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Micro Finance Sector in Zimbabwe: An Appraisal of the Socio-Economic Performance of the Sector in Masvingo Province, Zimbabwe in the Dollarisation Era

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ABSTRACT: *The purpose of the study was to investigate the socio-economic performance of the micro finance sector in Zimbabwe in the post Zimbabwe dollar era. The descriptive survey research design was used to gather primary data from respondents through questionnaires and interviews in order to generate research findings and conclusions. The research study mainly drew primary data from fifty Central Bank (The Reserve Bank of Zimbabwe) licensed MFIs which were operational in Masvingo Province in the period under review. The study established that the majority of micro finance borrowers were the middle class who were employed and earning a monthly salary. The study found out that the depth outreach was poor. It was also discovered that the greatest proportion of micro finance institutions (MFIs) loans was meant for consumption expenditure. The study also established that interest rates were too high for borrowers and as a result some borrowers were defaulting. The other finding of the study was that micro loans had very little impact on the welfare of the rural and vulnerable people of our society. The knowledge of the impact of microfinance on borrowers helped micro lenders to adapt in order to achieve their social goals. Results of research studies carried out in other countries had mixed findings on the impact of microfinance on the poor rural and vulnerable people. Some researchers labelled microfinance as a demonic attack on the poor as it was considered to perpetuate widespread poverty. Some studies have concluded that microfinance has a positive contribution to economic growth and development and the empowerment of the poor. This study believed that MFIs in Zimbabwe were not achieving their social objectives. The research study therefore ended by recommending that there was need for the sector to revamp its operations in order to align its goals, mission and vision towards sustainable development.*
Keywords: *Social performance, Depth outreach, Micro finance, Micro finance institutions (MFIs), Empowerment*

I. INTRODUCTION

The incapacity to eradicate poverty was one of the major developmental challenges that most developing countries were facing today. In Africa the eradication of poverty is one of the main goals of the development strategy (Tehulu, 2013) of MFIs. Muhammad Yunus initiated the idea of microfinance in the 1970s in Bangladesh to alleviate poverty among the poor (Tapanakornvut, 2012 and Brune, 2009).The microfinance sector emerged to alleviate poverty (Thrikawala, 2013) by providing the poor and small enterprises access to small loans. The Reserve Bank of Zimbabwe (2005) had it on good record that only 260 out of the 1700 MFIs that were operating in Zimbabwe as at December (2003), applied for re-registration in 2005. Hence the need for the research study to investigate the socio-economic challenges which led to such a drastic and continued fall in the number of MFIs in Zimbabwe in the dollarisation period, with special reference to MFIs in Masvingo.

Recent literature by the Reserve Bank of Zimbabwe (2012) says that the main objective of microfinance is facilitating access to financial services by the poor and marginalized sections of the community. The target of microfinance is those members of the community that find it difficult to access loan facilities from the main stream banking sector because of stringent requirements.

This idea of microfinance has been recognized internationally as a modern tool to combat poverty and for rural development (Sarumathi and Mohan, 2011) as it enables the poor to access credit to start own businesses. Microfinance firms are crucial in the development process of a nation as they provide small loans to the poor. Meier and Rudolf (2010) pointed out that access to credit by the poor helped in poverty alleviation by generating employment, income and enabling the poor to pay for their education and health care. Carlson (2011) maintains that microfinance is an effective tool for poverty alleviation through giving out loans, grants, insurance and financial products offered to the poor. In other words microfinance is considered to be a poverty reduction strategy and a social safety net for the poor people of society. The sector serves a large market niche that is not served by formal banking institutions.

The main idea of microfinance is to empower women (Sarumathi and Mohan, 2011) by providing financial backing they need to start business ventures. Lack of access to credit was one of the major contributing factors to poverty according to Tehulu (2013). The poor lacked access to finance to start income generating projects. Berenbach and Churchill (1997) cited in Thrikawala (2013) argued that the formal banking sector in developing countries served around 20 per cent of the population. Tehulu (2013) argues that empirical evidence on hand stipulates that less than 15 percent of the population in developing countries has access to mainstream finance services. In Zimbabwe, the RBZ (2012) reported that less than 3 per cent of rural households had access to financial services. The formal financial system failed to provide financial services to the poor clients of society due to high levels of asymmetrical information. It is further asserted that the formal banking system excluded the poor people from credit facilities because they lacked collateral security and had unstable incomes. The transaction and monitoring costs faced in the process of accessing micro credit were also very high.

