction industry. In addition, qualitative results show that women SMEs who partook in the study revealed that women are more into manufacturing, retail and wholesaling, and agriculture. Therefore, the qualitative results confirm with the quantitative results.

These results are supported by literature reviewed. For example, Harris & Gibson (2018) reported that most women-owned SMEs in Zimbabwe are into manufacturing due to the deteriorating economic conditions. This supported by results from the ILO (2017) survey which

reported that majority of women in Zimbabwe are into lotion manufacturing, floor polish manufacturing and industrial and domestic detergents.

Results also indicates that most women are now venturing into agricultural businesses. This is supported by Nhuta & Mukumba (2017) who reported that majority of women in Zimbabwe are into agriculture as it is viewed as the easiest business for women since it generates and supplies raw materials for the food and feed industries (Al-Shami et al, 2018; Ariful, Atanu & Ashiquar, 2017; Samer et al, 2015; Norhaziah & Mohd Nor Shariff, 2013; Khandler, 2005; Mainsah, Hever, Kalra & Zhang, 2004; Matin, Hulme & Rutherford, 2002). The results concur with those of Machogu & Mwalasha (2020) in Kenya who reported that most women in Kenya are venturing into agriculture and insures their produce. In addition, ILO (2017) confirms that women in Zimbabwe are into agriculture where majority in urban areas are into poultry rearing.

Results also reveals that women are into retail business in Zimbabwe. This reveals that women venture into businesses with lower risks, less capital outlay, low entry threshold and less financial risks. This is supported by Regeing (2016) who reported that entrepreneurs normally choose business types which have lower risks, low entry threshold and little financial risks. In support, Ayhan & Gebesoglu (2020) reported that most women find it cheaper to venture into retail businesses. These results concur with a study that was carried out by Ayhan & Gebesoglu (2020) who concluded that despite the challenges being faced by women entrepreneurs, they now have ventures which are competing in the market and 67% of these women are in the retail and wholesale business. In Zimbabwe, ILO (2017) survey supports the results and reports that women in Zimbabwe are into retail businesses selling products for multinational companies such as Avory Shlain, Avon, Tupperware, Table charm, Ocean Perfume, Angels, Inuka and others. Anecdotal evidence also indicates that women in Mashonaland west province and in Zimbabwe are running boutiques, selling second hand products and wholesaling. They are also into cross border trading to countries such as Tanzania, Zambia, South Africa, Botswana and Mozambique. They also sell products in car boots, flea markets, food vending and vegetable venting

The results also reveals that women are into services. This also supported by ILO (2017) which reported that women in Zimbabwe are into services such as hairdressing and domestic services such as wedding decorations.

Restaurant and hotels is the other business which has been revealed by the results. Anecdotal evidence indicates that women in Zimbabwe are into fast-food outlets, some selling in the car

boots, some opening up restaurants near their customers such as near factories as reported by ILO (2017)

Lastly, results reveals that women are into multiple sector business. Some are into retailing as well as restaurant among others as revealed by ILO (2017)

### **6.7 Barriers faced by women when they want to access MFIs products.**

The study sought to investigate the barriers that are faced by women-owned SMEs when trying to access MFIs programs. From the quantitative analysis, results shows that women-owned SMEs mainly face challenges that are grouped into three categories namely the demand (women entrepreneurs), supply (MFIs), and the government (regulatory) which supports Taiwo, Onasanya, Agwu, and Benson, (2016) who propounded that there are demand, supply, and regulatory barriers affecting women owned SMEs from accessing microfinance products. Similarly, results from interviews reveals that women owned SMEs face the same challenges.

In particular, quantitative and qualitative results reveals that women owned SMEs face demand barriers such as lack of acceptable collateral, irregular income, lack of trust and low level of financial literacy. This is supported by Munyanyi (2014) who pointed out that the lack of acceptable collateral by the women entrepreneurs deters those women from accessing financial products from MFIs resulting in their lack of participation in the mainstream economy. In support, Brian (2014) concluded that the most barrier which hinders women owned SMEs from accessing microfinance products is lack of collateral.

In addition, the results indicates that women owned SMEs are faced by supply side barriers when trying to access microfinance products. These barriers include higher interest rates being charged by microfinance institutions, distance to access microfinance products, policy regulations, demand for collateral security and inappropriate products being availed by microfinance institutions. These results concur with a study which was conducted by Ali et al (2016), which focused on the availability of microfinance products for small businesses. The results showed that small businesses in Mogadishu were having difficulties in obtaining loans from MFIs due to the use of advanced technology, causing many to close their doors and others to never open due to a lack of ability to overcome the obstacles. The researchers proposed that microfinance institutions create more flexible, inexpensive, and appealing standards for financing small firms and that their influence in terms of growth and development be felt by small businesses. Further, microfinance institutions do not trust women owned SMEs and they view them as risk businesses.

The other factors that falls under the supply-side barriers are inappropriate products and accessibility. MFIs tend to offer products that are inappropriate or which are not needed by the women entrepreneurs. According to Giannakoudi (2016), there is limited acceptance of products and services that are being offered by MFIs. Women entrepreneurs feel as if the products are of no use to them, they are inappropriate and hence reject them. Funding has emerged as a major hindrance to access financial products, as revealed in previous research by Hilson (2012) and others, and it is therefore in the best interests of all stakeholders to boost productivity in the sector by embracing innovation.

Technical barrier is another supply side barrier affecting women owned SMEs from accessing microfinance products as reviewed by the results. This is supported by Chakrabarty (2018) who claims that as the banking and payment space expands around the world, the biggest difficulty is maintaining the highest level of security in the financial sectors. As a result, microfinance banks have made progress in IT related products to safeguard their customers security. Vimala (2018) claims that by introducing IT-related products in internet banking, electronic payments, security investments, and information exchanges, banks may provide a wider range of services to clients with less manpower hindering those who might be vulnerable like women entrepreneurs.

