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An assessment of the impact of micro finance institutions on economic growth and development in Zimbabwe (1998-2008)

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ABSTRACT

The study focused on the impact of micro finance institutions on economic growth and development in Zimbabwe. The financial services offered by MFIs were also assessed. The researcher aimed at assessing the extent to which MFIs have impacted on beneficiaries lives so as to ascertain with certainty whether standards of living improved by alleviating poverty. Additionally, the research also focused on how SMEs, through micro financing contributed to gross domestic product, export earnings and government revenue. The target population consisted of 213 MFIs in Zimbabwe. A sample of 20 respondents and beneficiaries was drawn from two MFIs, two banks and five SMEs. Both primary and secondary sources of data were used with questionnaires, telephone and personal interviews being research instruments used to obtain raw data. A descriptive research design that was highly qualitative was used that enabled the researcher to present and analyse data to provide the information sought. The study revealed positive impacts on beneficiaries through the micro financing services offered. On the whole, 90% of the beneficiaries indicated positive impacts on household assets and income. However, employment levels at community levels were low. Furthermore, economic growth was enhanced through SME activity as evidenced by increase in GDP and export earnings. Their contribution to government revenue was lower than 50% hence they did not contribute significantly to government revenue. It can thus be concluded that MFIs play an important role in increasing economic growth and development in Zimbabwe. In light of this, it is important that MFIs extend their outreach to appeal to many disadvantaged communities so that both economic development and economic growth have far reaching effects in Zimbabwe. However, due to time constraints, the researcher could not cover most areas related to MFIs and as such, future researchers should focus on whether micro financing activity leads to economic growth or economic growth should be a prerequisite for micro financing activity.

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