The main mission of MFIs in an economy was to provide financial services to the poor who were excluded from borrowing from the large commercial banks (Brune, 2009). This helped to alleviate poverty among the suffering poor. Recent studies on the impact of MFIs on the lives of the poor have come up with mixed results. Some studies concluded that MFIs were an effective means of fighting poverty but others concluded that MFIs worsened the level of poverty among the poor.

This study was conducted in Zimbabwe which emerged from a deep recession in 2008. The country's financial sector was still facing liquidity challenges and some banks have even surrendered their banking licences. The extent to which the economic meltdown of the country affected the outreach performance of MFIs needed to be studied and evaluated. To the best of my knowledge no research study has been conducted in Zimbabwe which focused on the social performance of MFIs sector. The only literature in the area was a draft paper by Meier and Rudolf (2010) which focused on whether microfinance increased poverty in Zimbabwe or not. This study therefore took a wider perspective by taking into account MFIs outreach in Zimbabwe in the post Zimbabwe dollarisation era. The issues on banking the underbanked were propounded by Marcus (1999) and Ledgerwood (1998) who felt that microfinance brought about sustainable banking by the poor. However Bindu and Soju (2003) found out that microfinance brought with it a mixed bag of benefits and challenges to the unbanked and vulnerable citizens of our societies of the world. The challenges faced emanated from the fact that the poor were not included in decision making processes of the economy as a whole.

II. STATEMENT OF THE PROBLEM

An efficient financial system was necessary for economic growth and development of a country. The financial sector in Zimbabwe has not fully recovered from the economic meltdown which ended in 2008. There were serious liquidity challenges facing banks and some have since closed down due to the harsh economic environment prevailing in the country. The level of non-performing loans in the banking and microfinance industries has been growing since 2008. The microfinance sector has been forced to come up with new strategies of managing credit risk emanating from salary based loans. If the financial sector environment remained tight and critical the achievement of social goals by the microfinance industry may be in jeopardy. The focus of this study was to make an assessment of the social performance of MFIs in Zimbabwe in the post economic meltdown era, period 2009 t0 2016.

III. OBJECTIVES OF THE STUDY

The main objective of this study was to make an appraisal of the social performance of MFIs in Zimbabwe. The research study had the following sub-objectives to pursue:

- To identify the trend in the breadth of outreach of MFIs in Zimbabwe.
- To evaluate the depth of MFIs' outreach in Zimbabwe.
- To assess the impact of MFIs on poverty alleviation in Zimbabwe.

IV. SIGNIFICANCE OF THE STUDY

The study was going to be of great importance to MFIs and policy makers. The results from the study would help MFIs come up with strategies that assisted them achieve their social and financial objectives. The study would assist policy makers in determining policies that helped in the development of the microfinance sector so that economic development could be achieved in Zimbabwe.

V. LITERATURE REVIEW

The literature generated on the study at hand was heavily pinned on concepts of micro finance, micro finance institutions (MFIs) and empirical evidence on social performance of the sector.

5.1 Concepts of Micro finance and Micro finance institutions (MFIs)

Anduoli (2013) defines microfinance as the provision of financial services for both credit and deposits that are provided to the poor. The Reserve Bank of Zimbabwe (2012) defined microfinance as the provision of financial services to the unbanked and under-banked households and small to medium enterprises (SMEs). Microfinance developed from banking systems dating back to the early 1700s (Anduoli, 2013). The concept of microfinance however was re-initiated by Mohammad Yunus in the 1970s in Bangladesh as a way of eradicating poverty among the vulnerable citizens (Brune, 2009). The main mission of microfinance is to provide financial services to the poor and low income earners. According**ly** it can be argued that if the poor people in society were provided with small loans, productivity was likely going to increase.

5.2 Empirical Literature on Micro Finance and MFIs

Many studies have been carried out to establish the performance of microfinance in an economy. Literature on the subject by Kapoor (1997) pointed out that studies about the impact of microfinance on the living standards of the poor had come up with contradicting findings. On the other hand Tapanakornvut (2012:4) said that "---- the opponents of microfinance argue that it has no social impact and does not alleviate poverty". However, a study by Morduch and Haley (2002) concluded that microfinance had a positive impact on poverty alleviation and standards of living of the poor peasantry of the society. The same views were echoed by Rutherford (1999) and Evers (2000) who found out that microfinance reduced financial cost and risk to the poor. This is opposed by Biswas (2010) quoted in Stroh de Martinez (2011) who mentions that microfinance is associated with widespread poverty among the vulnerable citizens of the society today.