Lastly, is the regulatory barrier which also emerged as the barrier affecting women owned SMEs from accessing microfinance products. Given that the majority of these women-owned SMEs are not formal, this leaves the greater part of them unable to be trusted by these MFIs (Munyanyi, 2014). Another supply side barrier is the Know Your Customer (KYC) requirement by the RBZ. This requirement affects their ability to serve those who are regarded as the vulnerable (Kanyenze, 2017). Vogelgesangu (2018) in a study confirm that women in Caja Los Andes in Bolivia are failing to get microfinance products because they are not trusted.

In addition, results indicates that women-owned SMEs bemoaned that policies and regulations which are being imposed by the government appears to be another barrier that hinders them from accessing MFIs products, hence making it difficult for them to operate in the industry. The government through monetary policies and fiscal policies gazettes interest rates and taxes which makes the cost of borrowing to be high and hence affecting women owned SMEs from accessing the loans. This is supported by Cuevas et al. (2017) who reports that government policies such as interest rates and taxes make microfinance products expensive to women owned SMEs and hence they act as a barrier.

Even though regulations are intended to ensure company safety and order, they may be particularly destructive to SMEs functioning inside the system. This is because SMEs are less prepared to cope with regulatory issues than larger companies since they cannot traverse the complexities of regulatory and bureaucratic networks (Gwartney & Lawson, 2016). To put it in another way, complying with regulatory requirements raises SMEs' transaction costs, putting them at a disadvantage relative to large domestic organizations and international corporations that may not be subject to too stringent regulatory regimes (Gathogo, 2014). Transaction costs are substantial in such regimes, and they account for a larger share of total costs for SMEs than for large corporations.

### **6.8 Chapter summary**

The current chapter discussed the research results which were presented in chapter five. The chapter related the results to literature review in accordance to the research objectives. The research objectives and related research hypotheses were used to guide the discussion. The study is concluded in Chapter Seven, which also includes implications.



## CHAPTER 7

### SUMMARY, CONCLUSIONS AND IMPLICATIONS

#### **7.0 Introduction**

The previous chapter presented and discussed the research findings. The current chapter is the final chapter of the current study. This chapter therefore presents the summary of findings as per research objectives, conclusions of the study in accordance to research objectives and hypothesis. The conclusions are derived from the findings and discussion, respectively. In addition, the research implications are also presented for policy direction and future research direction.

#### **7.1 Summary of findings**

Empirical findings for this research study have been presented in chapter 5 and discussed in chapter 6. These results established the types of financial products which are availed by microfinance institutions to women owned SMEs in Zimbabwe grouped into financial and non-financial products, effects of microfinance products on women owned SMEs development, moderating effects of government policies on the relationship between microfinance products and women owned SMEs development, the typologies of businesses being pursued by women owned SMEs. This was accomplished through examining descriptive statistics such as the mean and standard deviation of the responses. Past studies (Novignon, 2022; Salhuddi et al, 2021 Thaher, 2021; Bulte & Lensink, 2019) indicate that microfinance products influence SMEs development. However, given that studies on the influence of microfinance products in their totality on women owned SMEs development in Zimbabwe are undocumented and cannot be found in literature, this study was undertaken. This study adopted the pragmatism research philosophy and focused on microfinance financial products and non-financial products, effects of microfinance products on women owned SMEs development, moderating effects of government policies on the relationship between microfinance products and women SMEs development. The summary of the research findings are presented according to objectives.

##### **7.1.1 Types of microfinance financial products availed to women owned SMEs in Mashonaland west province of Zimbabwe.**

The first primary objective of this study was to establish the types of microfinance financial products being availed to women owned SMEs in Mashonaland west province of Zimbabwe. The types of microfinance financial products were measured using descriptive statistics such

as the mean and standard deviation. The study ascertained in literature that microfinance institutions offer financial products such as investment, insurance, credit, loans, savings, leasing, cash transfers, pension education, payment systems and financial intermediation. In addition, microfinance products are classified according to their type or underlying asset class, risk and return. Based on the mean and standard deviation, the study reviewed that microfinance institutions in Zimbabwe are offering microfinance financial products such as microloans, micro savings, hire purchase, emergence loans and consumption loans to women owned SMEs in Mashonaland west province as shown on table 5.5 on results. They are not offering financial products such as micro insurance, micro leasing, mortgage, overdrafts and money transfers. This reveals that microfinance institutions in Zimbabwe are offering a limited range of financial products as opposed to the financial products which are highlighted in literature.

### **7.1.2 Types of microfinance non-financial products availed to women owned SMEs in Mashonaland west province of Zimbabwe.**

The second objective of the study was to establish the types of microfinance non-financial products being availed to women owned SMEs in Mashonaland west province of Zimbabwe. Literature reviews that microfinance non-financial products are grouped into three main categories which are then further divided into semi services. These services are divided into social training and personal assistance and business services which are divided into business training, individual business consulting and technical assistance. Eleven microfinance non-financial products which were identified in literature were investigated using likert-type data and likert-scale descriptive statistical analysis procedures. The study used the mean and standard deviation as descriptive variables to describe the phenomenon. The microfinance non-financial products were technical skills training, managerial skills training, networking, mentoring, marketing assistance, customer care, account manager support services, business record keeping, entrepreneurial skills and personal development skills. The mean and standard deviation of responses for the likert-type and likert-scale data analyses respectively established that microfinance institutions in Zimbabwe are only offering networking as a microfinance non-financial product. They are not offering microfinance non-financial products such as training and development, record keeping and accounting, business management, training on health matters and social training. This implies that microfinance institutions must thrive to avail complete microfinance products which includes financial and non-financial products to improve women SMEs development as cited by literature.

