AN ASSESSMENT OF CRITICAL SUCCESS FACTORS OF MICROFINANCE INSTITUTIONS (MFIs) IN LUSAKA, ZAMBIA

BY

NOAH DAVID NYIRENDA

A Dissertation submitted to the University of Zambia in partial fulfilment of the requirements for the award of the Degree of Master of Science in Accounting and Finance

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DECLARATION

I, **NOAH DAVID NYIRENDA**, do hereby declare that this work is my original work achieved through personal reading and research. This work has never been submitted to the University of Zambia or any other Universities. All sources of data used and literature on related works previously done by others, used in the production of this Dissertation have been duly acknowledged. If any omission has been made, it is not by choice but by error.

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APPROVAL

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ABSTRACT

This research assesses the critical success and failure factors of microfinance institutions (MFIs) in Lusaka, Zambia, amid recent closures of six institutions. The study aims to understand factors influencing MFIs' operations in Zambia and proposes measures to enhance critical success factors. The study employed an exploratory research design to lay the foundation for investigating the critical success factors of Microfinance Institutions (MFIs) in Lusaka, Zambia. The research adopted a mixed research approach to deliver conclusions or inferences concerning the critical success factors of Microfinance Institutions (MFIs) in Zambia. Both quantitative and qualitative strategies were used. Quantitative strategies were utilized to analyse data and draw conclusions about the factors critical to the success of MFIs. Data collected was cleaned, processed, coded and analysed using Microsoft office excel and Microsoft office word for qualitative parts. The study targets 29 registered MFIs by Bank of Zambia in Lusaka, selecting 10 with 60 key informants via cluster sampling. Closed ended questionnaires and questionnaire guide were used to gather quantitative and qualitative data, ensuring ethical considerations. Findings reveal limited funding access, operational efficiency, and financial literacy as primary failure factors. Critical success factors include financial stability, marketing strategies, technology adoption, and outreach to under-served populations. Recommendations include diversifying funding sources, tailored financial literacy initiatives, operational efficiency optimization, and enhanced community engagement. This study provides valuable insights and practical recommendations for the sustained success of MFIs in Lusaka.

Keywords: *Microfinance, Critical Success Factors, Critical Failure Factors, Financial Stability, Operational Efficiency*.

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DEDICATION

I dedicate this research report to the unwavering support and encouragement of my family Akilina Mwale, Ruth Namunji and my daughters-Tapiwa, Mayamiko, Tabo and Chisomo, whose love has been my anchor throughout this academic journey. To my supervisor Dr. Anastasia C. Mulenga whose guidance and commitment shaped this research work. To my friend Peter Phiri, for the trouble he under took to introduce me to Lupiya management during my research. Special gratitude to my mentors and professors whose guidance shaped my intellectual growth. This work is dedicated to all those who believe in the pursuit of knowledge and the relentless quest for understanding. Furthermore, this research is inspired by my vision to incorporate a microfinance institution and provide financial services (loans, savings and insurance) to people who are excluded from the financial system.

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LIST OF ACRONYMS

AMIZ: Association of Microfinance Institutions in Zambia

BOZ: Bank of Zambia

CETZAM: Christian Enterprise Trust of Zambia

CSF: Critical success factors

CUs: Credit Unions

FP: Financial Performance

KPIs: Key Performance Indicators

MBT: Micro Banks Trust (MBT)

MFIs: Microfinance Institutions

MIS: Management Information Systems

NGO: Non-governmental organization

SACCOs: savings and credit cooperatives

SIDO: Small Industries Development Organization

SEPU: Small Enterprise Promotion Unit

SMEs: Small and Medium Enterprises

ZNBS: Zambia National Building Society

CHAPTER 1

INTRODUCTION

1.0 Introduction

This chapter gives the framework of the study, and covers the following: background, research problems, research questions and objectives, the significance of study, scope as well as the definition of operational terms.