VI. RESEARCH METHODOLOGY AND DATA SOURCES USED BY THE STUDY

The study adopted and implemented the descriptive survey research design to explore the Zimbabwean micro finance sector operations in the dollarisation era. The research study used questionnaires to gather primary data from respondents in the field. A sample of 50 MFIs was randomly chosen for the study from the population of such institutions operating in Masvingo Province. Research data collected from the sample respondents, were organized, presented and analysed using the qualitative descriptive survey design. This was because most data collected from respondents were purely based on their opinions, feelings and comments relating to challenges faced by the Zimbabwean micro finance sector in its desire to grow and develop in services delivery to the nation especially the vulnerable citizens of our society. According to a recent study by Dube and Matanda (2015) MFIs did not reach out to the poorest of the poor in communities let alone the society but rather caught up with the marginally poor citizens.

VII. RESEARCH RESULTS, ANALYSIS AND DISCUSSIONS

The study caught up with a total of 250 respondents from the fifty MFIs drawn from Masvingo Province. Only 50 of the respondents were managers or directors of the MFIs while the other 200 respondents were male and female MFI investors (people from corporate world) and borrowers (mainly civil servants) in the period under review. Questionnaires were distributed to MFI employees, investors and borrowers who were randomly drawn from the MFIs during outreach programmes through the assistance of research assistants. The completed questionnaires were collected immediately after completion by the respondents. All interviews the researcher held with MFIs managers, employees and directors were booked and scheduled according to consent by both parties because their work schedules were tight.

7.1 Socio-Economic Challenges Faced by MFIs

The majority of MFIs in Zimbabwe were characterized by directorate with multiple responsibilities running from being owners of the business through being accountants, finance managers to signatories and loans officers at the same time. Lack of clear division of responsibilities between directors and the manag**ers** promoted absence of transparency and accountability that in turn enhanced misappropriation of funds in most MFIs. The main challenges faced by MFIs in their discharge of services to the vulnerable citizens of our society are as summarized below:

Table 7.1 Showing Socio-Economic Challenges faced by MFIs in Zimbabwe

Nature of Challenge	Number of Respondents
Fraudulent activities by MFIs employees	10
Poor checks and balances in MFIs	19
Poor working capital management systems	20
Issuing loans to undeserving borrowers	20
Taking illegal deposits from the public	25
Absence of internal audit division in MFIs	22
Lack of financial and accounting skills	28

Poor recruitment and selection of employees	26

Source: Raw Data

Some of the major challenges leading to most MFIs failing to meet their mandate in Zimbabwe included lack of expertise among directors, managers and employees. The issue of liquidity crisis in MFIs emanating from the mismatch between illegal deposits from the public and loans led to winding up of business, liquidation or withdrawal of licences by the RBZ. Failure by depositors to withdraw from their savings with MFIs saw legal proceedings being instituted against most MFIs and assets attached in the period under review. Such developments coupled with high costs of rentals and overheads forced a substantial number of MFIs to close their doors to business and surrender their licences to the issuing authorities. Poor checks and balances, lack of internal control systems, poor vetting of loan beneficiaries, lack of accounting and financial skills and expertise and let alone poor recruitment and selection strategies of employees were some of the main hurdles that derailed the survival and development of the MFI sector in Zimbabwe.

Therefore the major operational challenges that MFIs faced in discharging their mandate included high transaction costs which might not allow them to operate profitably and score sizeable target market shares. This was because most MFIs concentrated on providing financial services to the poor and illegally accepting deposits from the public leading to serious liquidity challenges. Lack of regular supervision of MFIs by regulatory authorities and directors created space for financial misappropriation by employees. On the other hand lack of financial and accounting skills or know-how by managers and directors was also cited as a major cause for concern in MFIs. It was also discovered that the use of home grown computer systems was a great challenge that led to easy manipulation of the organization by workers colluding by adding or subtracting information from the server to the detriment of the whole system. Ware (1996) supported by RBZ (2012) asserts that lack of adequate supervision exposed MFIs' resources to mismanagement by employees. Lack of such supervision also gave rise to corruption and greed tendencies in the running of MFIs. It was also alleged that corruption, greed and self-enrichment tendencies enhanced misappropriation of funds in MFIS leading to their collapse. Therefore authorities such as the parent Ministry of Finance and Economic Development and the Reserve Bank of Zimbabwe (RBZ) should put MFIs on their routine supervision timetable if they were to grow and contribute significantly to the Zimbabwean economy.

7.2 Roles of Directors and Management in MFIs

The need for MFIs' directors and management to complement each other was cited as extremely critical if these organizations were to grow and develop in their service delivery to the intended beneficiaries. The main roles that such persons should perform in the efficient and effective management of MFIs in Zimbabwe are summarized and tabulated as below.