### **7.1.3 The effects of microfinance products on women-owned SMEs development in Mashonaland west province of Zimbabwe.**

Objective three of the research aimed at investigating the effect of microfinance products on women owned SMEs development on studied women owned SMEs. The study established the effects on microfinance products on women owned SMEs using descriptive statistical analysis by using the mean responses and standard deviation. Women owned SMEs development was measured using variables such as business survival, employment creation, increased profits, increased outlets, increased capital size, improved business management, new product development, acquiring of new equipment, and development of production capacity, diversification and empowerment. The RBV theory, women empowerment theory and the equity theory posit that resources enables businesses to develop in various ways as highlighted by the variables used to measure women SMEs development. This study extended and applied the logic of these theories to women owned SMEs. Consistent with numerous extant studies (Novignon, 2022; Salhuddi et al; 2021 Thaher, 2021; Bulte & Lensink, 2019), this study found that microfinance products have positively impacted on the development of women owned SMEs as shown on table 5.7 of the results section of this study. The study findings reveal that microfinance products have led to the survival of women owned SMEs and the growth of women owned SMEs in various ways. The study found that women owned SMEs managed to increase employment creation, increase profits, increase outlets, increase capital size, improve their business management, develop new products, acquire new equipment, develop new production capacity, diversify their business and empower them. The overall mean of these responses was 4.24 which falls on the agree side and the standard deviation was 0.74 which also falls on the agree side. These results are also consistent with the interview results. From interviews as shown on figure 5.1, 5.1, 5.3 and table 5.8 on the results section, the study reveals that microfinance enabled women owned SMEs to boost their business, grow their business, enlarge their business, helped them to take care of their families, they were able to get loans for consumption and business, they were able to network and they were able to diversify their businesses. Overallly, these findings indicate that microfinance products impacted positively on women owned SMEs development.

In addition, the study indicates that women owned businesses benefited more from microfinance financial products than microfinance non-financial products. This is because the results reveal that only networking as a microfinance non-financial product was availed to women owned SMEs in Mashonaland west province of Zimbabwe. From these results, it is

believed that if more non-financial microfinance products such as training and development, business management, record keeping and accounting are availed to women owned businesses, they are likely to grow more. Consistent with the model of entrepreneurial process, the Entrepreneurship theory, RBV theory, perking order theory, financial theories, and the empowerment theory, microfinance products were found to have significant positive effects on women owned SMEs development. The study also tested the hypothesised relationships amongst the constructs and found a positive significant relationship between microfinance products and women owned SMEs development. The hypothesis results are summarised on table 7.1

Table 7.1 Third primary research objective hypotheses result from Amos

Hypotheses	Hypothesised Relationship	SRW	CR	Remark
H <sub>1</sub>	Microfinance products → Women SMEs Development	.324	21.364***	Supported
H <sub>2</sub>	Microfinance non-financial products → Women SMEs Development	.297	16.543***	Supported

Notes: SRW - standardized regression weight, CR - critical ratio, \*\*\* significant at  $p < 0.001$

Source: Research data (2021)

#### 7.1.4 The effects of government policies on the relationship between microfinance products and women SMEs development

The third objective of the study was to establish the moderating effects of government policies on the relationship between microfinance products and women SMEs development. The results are shown on table 7.8 below. The study sought to establish the moderating effect of government policies on the relationship between microfinance products and women SMEs development. Moderated regression analysis was used to test H<sub>3a</sub> and H<sub>3b</sub>. Results are summarised in Table 7.19 below.

Table 7.19: Coefficients of moderated regression results

Variable	Beta	t-statistic	p value
Micro finance products	.106	2.104	.000
Non-financial products	.101	2.226	.000
Government policies	.103	2.201	.000
Micro finance products × Government policies	.113	2.009	.000
Non-financial products × Government policies	1.09	2.117	.000

Source: Research data (2021)

Results in table 5.19 above show that coefficients for the interaction terms (Micro finance products × Government policies) were insignificant ( $p > 0.000$ ). This suggests that government policies moderate the effect of micro finance products on women SMEs development. Therefore,  $H_{3a}$  was supported.

Results also indicate that coefficients for the interaction terms (Non-financial products × Government policies) were significant ( $p > 0.000$ ). This suggests that government policies moderate the effect of non-financial products on women SMEs development. Therefore,  $H_{3b}$  was also supported.

#### **7.1.5 Typologies of businesses mainly pursued by women entrepreneurs**

The fourth specific objective of the research was to determine the types of businesses being pursued by women in Mashonand west province in Zimbabwe. The typologies of businesses commonly pursued by women were measured using the mean responses, standard deviation and themes. Typologies of businesses commonly pursued by women established in literature such as agriculture, food, healthy business, beauty and cosmetics business, manufacturing business, retail and wholesalers business, services, tourism and transport, hotel and restaurants, trade, cleaning and maintenance and direct sales. Based on standard deviation and mean responses. The study reveals that women owned SMEs in Mashonaland west province are mainly pursuing businesses such as manufacturing, retailing, wholesale and agriculture as shown on table 5.10. Consistent with quantitative results, themes from interviews emerged and indicated the same results as shown on table 4.11 on chapter 4. In addition, the findings indicate that women owned SMEs in Mashonaland west operate various types of businesses which include food products, healthy products, beauty and cosmetics, manufacturing, retail and wholesaling, services, tourism and transport, hotel and restaurants, trade, cleaning and maintenance and direct sales. The overall mean of the responses is 3.98 and standard deviation is .85 which implies that women who partook in the study generally agreed that they are somehow engage in business

The findings indicate that women SMEs are more into easy and less capital-intensive businesses. The study reveals that women in Mashonaland west province have not ventured into men dominated sectors such as construction, cultures and moldings as evidenced by literature.

### **7.1.5 Barriers to accessing microfinance products by women SMEs in Mashonaland west province of Zimbabwe.**

The last objective of the current study was to investigate the barriers to accessing microfinance products by women-owned SMEs in Mashonaland west province of Zimbabwe. The barriers were measured quantitatively using the mean and standard deviation and qualitatively using themes. Quantitatively, barriers identified from literature review such as demand barriers, supply side barriers and regulatory barriers were used. Based on mean responses and standard deviations, findings indicate that women owned SMEs in Mashonaland west province are facing both demand side, supply side and regulatory side barriers. In particular, the findings reveal lack of acceptable collateral, irregular income, lack of trust, low literacy level, high interest rates, lack of technology, distance to access microfinance institutions, policy regulations and inappropriate products as barriers to accessing microfinance products faced by women owned SMEs in Mashonaland west province as shown on table 5.12,5.13,5.14.