1.1 Background

Dr. Muhammad Yunus, the founder of Grameen Bank, popularized microfinance in the 1970s as a means of helping the world's impoverished and vulnerable people in Bangladesh and Latin America. The idea was to guarantee loans which the underprivileged could afford to repay might be obtained (Campion, Linder and Knott, 2008). Since then, microfinance has changed, becoming a tool or strategy for economic development aimed at helping low-income men and women. Some of these institutions provide insurance and payment services in addition to lending services (Gautam, 2023).

Since the beginning of the microfinance movement in the 1970s, the number of these institutions has rapidly increased and they are now present in many nations, including Zambia. LIMA Bank and the ZNBS are two examples of microfinance organizations that were founded in the 1970s and 1980s (Miambo and Mavrota, 2003). Since then, Zambia has seen a consistent increase in the number of microfinance firms providing a greater range of financial services and products. However, the failure rate of some of these institutions has been progressively rising over time due to operational concerns including the rising cost of money, a problem that requires attention.

A group of Copperbelt Zambian leaders established NGO called CETZAM in 1995 with the aim of upholding Christian values (Monje, 2007). It was established to improve the lives of the impoverished by giving them access to credit and training programs, which can be used to find work and earn money. CETZAM, which was supported by the DFID, started out with a biblically based missionary viewpoint. At first, loans were given out on the basis of "mercy" to assist individuals through what was referred to as culture and compassion (Ravishankar, 2021).

The first loans were given in 1998 through a group-based model, every member of the group was accountable for any debt in the group and if an individual failed to pay from the group, the other group members are to offset the debt. This model targeted the poorest people in the economy especially women (CETZAM, 2003). As CETZAM's performance kept getting better, it expanded to more provinces in Zambia until its problems started. 2008 saw the creation of Genesis Finance Limited, which began operations in 2009. It was established to create support and meet the needs of SME's in Zambia. Its goal was aimed at contributing towards the formal and semi- informal sector. The financial services it offered included secure business loans, attractive fixed term loans and business advisory. Commercial leasing Zambia also provided leasing services to the Zambian people. These three institutions were shut down by the Bank of Zambia for a number of reasons, yet they had operated as comprehensive microfinance organizations for years (ZBT, 2016).

In 2023, BOZ announced the cancellation of microfinance licenses for Moneta Finance Limited, Better now Finance Limited, Easy Cash Financial Services Limited and Zampost Microfinance Limited due to insolvency and failure to comply with the provisions of the Banking and Financial Services Act and the Banking and Financial Services Regulations (https://boz.zm/news-and-publications.htm) For several years, microfinance innovations have been replicated from country to country, each time with renewed enthusiasm and innovation leading to international best practices that have benefited our understanding and guided the practice of microfinance-credit (Sharma and Sharma 2020). Given the ongoing developments in microfinance, there is considerable interest for many MFIs in Africa to keep pace with the changing landscape in the industry. Microfinance institutions play a vital role in helping the poor access credit and also those who engage in various micro businesses. However, these institutions are experiencing a number of issues that are forcing closures.

Due to the several challenges facing MFIs in Zambia, Lusaka, this study undertakes to evaluate CSFs of MFIs in Zambia, Lusaka. Chaulagain and Lamichhane (2022) define CSFs as "the limited number of areas in which satisfactory results will ensure successful competitive performance for the individual, department, or organization." The few crucial areas where "things must go right" in order for the firm to succeed and for the manager's objectives to be fulfilled are known as critical success factors (Chaulagain and Lamichhane, 2022). These are the few crucial areas where success in the business depends on certain elements. The goals and mission of an organization determine important success elements. CSFs can be utilized to create more focused KPIs after they have been found. These particular standards, which frequently vary from organization to organization, are used by managers and organizations to gauge performance. Industry, environmental, strategic, and temporal variables are the four primary categories of CSFs that John F. Rockart defined for organizations to consider. In this regard, a study needs to be conducted to identify the key success factors affecting MFIs in Zambia.

