

**ACCESSIBILITY OF MICROFINANCE SERVICES TO ZIMBABWEAN SMALL ENTERPRISES: A CASE OF HARARE, ZIMBABWE**

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**ABSTRACT**

Firmly premised on the notion that microfinance institutions (MFIs) could be drivers of financial performance in small enterprises (SEs), the current study primarily sought to establish the extent to which SEs in Zimbabwe require the services of MFIs for their operations. The research went further to determine the accessibility of different MFI services to SEs in Zimbabwe. The final and most crucial thrust of the study was an investigation of the extent to which Zimbabwean SEs are able to access microfinance services, cognisant of the fact that prior to offering micro-credit and other microfinance services to SEs, MFIs undertake strict assessments of the SEs seeking such services. The research triangulated the qualitative and quantitative designs, whereby the population for the study comprised the many SEs in and around Harare Central Business District. The researchers purposively sampled twenty SEs from each sector from within the population of SEs operating in Harare. The questionnaire was used as a data collection tool. The study established SEs' selective demand for microfinance services. It was evident from the study that micro-credit is the most popular and accessible microfinance service. Other services were both unpopular and inaccessible, save for venture capital and money transfer services which were slightly accessible. Overall, SEs still have limited access to microfinance services in Zimbabwe. Due to the SEs' selective demand for microfinance services which was revealed in the study, we notice the need to empirically examine how the much needed micro-credit either costs or benefits the beneficiary SEs. That is, future research ought to focus on the possible nexus between micro-credit and financial performance in SEs.

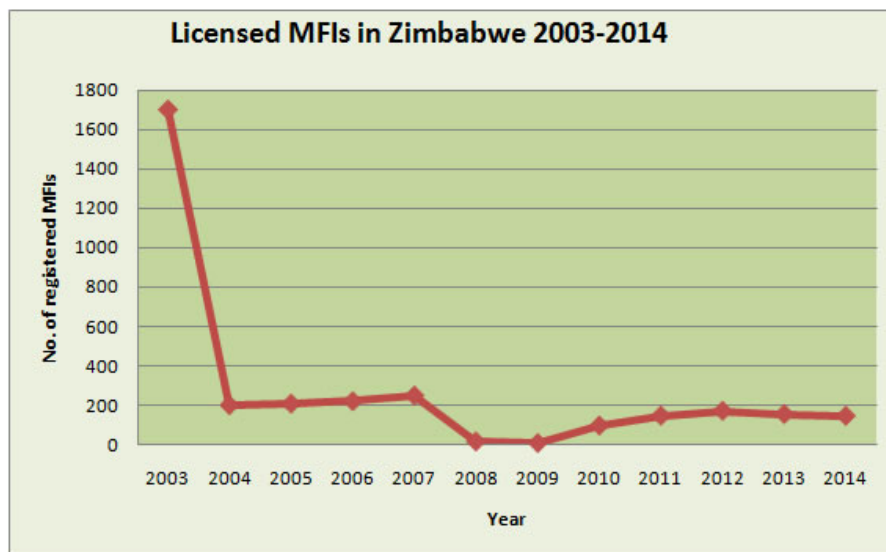
**Keywords:** Microfinance; SEs; MFIs; Micro-credit

**INTRODUCTION**

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

In Zimbabwe, microfinancing has over the years been mainly done by fully-fledged microfinance institutions (MFIs), but this has since changed as banks and other insurance companies are also incorporating microfinance divisions within their operations. This could be attributed to the huge opportunities that exist in Zimbabwe for microfinance institutions to replicate the success of those in emerging markets and build large and scalable operations. A study carried out by Machingambi (2014) reveals that MFI growth in Zimbabwe has remained stagnant since dollarization, characterised by poor performance. Opportunities in the Zimbabwean microfinance industry have not yet been fully exploited, as compared to other emerging markets in the region. The same authors also envisaged that there is still need for MFIs to build large and scalable operations. Many MFI's have succumbed to capital erosion and liquidity pressures since dollarization. A Zimbabwe Association of Microfinance Institutions (ZAMFI) (national microfinance apex association) research suggests that currently all MFIs combined barely serve 80,000 SMEs, while operating capacity among MFIs has fallen to between 20% and 30%. Seventy percent of MFIs have fewer than 10 employees, and over 95% of MFIs have fewer than 10 branches. The Reserve Bank of Zimbabwe noted that as at May 2012 loans amounting to only \$164.4 million out of total loans of \$2.8b, (a mere 5 % of the total loans) were advanced to SMEs by various financial institutions.