Based on themes, the findings indicate that the barriers emanating from women owned SMEs, microfinance institutions and policy regulations emerged as the barriers to accessing microfinance products by women owned SMEs. These results are consistent with quantitative results and also literature reviewed.

In addition, the study sought to establish what should be done by the government to improve SMEs development. Themes emerged from interviews and findings indicate that the government should promote the development of women entrepreneurship through the provision of funding, provision of cheaper loans, reducing costs of borrowing, reducing the requirements for opening of accounts, reducing taxes and reducing interest rates.

Generally, the findings reveal that women owned SMEs are facing many barriers to accessing microfinance products and the government should intervene to assist women owned SMEs development.

### **7.2 Conclusions**

The study focused on the influence of microfinance products on women owned SMEs development in Mashonaland west province. Based on findings from this study, the study concludes that microfinance products influence women owned SMEs development positively. In addition, conclusions are made as per objectives.

### **7.2.1 Types of microfinance financial products being availed to women SMEs in Mashonaland west province.**

The study concludes that microfinance institutions in Zimbabwe are offering limited financial products to women owned SMEs in Mashonaland West Province.

### **7.2.2 Types of microfinance non-financial products being availed to women owned SMEs in Mashonaland west province of Zimbabwe.**

The study concludes that microfinance institutions are to a greater extent not availing microfinance non-financial products. They are only offering networking as a non-financial product.

### **7.2.3 The effects of microfinance products on women-owned SMEs development in Mashonaland west province of Zimbabwe**

The findings and interpretation of the results provide enough evidence to conclude that microfinance financial products have a positive effect on women SMEs development. The study also concludes that microfinance institutions should continue offering microfinance products to women owned SMEs to improve their development. In addition, the study concludes that microfinance institutions should provide microfinance products in totality. The study concludes that microfinance institutions should provide microfinance financial products and microfinance non-financial products as a complete package as they complement each other.

Based on hypothesis tested, the study concludes that microfinance financial products have a positive effect on women SMEs development and microfinance financial products have a positive effect on women owned SMEs development. Women, SMEs' growth and survival are impacted by microfinance products that are being offered by MFIs. As a result, if MFIs enhance their service delivery systems, women-owned SMEs will be the breadbasket of the country.

### **7.2.4 The moderating effects of government policies on the relationship between microfinance programs and women-owned SMEs development**

Based on hypothesis testing, the study concludes that the government policies positively moderates the relationship between microfinance financial products and women owned SMEs development and the government policies positively moderates the relationship between microfinance non-financial products and women owned SMEs development. This implies that women owned SMEs benefits more when the government moderates the relationship. Thus, if

the government improves its moderation role, women SMEs are likely to develop from microfinance products.

### **7.2.5 Typologies of ventures mainly pursued by women entrepreneurs**

The study concludes that the four types of businesses are mainly pursued by women in Mashonaland west province. In addition, the results also show that women owned SMEs also pursue businesses such as food products, healthy products, beauty and cosmetics, manufacturing, retail and wholesaling, services, tourism and transport, hotel and restaurants, trade, cleaning and maintenance and direct sales. The study also concludes that women venture into businesses which requires less capital.

### **7.2.6 Barriers to accessing microfinance products by women owned SMEs in Mashonaland West Province.**

The study concludes that the major barriers to accessing microfinance products by women owned SMEs are demand barriers, supply side barriers and regulatory barriers. In particular, the study concludes that the barriers include lack of acceptable collateral, irregular income, lack of trust, low literacy level, high interest rates, lack of technology, distance to access microfinance institutions, policy regulations and inappropriate products being availed by microfinance institutions. This implies that women SMEs should work to reduce the demand side barriers while microfinance institution should loosen the supply side barriers while the government should lessen the regulatory barriers.

## **7.3 Theoretical implications**

### **7.3.1 Implications for entrepreneurship theory on microfinance programs and women owned SMEs development**

There aren't many studies that focuses on the influence of microfinance programs on women-owned SME development. Thus, this study sought to contribute to the current body of knowledge in the field of entrepreneurship by investigating the influence of microfinance programs (both financial and non-financial) on women-owned SMEs development. This study links microfinance products with the entrepreneurial process model, the entrepreneurship theory, the resource based theory, the perking order theory, the financial systems model and women empowerment. There have been few studies in the field of entrepreneurship that have specifically looked at the influence of microfinance programs on women-owned SMEs' development. Most studies either focused on the impact of microfinance financial products on



women-owned SMEs' development without considering the impact of non-financial products on women-owned SMEs' development, a gap in literature which existed. In addition, literature on the typologies of businesses being pursued by women SMEs are rare and studies focusing on the moderating role of government policies on the relationship between microfinance products and women SMEs development are scarce. As a result, the current study is a trailblazer in this kind of research. It has concentrated on the influence of microfinance programs on women-owned SMEs' development with the government playing the moderating role between MFIs and women owned SMEs development. For the first time, a research model may be built using the findings of this investigation suggesting a proven link between microfinance programs and women-owned SME development. Figure 7.1 depicts microfinance programs and women-owned SME development.

This study was used theories which were developed long ago, there is need to develop theories using current existing stock of knowledge.

Existing studies used mainly quantitative measures such as number of employees, profitability, sales among other measures. This implies that future studies should consider using qualitative measures such as efficiency and effectiveness among others as measures of women SMEs development.

The study developed a Microfinance women SMEs development model below: This implies that future researchers should test the model.