1.2 Problem statement

Zambia is one of the many countries that benefit from microfinance institutions. This can be attributed to the fact that these institutions provide financial assistance to small business owners in their core business. Despite the success of microfinance initiatives in Zambia, some of MFIs have been closed due to a number of factors. Recently, according to Bank of Zambia (2023), six (06) micro-finance institutions which include Commercial Leasing Zambia, Cetzam Financial Services Genesis Finance Limited, Moneta Finance Limited, Betternow Finance Limited, Zampost Microfinance Limited have failed and have all been shut with immediate effect by BOZ due to insolvency, failure to comply with the provisions of the Banking and Financial Services Act and the Banking and Financial Services Regulations, operational efficiency, among others. (https://boz.zm/news-and-publications.htm)

The closure of microfinance institutions (MFIs) in Zambia is a critical issue that has not been adequately addressed, leading to negative impacts on financial inclusion and economic development. Despite the efforts of the Bank of Zambia to regulate the microfinance sector, there is a lack of comprehensive documentation on the specific causes of closures of MFIs in the country, particularly in Lusaka. (Mweemba, 2020) This knowledge gap hinders the ability of policymakers, regulators, and industry stakeholders to implement effective strategies to prevent future closures and ensure the sustainability of MFIs. Therefore, there is an urgent need to assess and understand the causes of closures of MFIs in Zambia, with a specific focus on Lusaka, to provide evidence-based recommendations for improving the regulatory environment, management practices, and operational strategies of MFIs.

Therefore, the research problem in summary is examination of causes of closures of MFIs in Lusaka, Zambia.

1.3 General objective

To assess the critical success factors and critical failure factors of microfinance institutions in Lusaka.

1.4 Specific objectives

1. To assess critical failure factors from MFI that have failed in Lusaka
2. To assess the critical success factors of microfinance institutions in Lusaka
3. To assess the measures that can be used to address the failures and enhance the application of the critical success factors of microfinance institutions in Lusaka.

1.5 Research questions

1. What are the specific factors that lead to the failure of microfinance institutions in Lusaka?
2. What are the key success factors that contribute to the success of microfinance institutions in Lusaka?
3. How can Lusaka's microfinance institutions effectively utilize the identified critical success factors to improve their performance?

1.6 Significance of the study

The findings of this study will contribute to the existing body of knowledge as it will seek to evaluate the critical success factors of microfinance institutions in Lusaka. The study will be of benefit to investors, regulators, researchers as well as policy makers who will put in place highly improved standards for best practice of the critical success factors by benchmarking their strategies on this research. The study's importance also stems from the fact that its findings will serve as the foundation for emerging MFIs' actions, allowing them to avoid failure in the future and maintain a strong strategic position.

Therefore, in a nutshell, this study will be of significance to various stake holders. To the researchers, this study will make several contributions to both knowledge building and practice on critical success factors on MFIs. Researchers will also use the findings of this study to embark on a related study. The Scholars would use this study as a basis for discussions on critical success factors of MFIs. The information will be useful for planners and decision makers in different institutions dealing with Microfinance Institution programs.

1.7 Scope of the study

This study will be carried out in Lusaka district as it is convenient and cost effective for the researcher. The researcher has chosen Lusaka due to easy of accessibility and limited available financial resources. Additionally, Lusaka was chosen because the researcher believe that it is a capital city and has more MFIs outlets and can enable one obtain adequate information to address the research gap. Therefore, Lusaka also represents a strategic choice above been a convenient choice. The proposed research will cover three MFI's still in operational. In specificity, the study will target those in close proximity in Lusaka urban.

1.8 Limitation

Due to limited financial resources, constraints of this study on Critical Success Factors of MFIs In Lusaka, Zambia may include limited access to data, difficulty in obtaining accurate and up-to-date information, the complexity of the financial sector, and the potential for bias in the data collected.