The graph below shows the trend of growth of licensed microfinance institutions from 2003 to 2014. The negative growth depicted also reflects the drying up of the critical financial ingredient of the micro small enterprises.



**Figure 1: Licensed Microfinance Institutions in Zimbabwe (Source; ZAMFI, 2014)**

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

- i) To ascertain SEs' need for the various forms of microfinance services in the Zimbabwean context;

- ii) To determine the accessibility of the different MFI services to SEs in Zimbabwe and
- iii) To examine the extent to which various MFIs’ requirements affect SEs’ access to microfinance services in Zimbabwe.

**LITERATURE REVIEW**

Microfinance has been touted in contemporary literature as an important ingredient for SME development and more precisely, authorities such as Obokoh, Monday and Ojiako (2016) reiterate that the microfinance market is important to poor economies, where there is high unemployment and high poverty levels. Zimbabwe is typical such an economy; and thus the need to examine in the Zimbabwean context how SEs in the country are either consistent or inconsistent with such literature with regards to their requirement for the various forms of microfinance services. Elifuraha, Jianzhong and Kiptoo (2016) further assert that within the context of poor economies, the poor; whose personal economy is small by every measure, with very little or no income at all, are considered costly to service and too risky a market for banks who then design products beyond the reach of the poor and low income people.

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

**Table 1: Empirical Studies**

Author(s)	Purpose	Methodology	Country/Place	Findings
Woldie et al (2012)	This research article was centered on a research studying the challenges of microfinance accessibility by SMEs in Tanzania.	A survey research method was adopted using primary and secondary data from a purposively selected sample of SME operators.	Tanzania	The empirical evidence gathered shows that the financial sector has failed to sufficiently extend microfinance facilities to SMEs due to high transaction costs, lack of collaterals, inadequate skills in developing and managing bankable projects.
Ali et al (2013)	This paper investigated the accessibility of microfinance for small businesses in Mogadishu. The main objective of the study was to examine the challenges facing by small businesses in accessing microfinance services in Mogadishu.	Purposive sampling technique was employed in selecting the 100 Small businesses that constituted the sample size of the research. To achieve the objectives of this study, data was collected through questionnaire instrument.	Somalia	The study established that small businesses in Mogadishu are facing challenges to access loan from MFIs and as a result, many small business fail prematurely, or may not be started due to lack of ability to overcome the challenges.
Obokoh et al (2017)	The paper explored the extent to which current microfinance lending impacts on	A total of 800 such indigenous SMEs were identified. However, data were	Nigeria	The result shows positive contribution of microfinance lending to the development of such enterprises. However, it

	indigenous SME access to finance and how the intermediation services of the microfinance banks (MFBs) contributed to or otherwise to the development of SMEs.	obtained from 300 of the identified indigenous SMEs from a questionnaire survey in four states (provinces) within the country that make up the Niger Delta region.		appears that a number of factors including cumbersome process, poorly packaged business plans and perceived high cost of credit still limit the access of indigenous SMEs to credit
Nyanzu et al (2017)	This paper examined the link between access to finance and SMEs functioning in Ghana.	The study resorts to the World Bank Enterprise Survey data released for Ghana (2013);	Ghana	Using chi-square, logit and ordered logit analysis, it finds out that access to credit is a major constraint of SMEs in Ghana with implications for their functioning and growth.
Pranata and Nurzanah (2018)	The paper investigated determinants of Indonesia's microfinance credit disbursement, case taken from Indonesia's rural banks (BPRs), which primarily focus on providing funding to the Micro and Small Enterprises (MSEs).	The study applied Autoregressive Distributed Lag (ARDL) model by using monthly data over the period of January 2009 to January 2016.	Indonesia	Results indicate that rural banks credit disbursement is more determined by demand side rather than supply side as variable representing demand side (production index) has significant effect to credit disbursement both long run and short run. In terms of supply side, the amount of credit disbursement is affected by interbank fund in the long run, whereas in the short run the significant variables are customer fund and internal fund. In addition, Consumer Price Index (CPI) and Non-Performing Loan (NPL) impose significant effect to the microfinance credit disbursement; yet, interestingly, interest rate is not a significant factor in microfinance's case.
Ssekiziyivu et al (2018)	The purpose of this study was to investigate the contribution of borrowers' characteristics and credit terms on loan repayment performance of MFIs	This study is cross sectional and correlational. Data were collected through a questionnaire survey of 51 MFIs in Uganda.	Uganda	Results indicate that there is a significant relationship between credit terms and loan repayment performance among clients of MFIs unlike borrowers' characteristics. This study's regression model predicts 16% of the variance in loan repayment