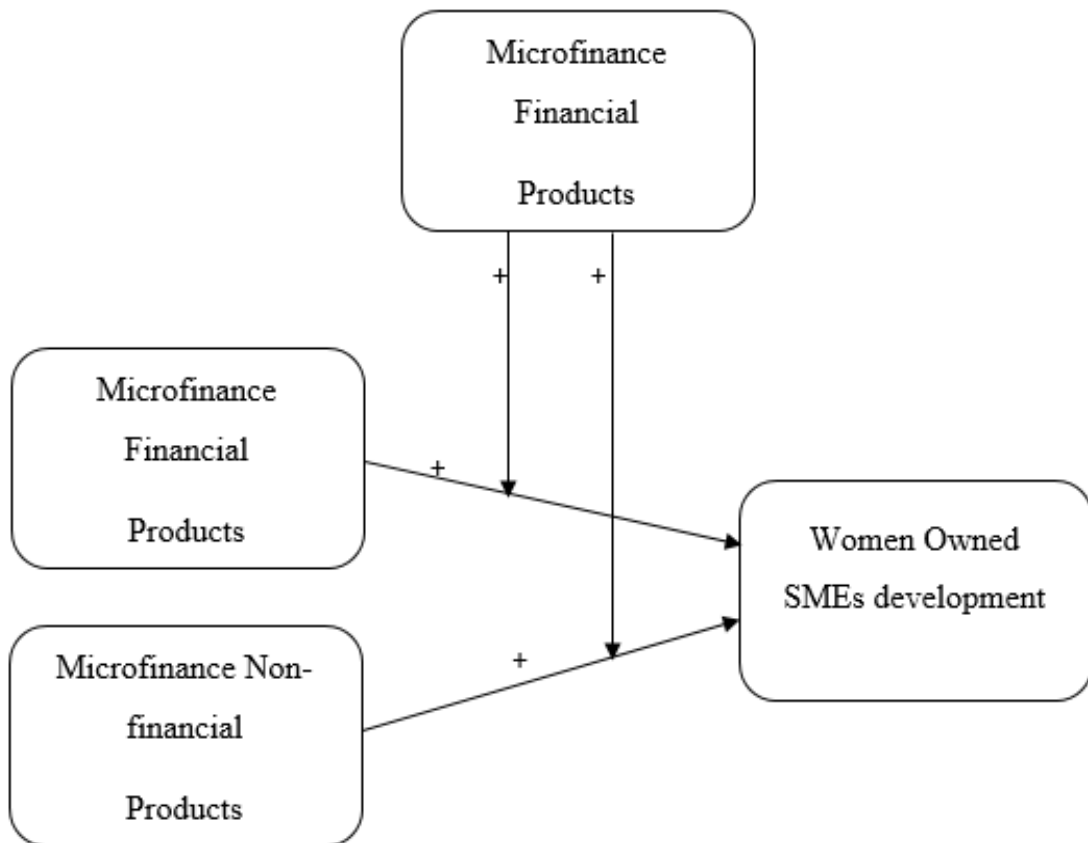


Figure 7.1: Theoretical framework of the influence of microfinance programs on women owned SMEs development.

Microfinance financial and non-financial products positively influence women-owned SMEs' development as depicted in Figure 6.1. Microfinance financial products has a positive effect on women-owned SMEs' development. Microfinance non-financial products also have a positive effect on women-owned SMEs' development. Literature on microfinance, women owned SMEs development and even SMEs development in general should focus on the effects on microfinance products availed in their totality on women SMEs development. This is because the provision of microfinance products with microfinance non-financial products has an effect on the development of women SMEs as suggested by literature.

The current research is unique in that it looks at the influence of microfinance programs both (financial and non-financial products) on women-owned SMEs' development. Microfinance are entrepreneurial ventures while women owned SMEs are entrepreneurial ventures too. The provision of microfinance programs and their effective utilisation has a significant impact on

women-owned SMEs' development. The findings corroborate previous researches. As a result, entrepreneurs should take into account the existing correlations between microfinance financial and non-financial programs on women-owned SMEs development. They should also take into consideration factors like environmental influence, socio-demographic factors, and training and development factors as they are also important factors to enhance women-owned SMEs' development (Ariful, Atanu & Ashiquar, 2017; Al-Shami et al, 2018; Samer et al, 2015; Norhaziah & Mohd Nor Shariff, 2013; Khandler, 2005; Mainsah, Hever, Kalra & Zhang, 2004; Matin, Hulme & Rutherford, 2002).

In terms of the relationship between microfinance programs and women-owned SMEs development, a better knowledge of entrepreneurial development theories such as the Resource Based theory is gained. The findings support the widely held belief that resources are essential ingredients for any successful entrepreneurial ventures. Therefore, microfinance institutions provide financial and non-financial resources necessary for the growth and development of women owned SMEs. Previous research (Gwartney & Lawson, 2016; Hashemi & Rosenburg, 2018; Vimala, 2018; Chakrabarty, 2018; Musonera & Heshmati, 2019; Nguyen et al, 2021; Thoto et al, 2021) has confirmed the findings.

In line with related literature, the study also established a positive relationship between government intervention and women-owned SME development. The study adds knowledge to the growing body of entrepreneurship literature that there is a significant relationship between government intervention and women-owned SME development (Guevas et al, 2017, Gwartney & Lawson, 2016; Aryeetey et al, 2015, Giannakoudi, 2016, Gathogo, 2014;

The study also found that government regulations partially moderate the relationship between MFIs and women-owned SME development. This clearly suggests that the existing theory should be expanded to accommodate this new finding. The study also established that if the government moderates the relationship between MFIs and women-owned SMEs, their ventures will grow and survive offering the needed products and services to the customers whilst contributing to the GDP of the country. Also, the results of the current study contribute knowledge to existent literature, hence there is a need to include this finding.

In addition, this study clearly indicates that the barriers to accessing microfinance products are the demand side barriers, the supply side barriers and the regulatory barriers. These barriers

affect women owned SMEs development and they need to be clearly documented and addressed. Collateral issues, socio-cultural factors, attitude issues raised in the background and literature review should be also addressed in the entrepreneurship literature. Socio-demographic factors like age and educational levels, access to physical infrastructure, government support, land ownership and the restrictions associated with being a woman would be addressed in literature.