Table 7.2 Showing Roles played by Directors/Management in MFIs

Roles of Directors/Managers in MFIs	Number of Respondents
Knowledge of Accounts and Finance	6
Formulation of policies and procedures on loaning	9
Supervision and implementation of policies and procedures	8
Use of regular and effective checks and balances	10
Exposing organisation to periodic audits	12
Employment of skilled human resource base	20

Source: Raw Data

The study found out that skills and expertise borne by directors and management played a critical role in the success, growth and development strategy of MFIs in Zimbabwe. It was therefore revealed that directors and management played an indispensable role in the achievement of MFIs goals and objectives. The roles of directors and management were found to be extremely important as far as the operations of MFIs were concerned, in the formulation of policies and procedures and implementation respectively. It was also found out that MFIs should have clear division of duties between directors and managers to minimize role conflict between them. It was further pointed out that lack of clear division of responsibilities between the shareholders and managers promoted absence of transparency and accountability that in turn enhanced misappropriation of funds in MFIs.

It was also found out that management had the prerogative to establish internal controls, including audits, hire skilled human labour and set maximum loan amounts and interest rates on them. This is supported by Churchill and Coaster (2001) and Brigham and Ehrhardt (2002) who postulate that in any organisation, management roles were crucial and indispensable as far as planning, organizing, setting loan amounts and interest rates as well as controlling of proceedings and resources of MFIs were concerned.

7.3 Effects of Financial Controls on Operations of MFIs

Effective financial controls were found to be an integral part in the efficient and professional management of Zimbabwean MFIs. The following were the main findings from the respondents on the effects of financial controls that were in operation on MFIs.

Table 7.3 Showing Effects of Financial Controls on MFIs

Effect of Financial Control on Organisation	Number of Respondents
Measurement of management's performance	24
Detection of checks and balances used	21
Tools used for maximising shareholders' wealth	18
Instilling financial discipline in workers	20
Helping organisation achieve its goals/objectives	29
Revealing the bottom line of the organisation	23

Source: Raw Data

The research study revealed that bank reconciliation statements were very important in the management of affairs of MFIs when it came to detection of frauds and/ misappropriations. Most MFIs drawn into the study sample were not maintaining any books of accounts, and hands were not preparing bank reconciliation statements. This was a big loophole that was capitalised on by management and employees to defraud the MFIs of their financial resources and assets. It was also found that in some cases only one individual was tasked to carry out a transaction from start to end by oneself against the standing policy which stated that there was supposed to be segregation of duties for transparency purposes.

Internal audit departments were also found to be very important in MFIs although in most cases there were no such departments in MFIs visited. Pre-signing of cheques by directors was also found to be a cause for concern in operations of MFIs. Controls as checks and balances were important as far as detection of genuine mistakes and deliberate errors. These critical procedures to be followed in the issuance of loans to members and cash collection from clients (that is, loan repayments and deposits) were not present in most MFIs leading to their manipulation by employees and hence failure to perform as expected. This violated the findings by Churchill and Coaster (2001) and Brigham and Ehrhardt (2002) who argue that in any organisation, management roles like setting loan amounts and interest rates were crucial and indispensable as far as planning, organising and controlling of proceedings and resources of MFIs were concerned. There was evidence from respondents that bank reconciliation's were a necessity in the running of MFIs by management as these measured its efficiency and effectiveness in its discharge of duty. Churchill and Coaster (2001) and Mill champ (1996) support these findings by stating that reconciliations between bank statements and cashbook receipts and payments acted as detective controls in identifying undesirable outcomes as and when they happened in organisations.

The fact that certain loan officers could carry out transactions from start to end solitarily, paved way for misappropriation of funds in MFIs as the officers operated without supervision. Cashiers for example should not have access to MFI Ledger accounts as that could lead to weakening of control systems through manipulation by such officers to their advantage. Mill champ (1996) as supported by and Churchill and Coaster (2001) by arguing that involvement of several people in transaction processing, reduced the risks of intentional manipulation or accidental error and increased elements of the supervision of work from one stage to another. The pre-signing of cheques was a hazardous activity that ruined the MFIs system and should be seriously guarded against if societies are to curb financial irregularities.

7.4 Influence of the Human Factor in MFIs

A skilled and knowledgeable human resource base of an organisation was the backbone to the attainment of its set goals and objectives. The following were the main findings on the influence of the human factor in the success or failure of MFIs.