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	in rural areas of Uganda.			performance of MFIs in rural Uganda.
Wellalage and Locke (2017)	This study investigates gender balance in the credit market for small and medium enterprise (SME) finance in South Asia.	The study used data sourced from World Bank Enterprise Surveys.	South Asia	Using IV-probit estimation the study established that enterprises owned by female entrepreneurs are on average 3% less likely to be credit constrained compared to their male counterparts.

Source: Own analysis

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

### **RESEARCH METHODOLOGY**

The research triangulated the qualitative and quantitative designs for quick and effective collection of both qualitative and quantitative data. The population for this particular study comprised the many SEs in and around Harare Central Business District. The study stratified the SEs by sector. Then the researchers purposively sampled twenty SEs from each of the eight identified sectors, on condition that the SE owner or manager reveals that the enterprise has acquired microfinance at some point in time; taking into consideration the cost and time benefit analysis. Questionnaires were used as data collection tools. In particular, a structured questionnaire was developed by the researchers themselves, containing appropriate number of closed ended and open ended questions to allow the respondent to give as much information as possible in a short space of time. Due to the largely scattered population and also to avoid risk of meager responses, the researchers themselves with the aid of one competent research assistant delivered the questionnaires to the respondents in different workstations where the respondents were based. However, after distributing 160 questionnaires, only 128 were returned, representing an 80% response rate which, according to Cooper and Schindler (2003) is representative of the entire population. The researchers categorised data so as to ensure the ease of analysis. The research findings were presented using tables and charts for enhanced understanding.

### **RESULTS AND DISCUSSIONS**

The researchers utilised both descriptive and inferential statistics in the discussion of the research findings. Correlational and regression analyses were performed with a view to establish the key determinants of microfinance accessibility to Zimbabwean SEs. The research sought to gain an understanding of the respondents' demographic profiles by posing questions that solicited responses on their gender, highest level of education, age and experience in their current positions. The respondents were either SE owners or managers; and of the 128 respondents, who

successfully completed the survey questionnaire, 82 were owners and 46 were managers in the respective SEs. Table 2 below tabulates the demographic information of the targeted research group.

**Table 2:Demograhya**

<b>Demographic Characteristic</b>	<b>Type</b>	<b>Frequency</b>	<b>%</b>
Gender	Male	73	57
	Female	55	43
	<b>Total</b>	<b>128</b>	<b>100</b>
Age Group	18-28 years	55	43
	29-38 years	18	14
	39-48 years	38	29.7
	49-58 years	13	10.2
	Above 58 years	4	3.1
	<b>Total</b>	<b>128</b>	<b>100</b>
Experience	Less than 1 year	37	28.9
	1-5 years	45	35.2
	6-10 years	31	24.2
	11-15 years	9	7
	Above 15 years	6	4.7
	<b>Total</b>	<b>128</b>	<b>100</b>
Education	Primary	28	21.9
	Secondary	42	32.8
	Diploma	26	20.3
	Degree	17	13.3
	Postgraduate	15	11.7
	<b>Total</b>	<b>128</b>	<b>100</b>

**Validity results**

Validity is defined by Yin (2013) as the extent of the research instruments’ ability to measure what they are intended to measure. To ensure face validity, the questionnaires were pilot-tested before the final administration on the selected respondents from the SE sector. The pilot study findings were assessed and sensitive, unclear and biased items were identified and pulled out of the instrument. On the other hand, content validity was also pertinent and this was determined through the involvement of three experts in the field of finance in discussions relating to the questions in the questionnaire. The experts were asked to rate the questions on a scale of 1 to 4; with a view to establish whether or not the questions were pertinent to the measurement of what they were intended to measure in

respect of the research objectives. The computed content validity index was 0.835. As asserted by Rutherford (2013) the index should always surpass 0.5; and hence the computed index of 0.835 indicates that the questions contained in the questionnaire were valid for the current study.