### **7. 3.2 Implications on policy and practice**

The study also focused on the barriers to women owned SMEs development. The study findings indicate that some of these barriers can be mitigated by government interventions. The government should develop a comprehensive framework to assess the challenges faced by women when trying to access finance from microfinance institutions. The government should come up with mechanism to support gender equality, including women's entrepreneurship.

The study findings reveal that there is no formal definition for women owned SMEs. Therefore, this study encourages the government to develop a formal definition of women-owned SMEs and establish a firm knowledge base of gender disaggregated data for SME.

Providing gender-disaggregated data on the number and type of women-owned SMEs at the country level would enable policymakers to take more informed decisions and to develop evidence-based policies and support programs. Furthermore, they could track the development of women-owned SMEs in the country and maximize their macroeconomic effects through smart policies.

The study findings have several implications for the study. It was the objective of this study to establish the influence of microfinance programs on women-owned SME development. The findings confirm that MFIs programs both financial and non-financial influences women-owned SME development. Therefore, women entrepreneurs are encouraged to embrace the use of MFIs programs so that their businesses will develop. The government of Zimbabwe is also advised to use its arms, e.g. The Ministry of small and medium enterprises to ensure that MFIs or financial institutions do not charge exorbitant rates to the women SMEs so that everyone will have a chance to access these products and services. They have to consider prioritising the improvement of service offerings through reviewing their minimum requirements for one to qualify for accessing MFI programs. Reducing the rates, for example,

the interest rates may also help women SMEs, especially those in their start-up stages to access financial facilities. MFIs are also advised to offer non-financial facilities as complementary products. Literature indicates that microfinance.

The findings show that women entrepreneurs lack practical skills. This is a critical issue that MFIs should address. MFIs should provide non-financial products such as training on business management, record keeping and accounting to enhance their clients' businesses.

#### **7.4 Implications for future research**

Only Mashonaland West province residents were surveyed in this study. This means that the conclusions of this study cannot be generalised to the whole country. The study recommends future researchers to extend this study to the whole country. In addition, the study recommends that the government can also be used as a mediating variable.

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## **APPENDIX A: QUESTIONNAIRE FOR WOMEN-OWNED SMEs**

### **Introduction**

The researcher Comfort Zvirikuzhe (C15126214Q) is a CUT PhD in Entrepreneurship student carrying out a research on “the influence of Microfinance institution programs on women owned SMEs development.” Your open views and opinions are of paramount importance for achieving the objectives of the study. I kindly request you to respond to the questions below. Your participation in this study is voluntary and you should not write your name on this questionnaire. Your responses will be treated as strictly confidential and data from this research will be used for academic purposes only.

### **Instructions**

1. Put your tick in the box or boxes provided to indicate your opinion as in the box below [ ].
2. For open ended questions, fill in the space provided below each question. Use short sentences or words that you think will express your view adequately.

### **SECTION A: DEMOGRAPHIC DETAILS**

#### **1. Gender:**

Male [ ]

Female [ ]

#### **2. Please indicate your position in the organization**

Senior management [ ]

Junior management [ ]

Employees [ ]

#### **3. Please indicate your age group:**

20 years – 30 years [ ]

31 years – 40 years [ ]

41 years – 50 years [ ]

51 years and above [ ]

#### **4. Please indicate your level of education**

Secondary education [ ]

Diploma [ ]

Undergraduate Degree [ ]

Master’s Degree [ ]

Doctorate [ ]

#### **5. How long have you been operating your business?**

Below 1 year	[ ]
1 to 3 years	[ ]
4 years to 6 years	[ ]
7 years to 9 years	[ ]
10 years and above	[ ]

**SECTION B:**

**Indicate the extent to which you agree or disagree by ticking the number that best reflects your agreement with the following statements. The items are measured using a 5 point Likert scale that ranging from 1 (Strongly disagree) to 5 (Strongly agree). Key: Use SD = strongly disagree, D = disagree, N = not sure, A = agree and SA = strongly agree as key for this and other questions.**

**FINANCIAL PRODUCTS THAT ARE OFFERED BY MFIs**

B1: The following is a list of financial products that are offered by MFIs to women owned SMEs.

CODES	FINANCIAL PRODUCTS	SD	D	N	A	SA
FP1	Microloan					
<b>FP2</b>	Micro savings					
FP3	Micro insurance					
FP4	Micro leasing					
FP5	Hire purchase					
FP6	Mortgage					
FP7	Overdraft					
FP8	Money transfer					
<b>FP9</b>	Renewable energy loans					
FP10	Emergency loans					
FP11	Consumption loans					

B2: Secondary products that you have received from MFIs

CODES	SECONDARY PRODUCTS	SD	D	N	A	SA
SP12	Technical skills					
SP13	Managerial skills					
SP14	Networking					
SP15	Mentoring					
SP16	Business training					
SP17	Marketing assistance					
SP18	Customer care					
SP19	Account manager support services					
SP20	Business record keeping					
SP21	Entrepreneurial skills					

SP22	Personal maturity skills					
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B3. Effects of Microfinance products on women owned SMEs development

CODES	EFFECTS	SD	D	N	A	SA
MFP23	Business survival					
MFP24	Increased employment creation					
MFP25	Increased profits					
MFP26	Increased outlets					
MFP27	Increased capital size					
MFP28	Improved business management					
MFP29	New products development					
<b>MFP30</b>	Acquiring of new products					
MFP31	Development of production capacity					
MFP32	Diversification					
MFP33	Empowerment					

B4: The moderating effects of government policies on Microfinance and women-owned SMEs development.