1.9 Operational definitions

i. **Microfinance:** Microfinance refers to a financial service that provides small loans, savings, and other financial products to individuals or small businesses that lack access to traditional banking services (Siwale and Godfroid, 2022). It aims to empower low-income individuals, particularly in developing countries, by providing them with the financial resources to start or expand small enterprises, improve their livelihoods, and ultimately lift themselves out of poverty.

ii. **Critical Success Factors:** Hermes (2019) states that Critical Success Factors are the essential areas of activity that must be performed well for an organization to achieve its mission and objectives. These factors are pivotal for success and often vary by industry and organization.

iii. **Critical Failure Factors:** Critical Failure Factors are the elements that can lead to the failure of a project, initiative, or organization (Siwale and Godfroid, 2022). These factors highlight potential pitfalls or risks that, if not managed properly, could jeopardize success. Understanding CFFs is crucial for risk management and strategic planning, as it allows organizations to mitigate risks proactively.

iv. **Financial Stability:** Sharma and Sharma (2020) argues that it refers to the ability of an organization, institution, or economy to withstand shocks and maintain its financial health over time. It involves having a solid balance sheet, sufficient liquidity, and the capacity to meet obligations without requiring external assistance.

v. **Operational Efficiency:** is the measure of how effectively an organization utilizes its resources to produce goods or services (Wang and Zheng, 2023). It involves optimizing processes, reducing waste, and maximizing output while minimizing costs. High operational efficiency leads to improved profitability and competitiveness.

1.10 Chapter summary

This chapter begins with an over, then provide the background on the study on Critical Success Factors of MFIs Lusaka, Zambia. The introduction consists of the problem statement, aim, research objectives, and significance of the study, constraints and scope of the study. The subsequent chapters include chapter two and chapter three which are literature review and methodology respectively.

1.11 Dissertation layout

This dissertation is organized into six chapters. The chapters are as follows:

i. Chapter one: introduction to the study
ii. Chapter two: literature review
iii. Chapter three: research methodology
iv. Chapter four: presentation of findings
v. Chapter five: discussion of findings
vi. Chapter six: conclusion and recommendations

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter is aimed at reviewing literature relating to the topic under discussion by analyzing the relevant critical success factors of Microfinance institutions. It presents a theoretical framework, it also includes an in-depth explanation of microfinance and also present the conceptual framework.

2.1 Theoretical framework

2.1.1 Asymmetric information theory

Asymmetric information theory is important because it helps to explain different types of economic behavior in a situation where there was imperfect information. It explained the behavior of rational actors in an environment where information is imperfect and costly (Akerlof et al., 2013). Asymmetric information refers to transactions in which one party has more information than the other party about a transaction (Wang and Zheng, 2023)

The theory has been applied to rural credit markets: Loan applicants and borrowers are the informed, banks the uniformed. The assumption was that banks cannot differentiate cost effectively between high-risk and low risk applicants (Rudi et al., 2019). The risk profile (investment choices, honesty, willingness to repay loans, capacity) of loan applicants is unknown to the bank. Credit models that use this assumption often charge high interest rates to offset the **loans default risks** caused by lack of information (Akerlof et al., 2013). The failure of the customer to repay the loan leads to delinquent which eventually results into default loan. A loan Repayment Default simply means failure of the borrower to pay back loan installments when they fall due (Musango, 2018). The result is lack of liquidity and insufficient funds for operating costs in the MFI leading to non-continuity of the institution.

2.1.2 The imperfect information theory

When buyers and/or sellers lack the knowledge required to make an informed decision regarding the product's pricing or quality, it is referred to as **imperfect information** (Crawford et al., 2018). Implicit information refers to the situation where buyers and/or sellers lack the complete set of knowledge needed to make an informed decision. Many business dealings take place in an environment of incomplete information, where the buyer, seller, or both are not entirely certain of the attributes of the goods they are purchasing and selling. Therefore, inaccurate information might deter participants in the market, including buyers and sellers. Because they cannot precisely judge the quality of the goods, buyers can grow cagy to participate (Crawford et al., 2018). Due to the difficulty of proving to customers the superior quality of their products and the likelihood that buyers will not be prepared to pay a premium for such goods, sellers of high or medium grade products may be reluctant to participate (Akerlof et al., 2013).

Therefore, understanding **marketing strategies** according to the imperfect market theory is cardinal because imperfect markets do not meet the rigorous standards of a hypothetical perfectly or purely competitive market (De Hooge, 2022). Imperfect markets are characterized by having competition for market share, high barriers to entry and exit, different products and services, and a small number of buyers and sellers (Simonis, 2001). Therefore, marketing strategies play a key role in the success of MFIs. The impact market theory stresses that to create a perfect market, there **product attributes** must be unique to distinguish it from other similar products (Ditcher, 2020). The theory states that the type of market environment depends on the product attribute.

