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THE DETERMINANTS OF PERFORMANCE OF MICROFINANCE INSTITUTIONS IN A CASH STRAPPED ZIMBABWEAN ECONOMY. A STUDY ON BULAWAYO MICROFINANCE INSTITUTIONS

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ABSTRACT

This study sought to investigate the factors affecting the performance of Microfinance Institutions in Zimbabwe. It is of critical importance to Zimbabwe because of the crucial role MFIs are expected to play in the economy, where the informal sector has evolved to being dominant over the formal sector. This study sought to identify the determinants of performance in a cash strapped Zimbabwean economy, to provide practitioners with crucial information that could enable them to make informed decisions towards improving the performance of MFIs. Using data collected from directors and employees in twenty microfinance institutions, descriptive and inferential analysis was done using the Analysis of Moment Structures (AMOS) programme. The study established that business strategy, competition and the regulatory framework have a positive and significant impact on performance. The other two explanatory variables, which were institutional characteristics, proved to be insignificant in the determination of performance. The Zimbabwean MFIs policy makers should act to improve the regulatory framework by modifying it to promote the growth and sustainability of a robust microfinance industry. Microfinance institutions’ managers should develop strategies that curb competition, which has an adverse effect on performance, and formulate effective and aggressive business strategy practices that assure their performance and financial sustainability.