Table 7.4 Showing the impact of human factor on overall performance of MFIs in Zimbabwe

The Impact of Human Factor on MFIs	Number of Respondents
Corruption and nepotism used in selection and recruitment	27
Detection of fraud or misappropriations	26
Client screening, professionalism and education	17
Employees Hold Positions on basis of merit	24

Contribution of workers indispensable	20
Remuneration and conditions of service	28

Source: Raw Data

One of the main findings cited in the study was that human factor was central in detection of fraud in MFIs and hence should be given the seriousness they deserve in driving these institutions towards meeting their developmental goals and objectives. Most managers and employees in MFIs were found to hold posts which were not relevant to their qualifications provided they possessed any such areas of specialisation. The study also revealed that directors and managers employed and promoted their relatives who were unskilled or very unqualified ahead of those with pre-requisite qualifications to the detriment of the whole organization. It was also found out that client screening, education professionalism were very poor in MFIs a development that exposed these organizations to serious business and financial risk levels in their credit exposure business. On the other hand it was revealed by the study that poor remuneration and conditions of service in MFIs were also a contributing factor to corruption, nepotism and the failure to perform by MFIs. The issue of a motivated work force cannot be overlooked if the MFIs sector were to grow and develop in the dollarization era. Bindu and Soju (2003) assert that unorthodox human behaviour at the work place was one of the challenges that enhanced fraud in most MFIs. The issue of low pay and poor conditions of service for employees was said to compell them into financial indiscipline. Churchill and Coaster (2001) state that disgruntled staff could render any system of controls useless as staff might collude among themselves.

7.5 The Impact of Policies and Procedures on Operations of MFIs

Policies and procedures provided the necessary guidelines for the proper performance of duties and responsibilities by staff in the MFIs. The importance of policies and procedures in MFIs operations was sought and the following findings were obtained from the respondents.

Table 7.5 Showing Findings on Policies and Procedures used in Zimbabwean MFIs

Policies and Procedures used by MFI	**Number of Respondents**
No Policies and procedures used	42
Lack of Orientation on Credit policies and procedures	20
Absence of Loans Approval Authorities	25
No loan Screening techniques used to minimise risk	40
Absence of records on non-performing loans	28
No creditors and debtors ledger books in the organisation	18
Absence of asset registers in MFIs	26
Absence of books of accounts in MFIs	47

Source: Raw Data

The study discovered that very few MFIs if any had clear-cut policies and procedures that they used in their day-to-day operations. There was minimum staff and client orientation if any that was employed to familiarise new staff and clients with the operations of MFIs. Clients in need of loans were simply issued with prescribed application forms which they were expected to complete and give back to loan officers before payments were made. It was found out that client screening procedures were also in place in order to minimise business and financial risks but were not adhered to in the process making the whole loaning business flawed and riskier. It was discovered that business planning in MFIs was very poor, internal controls besides being enshrined in the MFIs Act were never applied at all and loans bookings were not done in accordance with set policies and procedures.

The other discovery was that most MFIs operated without loans committees as far as minimum and maximum loan amounts determination was concerned, making the organizations exposed to very high magnitudes of risk. In most cases the manager was all the committees by himself, rendering him pursuing individual interests at the expense of organizational goals and objectives. In other cases the roles assumed by loans committees were taken over by the accountants/accounts clerks because of sizes of MFIs and resource constraints. Such a development compromised the operations of the loans committee, and in the absence of regular checks and balances put the society into a serious financial quagmire and severely short-changed shareholders of MFIs.

Another development revealed by the study was that financial risk in the system was rampant as there were no client screening measures in place as even friends, relatives and connections of owners of MFIs went on to access loans without completing loan application forms. The issue of calling borrowers to surrender collateral security was overlooked in such cases resulting in increased number of non-performing loans and fraudulent activities in the process. For purposes of curbing irregularities faced by MFIs in the period under review, it was argued that policies and procedures put across by RBZ on operations of MFIs should be strictly adhered to if the sector was to grow in its service delivery to the nation and shareholders. Furthermore it was revealed that lack of policies and procedures and let alone formal orientation of clients and induction of staff by MFIs exposed them to various business and financial risk exposures. According to Churchill and Coaster (2001) orientation of clients and staff in organisational policies and procedures acted as a way of reducing credit or default risk, This control measure cited by Churchill and Coaster (2001) was supported by authorities such as Mill champ (1996) who pointed out that policies and procedures were an essential set of controls in credit exposure business.