2.1.3 Grameen solidarity theory

Literature provides a theory related to microfinance as being the Grameen Solidarity theory. It steams its roots from the Grameen Bank founded by Dr Yunus. Solidarity lending is a lending practice where small groups borrow collectively and group members encourage one another to pay (Banda, 2020). Solidarity groups build on traditional patterns that prompt the social and economically marginalized sectors to seek collective response and mutual accountability (Huda, 2020). By promoting mutual accountability, Grameen solidarity theory emphasizes the prudent use of **organizational resources** which critical to the success of MFIs. Economists point out that reliable information is through reliable group mechanisms and hence address the probability of default, fundamental to the credit process.

Even though the theory has been used widely and has shown many benefits critics have also contended that microcredit can bring communities into debt which they cannot escape, this is because some loan officers fail to sanction good borrowers who find themselves in a bad group.

2.1.4 Integrative theory

To explain micro-finance provision of credit to the poor, literature also uses the principle theory to demonstrate that microfinance contracts lending to joint-liable groups allow the lender to avoid issues of moral hazard (Kumari, 2020). However, other scholars have contended that a firm's failure is attributable to both internal decisions and external causes or both, known as the integrative theory, namely internal causes are those decisions/actions that are under management's control while external causes are events that are outside of management's control (Mellahi and Wilkinson, 2004).

In the integrative approach, Mellahi and Wilkinson (2004) conclude that both internal and external are important elements to put into consideration when establishing factors that affects the growth and performance as they play a vital role in **risk identification and management** and the provision of **regulatory frameworks** for the MFIs. Mellahi and Wilkinson (2004) are of the view that integrating theory enhances risk literacy within specific MFIs and enables synergies.

Therefore, according to the study we can state that the factors affecting performance and growth of a microfinance institution can be due to both external and internal causes surrounding the MFI industry.

2.1.5 Economic theory

An economic theory (e.g., the neoclassical theory of consumer choice) is a set of statements, organized in a characteristic way, and designed to serve as partial premises for explaining as well as predicting an indeterminately large (and usually varied) class of economic phenomena (Becker, 2017). It proceeds from the idea that the firm's external environment for instance the whole economy, industry and regulation matters more than firm's actions (Buera et al., 2021). This theory advocates for proper **regulatory frameworks** because external factors are influential in the growth of MFIs. Even though internal causes also contribute to failures, the major cause of failure is on the external part of the organization according to the economic theory.

2.1.6 Critical Success Factors theory

Chaulagain and Lamichhane define CSFs as "the limited number of areas in which satisfactory results will ensure successful competitive performance for the individual, department, or organization." The few crucial areas where "things must go right" in order for the firm to succeed and for the manager's objectives to be fulfilled are known as critical success factors (Chaulagain and Lamichhane, 2022). One of the critical success factors is the **adoption of new technologies** to match the growing competition and rivalry across institutions (Chanda, 2020). **New technologies** are cardinal in helping MFIs find the best fit between external influence and fundamental business strategies. This is because the problem of finding the best possible fit between external influences and corporate attributes that is, the fundamentals of business strategy clearly influenced Rockart's idea of crucial success elements. Businesses must match their strategy, capabilities, and resources to the external environment in order to succeed, as it is thought to have some basic requirements, constraints, threats, and opportunities. According to Rockart (2021), no company can afford to create a strategy that ignores the key elements that determine success in the sector. This justifies their use as the foundation of a management information system.

Five different sources of important success criteria are identified by Rockart (2021).

- **The industry**
  This includes the features of the product, the technology used, and the demands in the market, among others. In an industry, these can also have an impact on all rivals, however, the exact impact and degree of sensitivity will depend on the features and niches within the market.
- **The business's competitive strategy and industry position**
  This is established by its industry positioning and industry history.
- **Environmental factors**

This includes government legislative policies, economic conditions, and demographic trends, have an impact on all rivals in an industry, yet competitors have little to no control over them.

