AN ANALYSIS OF THE ROLE OF BANKING SECTOR IN FINANCING SMALL TO MEDIUM ENTERPRISES. A CASE STUDY OF BINDURA.

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Abstract

Access to finance remains the cause of concern for several SMEs in Zimbabwe. The research reports on the findings of the commercial banks with respect to their role on small-to-medium enterprises financing. The research focused on commercial banks operating in Bindura under Mashonaland Central Province. The research consisted of target population of 15 commercial banks. Probability sampling was used to select 5 banks as respondents from the population. Primary data was collected through the use of interviews and questionnaires. Secondary data was obtained from newspapers, journals, government publications, textbooks and the internet. Responses from the questionnaires were analysed using the Microsoft Excel software. Interviews were analysed using the content analysis. The data collected was presented in form of tables, pie charts and graphs. The results indicated that commercial banks do provide finance to SMEs to a certain extent. Profitability was found to the main driver for providing finance to the sector. However, administration costs and informality of the SME sector were the main reasons why commercial banks do not deal with the segment. The study concluded that commercial banks and the SMEs are major economic sectors; they must have workable relationships so as to improve growth of the economy. The study recommended that commercial bank should come up with innovative ways of lending profitably to SMEs. SMEs need to present themselves as viable businesses to the commercial banks by producing proper financial records, collateral requirements and managerial practices. The study also recommends that the government should come up with policies that benefit both the banks and the SMEs. In addition, the donor community needs to facilitate dialogues among various stakeholders so that the SME sector will have more financial assistance.