AN ANALYSIS OF THE CHALLENGES FACING MICROFINANCE ORGANISATIONS IN HARARE, ZIMBABWE

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ABSTRACT

The current economic instability is negatively affecting the operations of Zimbabwean industries and the microfinance sector is no exception. This is exposing Microfinance Institutions (MFIs) to several challenges that are detrimental to their operations and in turn their continued existence. This study was mainly aimed at investigating the challenges facing MFIs and their causes. To achieve this, the descriptive survey research design was used in gathering data from executive directors, loan administrators and accountants of MFIs. A sample of twenty-five systematically selected MFIs from a study population of sixty-eight registered MFIs in the Central Business District of Harare was used. Both secondary and primary data gathered using questionnaires, interviews and observations were used. The major finding of the study was that stiff competition is the major challenge affecting most MFIs. Liquidity challenges, non-performing loans, system challenges and poor staff skills were the other challenges identified. The other finding was that shareholder funds are the major source of finance for MFIs and that the government only supports MFIs technically. It was concluded that there are several challenges facing MFIs as a result of the current state of the economy and lack of significant government support. Despite the challenges identified, MFIs were found to be having a positive impact on the livelihood of their clients. The study recommended that MFIs should engage in massive marketing, invest in corporate social responsibility activities, make initiatives to be deposit taking institutions and increase the frequency of loan repayments in order to improve their cash flows, market their institutions and dilute the bad impression that the general public has about microfinance. The study also recommended that MFIs should encourage group lending, scrutinise the documents presented by clients and assist clients with business ideas and training so that clients’ businesses are successful and loan defaults minimised.