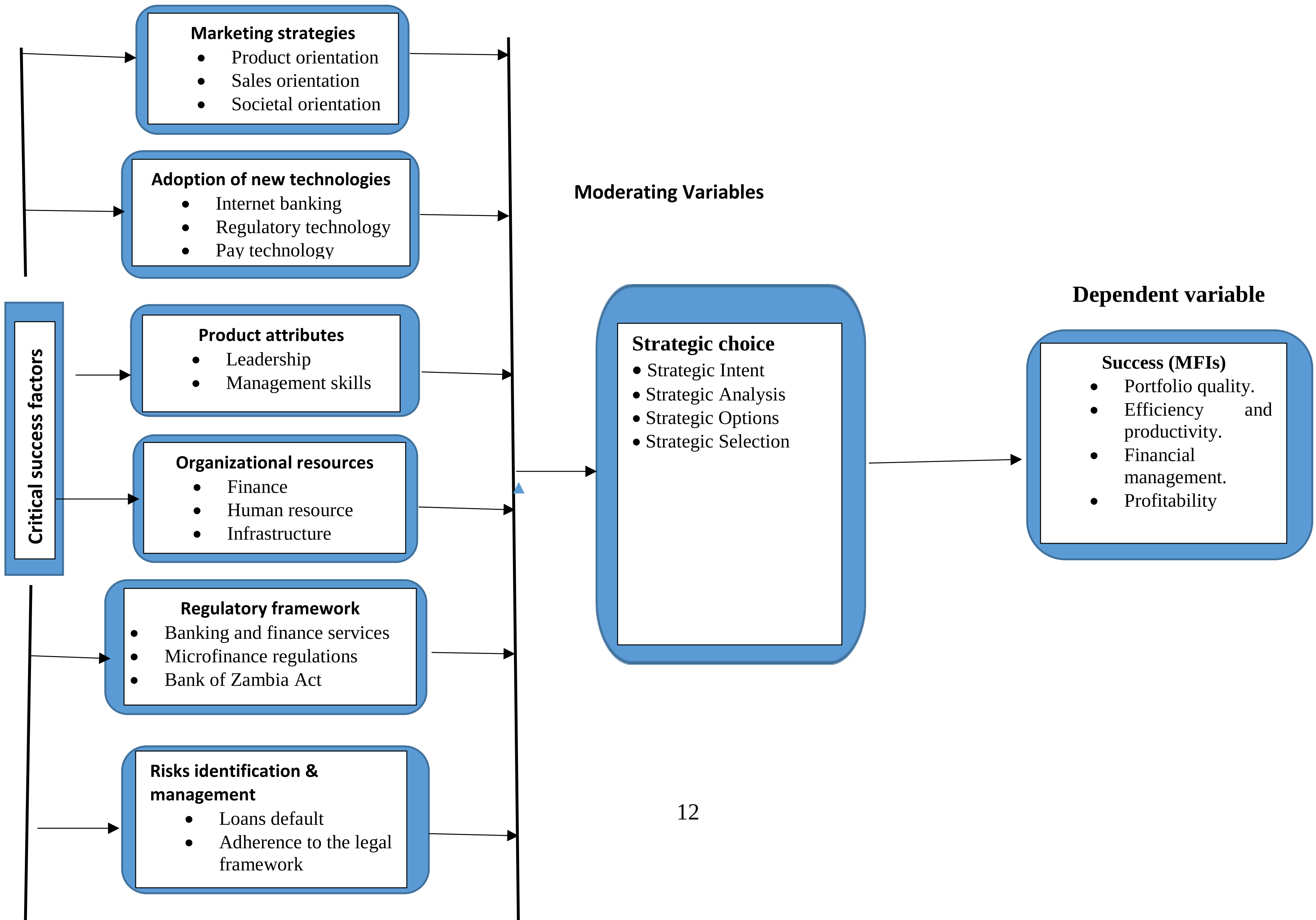
- **Temporal considerations**

  These are aspects of a firm, such as a lack of managerial experience or skilled personnel that create a time-limited challenge to the implementation of a planned strategy.
- **Managerial position**

  Every functional managerial job in a company has a standard set of crucial success elements that go along with it.