7.6 Opportunities for Growth and Development of the MFI

The study went further to investigate the growth and development opportunities available in Zimbabwe that MFIs can exploit to grow a market share, client base and improve their bottom lines and shareholders' wealth.

Table 7.6 Showing Possible Opportunities for Growth and Development of the MFIs

Opportunities for Growth and Development	Number of Respondents
Employment of external funding in MFIs capitalisation	10
Need for ploughing back earnings into MFIs	15
Undertaking investments in equity markets	20
Increasing controls and regular supervision	16
Use of human resource with accounting/financial know-how	9
Decreasing lending rates to market levels for clients	5

Source: Raw Data

The study discovered that one of the major sources of failure of the micro finance sector in Zimbabwe was poor capitalisation. The sector was therefore advised to look beyond the country's borders for funding when it came to foreign direct investment (FDI), technical and technological advancement. It was also postulated that MFIs should be motivated by investment drives and plough back earnings or invest on stock or equity markets as strategies for growing shareholders' wealth over time. This strategy will not only improve MFIs capital bases and bottom lines but also see them attain sustainable development as was the case in Taiwan and South Korea's development strategies in the 20th century. It was also found out that effective regulation and supervision of the micro finance sector by the Central Bank coupled with well remunerated employees with renowned accounting and financial backgrounds were critical requirements that could see the sector grow and develop in service delivery to the nation.

The study also revealed that very high compound interest rates on loans should be discouraged because they eroded the welfare of the vulnerable people of our society over and above increasing the magnitude of non-performing loans (NPLs) in the sector. This development normally leads to MFIs engaging debt collectors or raising civil cases against their clients at exorbitant costs and realizing very small dues if any in the process. The majority of MFIs that levied compound interest instead of simple interest rates to the borrowing public were known for failing to continue with their lending businesses, leading to failure of the sector to grow and develop. Management was also charged with the responsibility of exploring opportunities for growth and development of MFIs through accessing government funding from organisations such as small enterprise development corporation (SEDCO), Reserve Bank of Zimbabwe (RBZ) and Infrastructural Development Bank of Zimbabwe (IDBZ). Such funding for MFIs was critical for financial sustainability (Churchill and Coaster, 2001). Efficiency and financial sustainability were to go a long way in increasing MFIs' market share and investment base on both financial markets and asset management companies operating in Zimbabwe currently.

VIII. CONCLUSIONS AND RECOMMENDATIONS

From the main findings outlined above, the research study came up with the following conclusions and recommendations based on the objectives and/or sub problems of the study on the socio-economic appraisal of the Zimbabwean micro finance sector in the dollarization era.

8.1 Conclusions of the Study

The study's conclusions based on the socio-economic environment facing the Zimbabwean MFIs in their desire to grow and develop are elaborated below.

8.1.1 Challenges faced by MFIs and the sector in Zimbabwe

The study concluded that most Zimbabwean MFIs faced many challenges in their quest to grow and develop in the period under review. The challenges faced by the sector ranged from high operational costs, target market, liquidity challenges, principal goals and objectives to competition from other informal financial service providers. The regulators of MFIs, the government and investors in the sector needed to put their heads together and come up with developmental strategies that had the capacity to redress most challenges cited above that derailed the potential for growth of the sector in the dollarisation era. The existence and relevance of the sector in Zimbabwe cannot be questioned but the mandate to alleviate the sufferings of the general public has been compromised, hence the need to go back to the drawing board.

8.1.2 The Role of Directors/Management in MFIs

Microfinance institutions' growth and development prospects in Zimbabwe lay in the hands of management and employees who assumed the responsibility of setting amounts to be loaned and interest rates on credit portfolios issued to the borrowing public. This development coupled with lack of accounting and financial expertise in management worsened the agency problem's impact on growth and survival of MFIs in Zimbabwe. The study therefore concluded that the micro finance sector should to hire knowledgeable, experienced, competent and well remunerated senior management in order to foster opportunities for MFIs' growth and development in the dollarization era.

8.1.3 Financial Control Measures used by MFIs

The study concluded that absence of asset registers, books of accounts or financial statements or audits in most MFIs were the main causes of their collapse or failure to grow and develop in service delivery to the public or nation as a whole. The majority of the MFIs operating in Masvingo in the period had no books of accounts and asset registers to make their operations ethical, prudent and transparent. The acts governing the constitution and operations of MFIs the world over have sets of internal control measures designed to prevent or reduce misappropriation of funds by managers and employees, but these were not followed. Hence MFIs still operating in Zimbabwe were encouraged to swiftly address the need to have control mechanisms in place if their hopes to grow and develop were to become real in the foreseeable future.