CODES	MODERATING EFFECTS ON FI	SD	D	N	A	SA
ME34	Limited growth of informal sources of credit					
ME35	Enhances financial deepening					
ME36	Ensures availability of safe, appropriate and affordable credit					
ME37	Increased economic growth and development					
ME38	Higher productivity					
ME39	Facilitates smoothening of consumption by the low income households					
ME40	Increase in employment levels					
ME41	Enhances financial stability					
ME42	Implications for pro-cyclicality					
ME43	Poor connectivity					
ME44	Moral hazard problem					

B5: Typologies of businesses you mainly pursue

CODES	TYPLOGIES OF BUSINESSES BY WOMEN	SD	D	N	A	SA
TB45	Agriculture					
TB46	Construction					
TB47	Food products					
TB48	Healthcare, beauty and cosmetics					
TB49	Manufacturing					
TB50	Retail and wholesale					
TB51	Services					

TB52	Tourism, transport, hotel and restaurants					
TB53	Trade					
TB54	Cleaning and maintenance					
TB55	Direct sales					

**B6: Barriers to accessing of financial products from MFIs**

CODES	BARRIERS	SD	D	N	A	SA
BFP56	Lack of acceptable collateral					
BFP57	Irregular income					
BFP58	Lack of trust					
BFP59	Literacy level					
BFP60	High rates					
BFP61	Technology					
BFP62	Distance to access the MFIs					
BFP63	Policy regulations					
BFP64	Inappropriate products					
<b>BFP65</b>	Risk					
<b>BFP66</b>	Investment climate conditions					

**SECTION C**

C1 (a): Has the MFI been useful to you? Yes [ ] No [ ]

C1 (b): Explain your answer.....

C2: In your own opinion, what role should the government play in promotion of financial inclusion and development of entrepreneurship?

C3: What could be the possible benefits on your opinion for women owned SMEs development?

.....  
 .....

**Any other comments?**

**Thank you for your time..**

## **APPENDIX B: INTERVIEW GUIDE FOR WOMEN-OWNED SMEs**

### **Introduction**

The researcher Comfort Zvirikuzhe (C15126214Q) is a CUT PhD in Entrepreneurship student carrying out a research on “**The influence of Microfinance institution programs (products) on women owned SMEs development in Mashonaland west province of Zimbabwe.**” Your open views and opinions are of paramount importance for achieving the objectives of the study. I kindly request you to respond to the questions below. Your participation in this study is voluntary and you should not write your name on this questionnaire. Your responses will be treated as strictly confidential and data from this research will be used for academic purposes only.

### **Question 1: Common barriers you face as women in trying to access Microfinance products.**

- a. What are the common barriers you face as women in trying to get assistance from MFIs?
- b. Has the MFI been useful to you?
- c. Explain your answer.
- d. In your own opinion, what role should the government play in promoting women-owned SMEs development?

### **Question 2: Typologies of businesses mainly pursued by women.**

- a. What types of businesses do you normally pursue as women?
- b. What could be the possible benefits on your opinion for women-owned SMEs development?

**End of Interview guide  
Thank you for your time**

**APPENDIX C: WOMEN FINANCIAL STRATEGY (WFS 2016-2020)**

<b>INITIATIVE</b>	<b>ISSUES TO BE ADRESSED</b>
<b>Establishment of a Women's Bank.</b>	The opening of the Zimbabwe Women's Microfinance Bank in 2018 has enhanced the landscape of financial services and products targeted at women
<b>Financial Inclusion Empowerment Funds</b>	The Reserve Bank established the \$15 million Women Empowerment Fund in 2017 to enhance access to funding for women owned businesses. Various other targeted facilities were also established to enhance access to funding for marginalized groups in the country. The funds are accessible through banking and microfinance institutions at concessional interest rates.
<b>Credit Guarantee Scheme</b>	The Reserve Bank re-established the Credit Guarantee Scheme in the Export Credit Guarantee Company in 2017 to facilitate productive lending to the marginalized groups with inadequate collateral, especially women, in order to stimulate economic growth and development.
<b>Establishment of women's desks and SME units</b>	Banking institutions have been encouraged to establish women's desks and SME units to facilitate the development of tailored products and services for women and SMEs. Thirteen (13) banks have established SME units, and 11 banks have established women's desks.
<b>Credit Registry</b>	The credit registry which was established in the central bank, commenced operations in January 2017. The improvement in credit information sharing is expected to enhance the scope of access to finance for borrowers with good credit history.



INITIATIVE	ISSUES TO BE ADRESSED
<b>Collateral Registry</b>	Government is in the process of establishing a collateral registry in the central bank which is expected to boost access to finance for small businesses on the back of moveable assets collateral. This will go a long way in addressing collateral constraints for women owned businesses.
<b>Collateral Substitutes</b>	The Reserve is collaborating with key stakeholders in rolling out financial literacy / education in the country. Financial literacy facilitates effective implementation of and attainment of financial inclusion objectives. In this regard, financial literacy is one of the four pillars of the National Financial Inclusion Strategy.
<b>Value Chain Finance</b>	The Reserve Bank has partnered with financial institutions and development partners and is operationalising the <b>value chain financing</b> model through a US\$10 million Business Linkages Finance Facility targeted at agricultural production. Women are expected to benefit as they account for 86% of the rural population.
<b>Group or Cluster Financing</b>	Banks and microfinance institutions have adjusted their lending methodologies to enable them to adequately serve the various segments of the population including women.
<b>Opening of low cost accounts</b>	Anti-money laundering regulations were simplified for low income groups where the majority are women. The risk-based KYC requirements have enabled the opening of <b>low-cost bank accounts</b> for previously financially underserved low income groups who by nature carry low money laundering risk.