### **Reliability Results**

The research instruments' reliability is anchored on the extent to which they are free from bias (Zohrabi, 2013). In the present study, the Cronbach's alpha coefficient was used in establishing internal consistency in measuring the extent to which the study variables were reliable. For almost all the variables, the alpha coefficients surpassed 0.7 and this revealed that the research instruments were acceptable in as much as reliability was concerned. The acceptance of the instruments as reliable is informed by authors such as Sekaran and Bougie (2013) who consider a Cronbach's alpha of 0.6 as generally satisfactory; and 0.7 to 0.8 as good.

**Table 3: Reliability of results: Cronbach's alpha analysis**

<b>Scale</b>	<b>Cronbach's alpha</b>
Collateral requirement	0.794
Previous credit record	0.712
SE's own contribution	0.604
Proper documentation	0.785
Availability of financial statements	0.793
Information asymmetry	0.801
Business risk	0.798
Transactional costs	0.752

### **SEs' need for microfinance services**

The first research objective focused on the SEs' need for MFI services in Zimbabwe. Research data gathered by the researchers reveals that all the SEs in the study sample have at one time been in need of micro-credit. Thus, micro-credit has been identified in this study as the most required microfinance service with 109 (85%) of the respondents agreeing that their SEs have at some point been in need of micro-credit either to a great extent or to a very great extent. Microfinance services, which are now prominent in contemporary literature such as micro leasing, micro saving and micro-insurance and money transfer services are still at their infancy in the Zimbabwean context; according to the responses obtained in the current study. However, the demand for money transfer services is notably more than that of insurance and saving. This could be as a result of the cash shortage that rocked Zimbabwe since April 2016; whereby the use of plastic money has consequently gained prominence.

This study thus concludes that micro-credit is the most popular and most needed microfinance service, followed by venture capital and money transfer services. Although several other microfinance services can be offered on the market by MFIs, there is need to augment the offers with information with regards to the benefits SEs can derive from the services for instance micro-leasing, saving and micro-insurance, among others. Indeed, a thorough search of literature

(for example, Shankar, 2016) reveals the cognisance being currently placed by SEs the world over on the vast range of microfinance services; and how these have impacted positively on SE financial performance.

**Table 4: SEs’ demand for microfinance services in Zimbabwe**

	<b>N</b>	<b>LE</b>	<b>GE</b>	<b>VG</b>	<b>Decision</b>
Micro-credit	0	19	56	53	Much needed
Micro-leasing	72	36	11	9	Not needed
Micro-venture capital	9	37	53	29	Needed
Saving	68	41	17	2	Not needed
Micro-insurance	67	33	15	13	Not needed
Money transfer	48	32	27	21	Needed

Key to Table 4:

N = neutral, LE = to a less extent, GE = to a great extent, VG = to a very great extent

In response to the open ended question which sought respondents’ views on the other services which MFIs in Zimbabwe should render to SEs, most of the respondents highlighted services relating to business development services as well as a range of social services focused on the poorest clients.

**Accessibility of microfinance services to SEs**

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

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

**Table 5: Accessibility of microfinance services to Zimbabwean SEs**

	<b>SA</b>	<b>A</b>	<b>D</b>	<b>SD</b>	<b>Decision</b>
Micro-credit	37	42	33	16	Accessible
Micro-leasing	12	8	39	69	Inaccessible
Micro-venture	11	32	48	37	Slightly accessible
Saving	4	15	38	71	Inaccessible
Micro-insurance	12	18	40	58	Inaccessible