8.1.4 Conclusions on the Influence of the Human Factor in MFIs

It was concluded that most MFIs employed incompetence, non-integral and unprofessional people , recruited and selected on the basis of corruptive and nepotistic tendencies to the detriment of the operations of the systems and failure to grow and develop. It was pointed out that managers in most MFIs were left to run organisations in their own way as they could employ, promote friends, relatives and church mates or colleagues (politics of patronage) and expose control measures to manipulation on a regular basis. It was therefore concluded that hiring of competent and well paid staff was central in the growth and development strategies of MFIs. For instance a competent workforce was responsible for detection of frauds or misappropriation of funds in organizations and not auditors hence the need for hiring experienced and skilled people in the sector on the basis of merit. It was also strongly argued that internal controls should be explicit as far as client screening, education, and professionalism were concerned in MFIs.

8.1.5 Conclusions on Policies and Procedures used by MFIs

It was concluded that the majority of MFIs had no business policies and procedures in place to be used in their credit business with the general public which put their businesses at serious magnitudes of financial risk. Management and employees were aware that proper business planning was central to the operations of MFIs but total they violated this requirement. No policies and procedures were followed as far as asset procurement and credit procedures were concerned leading to financial prejudice of MFIs by employees. The study also concluded that the failure to issue loans instantly to potential borrowers for example was a mechanism that was used by MFIs' employees to draw funds out of the system for personal enrichment and growth at the expense of the organisations. It was therefore critical for MFIs to urgently formulate policies and procedures to be effectively applied in the purchase of assets or credit business if their survival were to be turned into a reality in the dollarization era.

8.2Recommendations of the Study

The following recommendations were drawn from the conclusions of the study based on the socio-economic challenges faced by Zimbabwe MFIs in their quest to grow and develop in service delivery to the nation.

8.2.1 Recommendations to MFIs

Firstly, the study recommended that MFIs should have internal audit departments in place as a matter of urgency if they are to reduce or eliminate fraud activities from their credit activities. Secondly, the micro finance sector should also have a policies and procedures manual in place, which clearly spell out the procedures to be followed when performing business transactions or procurements. Such documents must then be circulated to all directors, managers and staff of MFIs so that they are fully acquainted with their contents in their discharge of duty. Thirdly, directors and managers of MFIs must be well versed in financial and risk management tracking and modelling, as well as coming from professional accounting and auditing backgrounds if they were to drive the sector towards sustainable development in Zimbabwe. Such qualifications were critical in the identification of fraudulent activities by employees and let alone preparation of books of accounts and their interpretation in terms of growth and development goals and objectives of the MFIs. Finally, MFIs should use professional recruitment and selection procedures in order to have highly competent staff in their ranks. MFIs should regularly arrange staff development workshops and seminars so as to enhance employees' knowledge and expertise on fund and risk management, corporate governance and ethics, with the aim to curb or minimise operational and financial risks.

8.2.2 Recommendations to Government

The current MFIs legislation in Zimbabwe is a constraint to the deepening and broadening of micro finance services and participation of private institutions as service providers in the field. Therefore a new comprehensive piece of legislation should be put in place to promote participants in the corporate sector to assist in ensuring capacity building, growth and development of micro finance in Zimbabwe. There is need for government or regulatory authorities to stamp their hands on perpetrators of frauds or misappropriation of funds, a great challenge in MFIs. In order for this to take place in the sector, it is imperative or mandatory for the government to enact laws governing misappropriation of funds so that perpetrators could face the wrath of the law for committing such offences. The legislators or government could come up with, for example, Misappropriation of Funds Act, which among other things could focus on critical areas such as:

.Defining misappropriation of funds at law-this aspect is very important, as it would help reduce confirmation on what really constitutes misappropriation of funds in the Zimbabwe perspective.

.Clearly defines and explains the civil and criminal penalties against perpetrators, which have to be very severe to deter perpetrators from committing such acts.

There is need for unified regulatory structures to be put in place in MFIs. In view of these requirements all MFIs should be supervised by the Reserve Bank of Zimbabwe, unlike the current scenario where some fall under the Ministry of Youth and Employment Creation, where in most cases, officials lacked financial skills and expertise needed in supervision of MFIs operations, while others fell under the Reserve Bank of Zimbabwe (RBZ). The Central Bank is critical in the operations of MFIs as it has a lot of interests in financial services sector and has manpower with relevant skills needed in supervisions of MFIs in their quest to grow and develop. Officials from RBZ could come and educate employees and management of MFIs on the modern forms of money laundering and fraud and penalties to perpetrators as a way of deterring authorities from colluding or misappropriating stakeholders' resources.