<p><b>Consumer Protection Guideline</b></p>	<p>Guideline was developed to promote transparency and minimize information asymmetry between financial services consumers and providers of financial services.</p>
<p><b>Warehouse Receipt System</b></p>	<p>Stakeholders leading the implementation of the National Financial Inclusion Strategy, in partnership with development partners (World Bank), are championing the development of a robust warehouse receipt system in Zimbabwe which will help to address marketing and funding constraints for smallholder farmers and other commodity producers. Approximately 68% of Zimbabwe's population lives in rural areas, the majority being women engaged in farming activities.</p>

## APPENDIX D: FACTOR LOADINGS

<b>Construct</b>	<b>Item</b>	<b>Loading</b>
<b>Financial Products</b>	FP1	.773
	FP2	.694
	FP3	.766
	FP4	.622
	FP5	.676
	FP6	.784
	FP7	.831
	FP8	.714
	FP9	.402
	FP10	.727
	FP11	.714
<b>Secondary Products (Non-Financial)</b>	SP12	.925
	SP13	.945
	SP14	.858
	SP15	.847
	SP16	.745
	SP17	.914
	SP18	.943
	SP19	.879
	SP20	.892
	SP21	.936
	SP22	.940
<b>EFFECTS OF MFP ON SMEs DEVELOPMENT</b>	MFP23	.811
	MFP24	.932
	MFP25	.932
	MFP26	.932
	MFP27	.752
	MFP28	.502
	MFP29	.599
	MFP30	.406
	MFP31	.825
	MFP32	.896
	MFP33	.879
<b>Government Policies</b>	ME34	.458
	ME35	.526
	ME36	.703
	ME37	.889
	ME38	.837
	ME39	.789
	ME40	.845
	ME41	.780
	ME42	.707
	ME43	.607
	ME44	.567
<b>Typologies Of Businesses By Women</b>	TB45	.834
	TB46	.866
	TB47	.703
	TB48	.692
	TB49	.814
	TB50	.782

	TB51	.624
	TB52	.507
	TB53	.652
	TB54	.551
	TB55	.762
<b>Barriers</b>	BFP56	.754
	BFP57	.823
	BFP58	.642
	BFP59	.605
	BFP60	.505
	BFP61	.547
	BFP62	.549
	BFP63	.679
	BFP64	.726
	BFP65	.496
	BFP66	.494
<b>Extraction Method: Principal Component Analysis.</b> <b>Rotation Method: Varimax with Kaiser Normalization.</b> <b>Rotation converged in 8 iterations.</b> <b>Based on Eigenvalues &gt; 1.00</b> <b>Total Variance Explained = 70.292%</b> <b>Loadings of less than 0.3 were suppressed</b>		

*Source: Survey (2021)*

## APPENDIX E: CONVERGENCE VALIDITY

Constructs	Items	Loadings	Critical Ratios
<b>FINANCIAL PRODUCTS</b>	FP1	.704	-
	FP2	.533	17.312***
	FP3	.727	13.001***
	FP4	.672	14.317***
	FP5	.617	11.396***
	FP6	.782	9.789***
	FP7	.793	7.128***
	FP8	.742	10.247***
	FP9	.531	12.369***
	FP10	.744	15.987***
	FP11	.723	9.987***
<b>SECONDARY PRODUCTS (NON-FINANCIAL)</b>	SP12	.901	-
	SP13	.921	7.698***
	SP14	.815	16.345***
	SP15	.830	2.0358***
	SP16	.704	18.647***
	SP17	.901	19.314***
	SP18	.914	10.364***
	SP19	.875	13.648***
	SP20	.885	17.987***
	SP21	.865	14.645***
	SP22	.789	15.365***
<b>EFFECTS OF MFP ON SMEs DEVELOPMENT</b>	MFP23	.854	-
	MFP24	.902	21.369***
	MFP25	.911	22.361***
	MFP26	.909	19.465***
	MFP27	.747	18.312***
	MFP28	.522	18.257***
	MFP29	.576	19.647***
	MFP30	.487	18.456***
	MFP31	.808	19.643***
	MFP32	.874	18.745***
	MFP33	.854	19.467***
<b>GOVERNMENT POLICIES</b>	ME34	.427	-
	ME35	.539	19.784***
	ME36	.7074	15.496***
	ME37	.817	9.789***
	ME38	.845	28.136***

	ME39	.724	18.364***
	ME40	.862	23.124***
	ME41	.715	22.697***
	ME42	.772	16.789***
	ME43	.654	17.369***
	ME44	.547	17.846***
<b>TYPOLOGIES OF BUSINESSES BY WOMEN</b>	TB45	.834	-
	TB46	.814	17.325***
	TB47	.736	19.456***
	TB48	.617	8.978***
	TB49	.846	19.345***
	TB50	.717	14.369***
	TB51	.693	17.369***
	TB52	.557	19.145***
	TB53	.678	31.652***
	TB54	.532	16.348***
	TB55	.746	33.789***
<b>BARRIERS</b>	BFP56	.717	-
	BFP57	.839	30.254***
	BFP58	.674	19.789***
	BFP59	.628	18.746***
	BFP60	.573	25.319***
	BFP61	.578	29.798***
	BFP62	.564	19.781***
	BFP63	.602	16.345***
	BFP64	.758	19.745***
	BFP65	.499	18.364***
BFP66	.497	19.743***	

Source: Research data (2021)

ANNEX 19 Form GRSD 17

CHINHOYI UNIVERSITY OF TECHNOLOGY RESEARCH PERMISSION LETTER



Student Name ZVIRIKUZHE COMFORT

Student number C15126214Q

Programme DPHIL

Approved research title:

THE INFLUENCE OF MICROFINANCE PROGRAMS (PRODUCTS) ON WOMEN OWNED SMALL AND MEDIUM ENTERPRISES DEVELOPMENT IN MASHONALAND WEST PROVINCE OF ZIMBABWE.

TO WHOM IT MAY CONCERN

I hereby confirm that the above mentioned student is registered at Chinhoyi University of Technology for the programme indicated. The proposed study met all the requirements as stipulated in the University Policies and guidelines and has been approved by the relevant committees.

The proposal adheres to ethical principles as per attached outlined by the Research Ethics Committee of the University. Permission is hereby granted to carry out the research as described in the approved proposal. May you please assist the student in any way possible.

The main objective of the research is to

**The main aim of the study is to investigate the influence of Microfinance programs on women owned small and medium enterprises (SMEs) development in Mashonaland West Province of Zimbabwe.**

Best Regards

 Dr. N-E. Marima

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