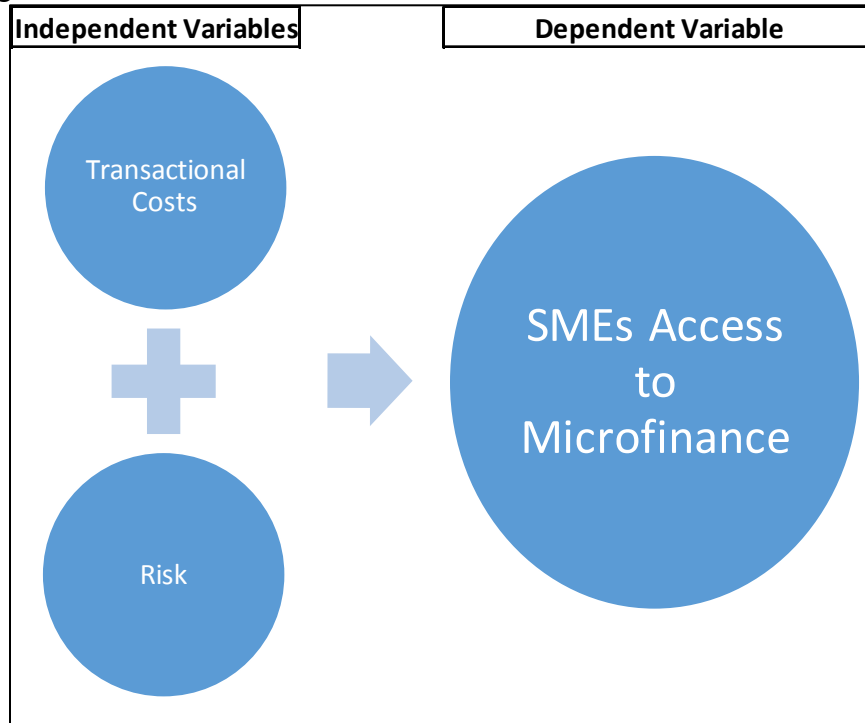
Money transfer	17	25	39	47	Slightly accessible
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Key to Table 5:

SA = strongly agree, A = agree, D = disagree, SD = strongly disagree

**Correlational Analysis: Variables affecting accessibility of microfinance**

The researchers carried out the correlational analysis based on the conceptual framework depicted in Figure 2 below.



**Figure 2: Conceptual Framework for microfinance accessibility to SEs**

The conceptual framework presumes the joint influence of business risk and transactional costs on SEs’ access to microfinance from MFIs. The correlational analysis of the impact of business risk and transactional costs on SEs’ access to microfinance was carried out and the output of the analysis is as depicted in Table 6 below.

**Table 6: Access to MF - Risk Correlation**

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

**Table 7: Access to MF - Transactional Costs Correlation**

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

It can be deduced from Tables 6 and 7 that there is a positive association between the amount of micro-credit and risk; as is depicted by the correlation coefficient of .52,  $p < .05$ . Since  $p < 0.05$  ( $p$ =probability that results occurred by chance), the significance of the correlation is clearly evident; that is, it is not by chance. On the other hand, a weak negative association is evident from the correlation results; with regards to the amount of micro-credit versus transactional costs. This correlation is deductible from the correlational table where the correlation coefficient is -.400,  $p = .000$ . It is also noteworthy that since  $p$ -value is less than 0.05, the correlation may be of significance.

**Further analysis of the variables: Regression Analysis**

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

**Equation 1: Model Description**

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \mu_i$$

where;

Y represents the credit amount accessed by SEs from MFIs

X1 represents the transaction cost factor

X2 represents the business risk factor

$\beta_0$  is the Y intercept

$\beta_1$  to  $\beta_2$  are coefficients of the variables

$\mu_i$  is the error term

**Table 8: Raw Model Summary**

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

**Table 9: Raw ANOVA**

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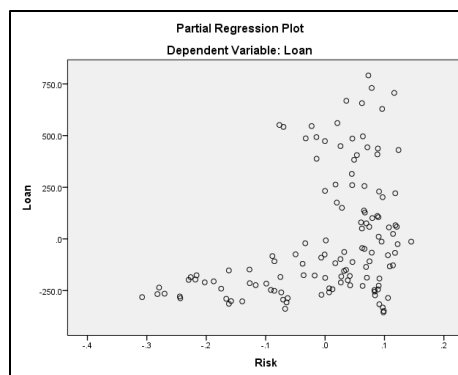
	Regression	31937347.355	.000
1	Residual	13825601.324	
	Total	45762948.680	

**Table 10: Raw Regression Coefficients**

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

Table 8 shows that the coefficient of determination and the adjusted coefficient of determination were 84% and 70% respectively. This shows a well-nigh good fit. Table 9 supports Table 8 by showing that most of the variations are captured by the model at a p-value less than 5%. This shows that the results are statistically significant.