8.2.3 Recommendations to MFIs Associations

There is need for the MFIs apex boards, namely Zimbabwe Association of Micro Finance Institutions (ZAMFI) and National Associations of Savings and Credit Cooperative Unions of Zimbabwe (NASCCUZ) to re-engineer their operations. Such micro finance business engineering would among other things seek to improve the Acts that related to micro savings and credit, registration of MFIs and the registration of the operations of all the affiliates, which are very essential as far as MFIs survival and growth are concerned. There is also need for these organisations to implement a civic education campaigns against misappropriation of funds in MFIs and proper business ethics / planning for growth and development. The approach could see different forms of media available be used to educate individuals on the harm caused by misappropriation of funds not only to the members but also even to the economy and the internal reputation of the country. The fruits of proper business planning and development could also be flashed in the media, as these would manifest themselves in form of empowerment and enrichment of stakeholders.

8.3 Suggestions for Further Research Studies

Due to a myriad of factors the research study was carried out at a small scale (as a case study) but chances were very high that if a similar study were to be done in other MFIs or similar organisations operating in larger towns and cities, different results would have been produced. Thus the researcher acknowledges some limitations of the current study in terms of scope. Therefore eh researcher recommends that further researches be done where a different research design could be used before generalisations of the research findings or results above could be made as far as the challenges faced by Zimbabwean MFIs in their duets to grow and develop were concerned.

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APPENDIX A Questionnaire

Comment on the following variables as challenges to growth and development of MFIs in Zimbabwe.

A1 Operational Challenges faced by MFIs

.Regulatory authorities supervise MFIs regularly
.There is clear division of responsibility between directors and managers
.The organisation has not faced any liquidity problems in the period
.There has not been any corrupt and greed tendencies in the running of the organisation.
.Petty cash management is effectively handled in the organisation.

A2 The effects of Directors/Management on MFIs

.Management sets interest rates to obtain on credit portfolios individuals should have.
.Management has the prerogative on dates for accessing loans after application.
.Management is fostering opportunities for growth and development of MFIs.
.There are role conflicts between MFIs Directors and Managers in discharge of duty.

A3 The effects of financial control systems in the growth and development of MFIs
.Bank reconciliations are necessary in MFIs
.Bank reconciliation is done monthly in your MFI
.All MFIs transactions are carried from start to end by one person.
.Cashiers have access to MFIs ledgers which are done regularly.
.Internal audits are present in MFIs and are done regularly.
.Cheque disbursements are done and signed in advance before transaction process starts.

A4 The influence of recruitment and selection of human factor in MFIs.
.Frauds in MFI organisations are usually detected frequently by staff and not auditors.
.Managers normally employ or promote their relatives and friends.
.Client screening, education and professionalism are important in operations of MFIs.
.All employees hold posts relevant to their qualifications.
.Low pay and poor conditions of service for employees force them into financial indiscipline.

A5 The effects of proper business planning in MFIs
.There are policies and procedures governing MFIs loan application which are paid instantly.
.Loan payments to members are made only after SSB effects deduction on a client's salary.
.Investors are eligible to get loans from the organizations.
.There is a formal orientation of clients and members, and staff to expectations, policies and procedures of MFIs.

APPENDIX B Interview Schedule
B1 The curbing of irregularities within MFIs is said to rely mainly on strengths of their senior management and/or directors. Comment.
B2 The strengths of the organisation's internal control measures is paramount in minimising irregularities in operations of MFIs. Comment.
B3 Please highlight some of the internal control measures instituted by your MFI organisation in relation to:
Loans issued to members---
Cash collected from clients---
Assessment of computer files---
Preparation of bank reconciliation statements---
B4 Which policies and procedures does you organization have as far as its business operations are concerned? --
Did your organisation witness any cases of fraud B5 Fraud is regarded as one of the major problems rocking MFIs today.
among employees and management within the past three years? ---
How did the organisation uncover the activity and culprits? ---
What is the process used by your organisation to confirm clients' savings and loans balances?

How does the loans approval authority structure loan balances, interest rates, customer service and misappropriation of funds?--
How does your MFI organisation recruit and select its employees?
How does your MFI staff compensation levels compare with those of other MFIs in Masvingo?
B6 What screening techniques does your organisation use to minimise financial risk?
MFIs in Masvingo are on record of having experienced financial irregularities (fraud) during the period 2005 to 2008. What do you think could have caused these challenges?
What do you see as opportunities for growth and development at your organisation?