2.2 Conceptual framework

Figure 2. 1: Independent variable



Diagrammatical presentation of elements making a successful MF

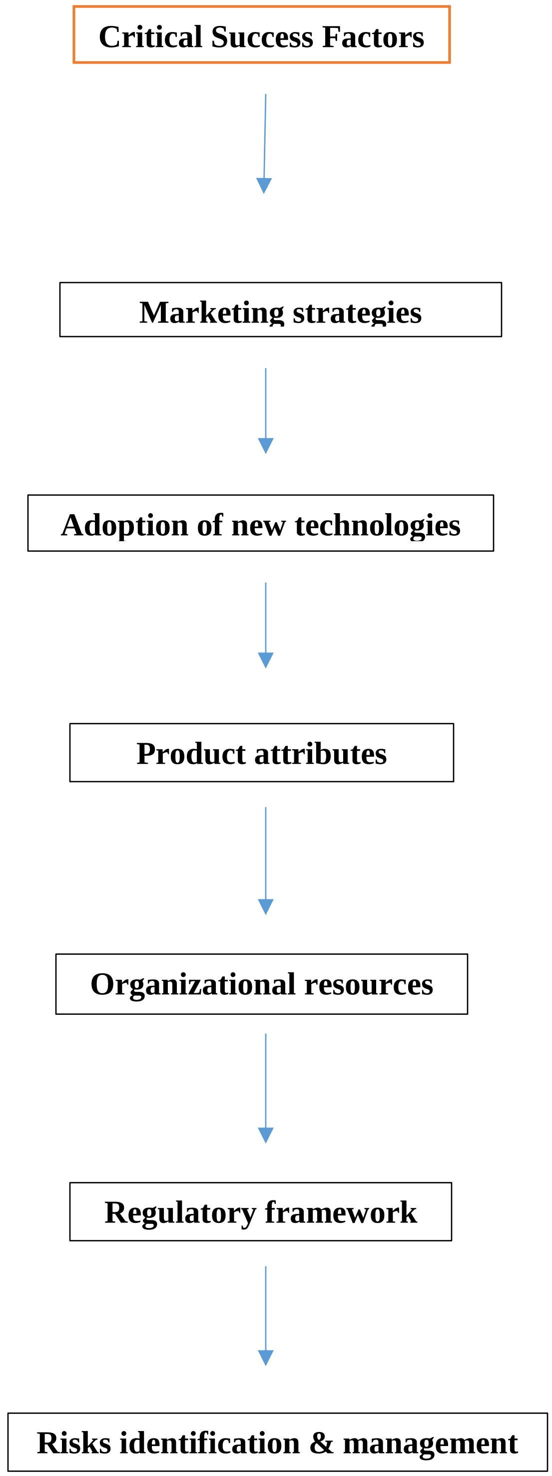


Figure 2.2 Elements of MF

This basic diagram illustrates how critical factor is interconnected and contributes to the overall success of the Microfinance Institution in Lusaka, Zambia.

Operationalization the variables in the conceptual framework

According Figure 1 above, the conceptual framework shows variables and their possible patterns with respect to influence on each other and how as a whole they in turn influence of microfinance institutions (MFIs). The independent variable are the critical success factors which consist of a number of variables such marketing strategies, adoption of new technologies, product attributes, organizational resources, regulatory framework and customer and brand loyalty. Strategic choice will be hypothesized as the mediating variable options and strategic selection. The indicators for strategic choice are strategic intent, strategic analysis, strategic as illustrated in the figure above, the dependent variable is the success of microfinance institutions.

Application of adopted theories in the conceptual framework

The research has adopted six theories and the table below highlight how each of the theories is applied in the conceptual framework.