Table 10 shows the regression model coefficients. Both the regression constant and the variable costs had significance as shown by the t-statics and p-values, which were above absolute 1.6 and less than 5% respectively. There were no collinearity problems since all the tolerance values were above 0.2. However, the variable Risk had t-statistic less than absolute 1.6 and a p-value of 81.3%, which is well above 5%. This means that additional tests were to be undertaken. Figure 3 shows a partial plot of the Risk against Loan (Access to MF). No distinguishable pattern is evident from the diagram. This may imply that there is a problem of misspecification. Incorrect Functional Form test was formally done using Weight Estimation and the results are presented in Tables 11 and 12.



**Figure 3: Risk Partial Plot**

**Table 11: Costs Weight Estimation**

Dependent Variable		loan_amt
Independent Variables	1	De
	2	Costs

Weight	Source Power Value	Costs -.500
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**Table 12: Risk Weight Estimation**

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

Tables 11 and 12 show that the best powers for the variable Costs (costs) and Risk (de) against Access to MF (loan\_amt) are -0.5 and 2 respectively. The final regression was done with the estimated powers and is as follows.

**Table 13: Final ANOVA**

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

**Table 14: Final Model Summary**

Model	R	R Square	Adjusted R Square
1	.636 <sup>a</sup>	.405	.395

**Table 15: Final Regression Coefficients**

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

Table 13 shows that the results of the regression are significant since the p-value=.000 is less than the critical value=.05. Table 14 however shows that the R-square and the adjusted R-square were only .405 and .395 respectively. Although this goodness of fit is poor, the final regression model was constructed from Table 15 (based on the regression p-values) above as shown in Equation 2 below.

**Equation 2: Final Regression**

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

where:

*Accessibility* = Access to MF (Accessible Amount)

$$Risk = \frac{Debt}{Equity}$$

*Costs* = Transactional Costs

All the p-values in Table 14 and t-statics in the table show that the powers are significant. These findings concur with those of the World Bank Report (2001), which also identified transactional cost as a key determinant of SEs’ accessible micro-credit in Africa. Table 16 shows the results of back-testing against the actual loans of the ten SEs randomly selected from the study sample. With the highest difference of -\$1940, the results show that the model is effective.

**Table 16: Back-testing Results**

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

**Impact of MFIs’ requirements on microfinance accessibility**

The third and last objective of this study was to examine the extent to which various MFIs requirements affect SEs’ access to microfinance services in Zimbabwe. The research focused on the most touted factors affecting the accessibility of microfinance namely insufficient collateral, previous credit record, own contribution, documentation and the availability or non availability of financial statements. Table 17 below is a depiction of the significance attached to the various factors when assessing SEs for the purposes of extending microfinance services.

**Pearson’s correlation matrix**

**Table 17: Pearson Correlation Coefficients**

		Access to MF
Insufficient Collateral Security	Pearson Correlation	-.702**
	Sig. (2-tailed)	.000
	N	127

Previous Credit Record	Pearson Correlation	.847**
	Sig. (2-tailed)	.000
	N	127
Lack of Proper Documentation	Pearson Correlation	-.717**
	Sig. (2-tailed)	.000
	N	127
Unavailability of Financial Statements	Pearson Correlation	-.727**
	Sig. (2-tailed)	.000
	N	127

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

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

### **Regression analysis**

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

$$y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \varepsilon$$

where;

y= dependent variable (access to finance);

$\beta_1 - \beta_4$  = model parameters or coefficients;

$x_1 - x_4$  = independent variables namely;

- i) unavailability of financial statements
- ii) lack of proper documentation
- iii) insufficient collateral and
- iv) previous credit record; and

$\varepsilon$  = error terms.

### Explanation of the independent variables

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

Access to MF and Previous Credit Record of 0.847 at a p-value of 0.000 and this implies that prior credit record enhances access to microfinance.

