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DEPARTMENT OF BANKING

**THE IMPACT OF FINANCIAL CONSTRAINT AND OTHER CHALLENGES
ON THE DEVELOPMENT AND GROWTH OF SMEs FROM 1998 TO 2009 IN
ZIMBABWE**

Research Project for Alouis Beni

Programme Bcomm Banking (Hons)

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**This Project is Submitted in Partial Fulfillment of the Requirements of the
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ABSTRACT

ND ACRONYMS

Globally SMEs are being hailed for their pivotal role in promoting grassroots and economic growth, equitable sustainable developments and employment creation. However SMEs in Zimbabwe have not fully realized embedded potential because of difficulties in accessing credit from financial institution. The study was conducted with a major thrust of examining the impact of financial constraint on the growth of SMEs in Zimbabwe from 1998 to 2009. The research identified the main barriers to credit expansion for SMEs. The research used exploratory research method to gather preliminary data to shed light on the challenges affecting SMEs. The research observed that the adequacy of financial resources to the SMEs remain subdued because of the lack of collateral, poor corporate governance, poor marketing channels, difficulties to adapt to environmental changes, high interest rates. The research also observed that banks are also reluctant to lend because of high default probabilities, high risk, poor information sharing among SMEs and unviable projects. The research findings, as in the hope of researcher, does provide future research studies areas. Recommendations were lastly given that is SMEs census and database should be carried out by government to support the policy formulation and opening of stock exchange of SMEs. Banks should also revise lending criteria and SMEs needs to be trained on financial record keeping and investment analysis. Research finally concludes that financial constraint to a large extent has limited the growth and development of SMEs in Zimbabwe.