**Equation 3: Model Description**

$$\begin{aligned}
 & \text{Access to Finance} \\
 & = \beta_1 \text{Credit Record} + \beta_2 \text{Lack Of Documentation} \\
 & + \beta_3 \text{Insufficient Collateral} \\
 & + \beta_4 \text{Unavailability Of Financial Statements} + \varepsilon
 \end{aligned}$$

The results of the regression are presented in Tables 19 to 21.

**Table 18: ANOVA**

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

**Table 19: Model Summary**

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

**Table 20: Regression Coefficients**

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

For the purpose of testing the regression model’s significance in the prediction of the dependent variable (access to finance), the *F*-test was carried out (Table 17). The findings suggest that the four independent variables namely insufficient collateral security, previous credit record, lack of proper documentation and unavailability of financial statements are reasonable predictors of SEs’ access to finance.

Table 18 shows that the adjusted R squared of 0.813 evidences the view expressed in the preceding paragraph. Impliedly, the model explains 81.9% of the variance in the accessibility of microfinance. This means that the remaining 19.9% is a result of other factors not covered in the current study’s research objectives. It is therefore imperative for

further researches to focus on investigating these other factors that affect SEs' access to microfinance. Considering the value of R square is almost 1, the research finds that the regression equation appears valuable for predicting microfinance accessibility given the four variables.

Since the results of the linear regression (Table 20) are significant at 95% confidence interval ( $F = 137.733$ ), the research rejected the null hypothesis ( $H_0$ ) that there is no relationship between the dependent variable Access to MF and the explanatory variables Insufficient Collateral Security, Lack of Proper Documentation and Unavailability of Financial Statements. The research therefore accepted the following alternative hypotheses.

- Ha1: A relationship exists between collateral requirement and SEs' access to microfinance;
- Ha2: A relationship exists between previous credit record and SEs' access to microfinance;
- Ha3: A relationship exists between proper documentation and SE's access to microfinance; and
- Ha4: A relationship exists between financial statements availability and SE's access to microfinance

Table 20 revealed that all the four independent variables namely collateral requirement, proper documentation, availability of financial statements and previous credit record have a significant impact on the accessibility of microfinance to SEs. Findings of the current study revealed that microfinance accessibility is influenced by MFI's collateral requirements. Most SEs in Zimbabwe fail to be considered for microfinance by MFIs on the basis of lack of collateral security. But most Zimbabwean SEs are still start-ups and therefore lack the adequate resources to offer as collateral. It is also in light of the foregoing that MFIs perceive such SEs as highly risky. On another note, it also emerged from the study that SEs find collateral requirement a disincentive to apply for microfinance from MFIs. Previous credit record was also found to have an influence on the ability of SEs to access microfinance from MFIs. In the same vein, financial statements availability and proper documentation were also found to have a significant impact on SEs' opportunities of accessing finance from MFIs.

## CONCLUSIONS

The current study primarily sought to establish the extent to which SEs in Zimbabwe require the services of MFIs for their operations. The research went further to determine the accessibility of different MFI services to SEs in Zimbabwe. The final and most crucial thrust of the study was an investigation of the extent to which Zimbabwean SEs are able to access the microfinance services; cognisant of the fact that prior to offering micro-credit and other microfinance services to SEs, MFIs undertake strict assessments of the SEs seeking such services. The study established SEs' selective demand for microfinance services. It was also evident from the study that micro-credit is the most accessible microfinance service. Other services were both unpopular and inaccessible; save for venture capital and money transfer services which were slightly accessible. Overall, SEs still have limited access to microfinance services in Zimbabwe. Therefore in a nutshell, a lot has to be done in both the SME and MFI sectors with a view to affording SEs and



opportunity to benefit from the various microfinance services for the enhancement of their financial performance and ultimate organisational growth and competitiveness. The researchers recommend that SEs in Zimbabwe be enlightened on how a wide range of microfinance services could be a key to their competitiveness and improved financial performance. MFIs on the other hand should ensure these services are readily available for SEs. Future researches ought to focus on those SEs that have so far been able to access microfinance services; how their financial performance has been impacted by the microfinance services.

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