Table 2.1: Application of adopted theories

Theoretical Framwork	**Application of theories in the conceptual framework**
Asymmetric information theory	• Credit models that use this assumption often charge high interest rates to offset the **loans default risks** caused by lack of information (Akerlof et al., 2013).
The imperfect information theory	• Therefore, **marketing strategies** play a key role in the success of MFIs. The impact market theory stresses that to create a perfect market, there **product attributes** must be unique to distinguish it from other similar products (Ditcher, 2020). The theory states that the type of market environment depends on the product attribute.
Grameen solidarity theory	• By promoting mutual accountability, Grameen solidarity theory emphasizes the prudent use of **organizational resources** which critical to the success of MFIs. Economists

	point out that reliable information is through reliable group mechanisms and hence address the probability of default, fundamental to the credit process.
Integrative theory	• In the integrative approach, Mellahi and Wilkinson (2004) conclude that both internal and external are important elements to put into consideration when establishing factors that affects the growth and performance as they play a vital role in **risk identification and management** and the provision of **regulatory frameworks** for the MFIs
Critical Success Factors theory	• One of the critical success factors is the **adoption of new technologies** to match the growing competition and rivalry across institutions (Chanda, 2020).
Economic theory	• This theory advocates for proper **regulatory frameworks** because external factors are influential in the growth of MFIs.

2.3 Microfinance and Microfinance institutions

Microfinance refers to the provision of financial services to low income households, including the self-employed. These financial services include savings, credit, payment facilities, remittances and insurance (García-Pérez et al, 2020). Microfinance, therefore, encompasses microcredit, micro savings and micro insurance (García-Pérez et al, 2020). With the passage of time, there has been increasing emphasis on the importance of offering a range of quality, flexible financial services in response to a wide variety of needs of the poor (Pazarbasioglu et al, 2020).

MFIs are those organizations that provide financial services to low income communities, and include NGOs; member-based organizations such as village banks, CUs and SACCOs, specialized government banks and private commercial banks. MFIs vary widely by organizational type, scale of operations and levels of professionalism. A study of microfinance shows that there is no single 'best practice model' for the provision of microfinance services (Joseph, 2021).

Table 2.2 Distinctive characteristics of MFIs

Characteristic	Description
Client profile	• Low income and poor households • Employed in the informal sector or self employed • Lacks traditional collateral • Interlinked household and microenterprise activities • Predominantly women
Lending technology	• Group or individual loans • Simple and minimal documentation • Cash flow and character based
Loan portfolio	• Working capital, short term loans, repeat loans • Clients mostly women
Collateral	• Collateral substitutes e.g. group lending, joint liability, peer pressure, public repayments, compulsory savings • Nontraditional forms e.g. household items
Culture/ideology	• Poverty reduction • Provision of social services e.g. skills training, nutrition, health, basic literacy

Adapted from APO (2006: 16)

It is difficult to generalize about specific characteristics due to the broad range and variations in types of institutions. The broad range of institutional forms has resulted in MFIs being registered under different Acts and falling under different supervisory authorities. Consequently, the regulatory and supervisory environment in relation to microfinance in most countries is fragmented, and not all MFIs are regulated for the provision of financial services. Furthermore, MFIs differ from traditional FIs in terms of client features, lending technology, loan portfolio features, culture or ideology and institutional structure. Most of the distinctive characteristics of MFIs are the result of innovations developed by the microfinance sector to overcome problems of information asymmetry and high transaction costs that hinder financial service provision to low income households. These innovations include group lending, frequent repayments, public repayments, progressive lending, non-traditional collateral, and the targeting of women.

2.4 Fundamentals of microfinance

As a provider of banking services, the MFI is subject to adverse selection and moral hazard from credit clients with little or no collateral (Armendariz de Aghion and Morduch, 2005). Mersland and Strøm (2009) point out that adverse selection arises since the bank does not have enough information to differentiate between good and bad risks. This insight has particular relevance in the microfinance field, since customers often have a short or no credit history, and little or no collateral. Moral hazard is the problem that the borrower will not exert necessary effort to repay the loan, when the bank is unable to monitor (Mersland and Strøm, 2009). What sets the new microfinance initiatives apart is that of finding new ways to deal with these problems through group lending, character lending and the stepwise building of a credit history, and thereby, to establish workable business models (Kumari, 2020).

The adverse selection and moral hazard story on the part of the MFI is extended to problems on the part of depositors and borrowers. How can they judge if the MFI does not use its informational advantage in the money markets to charge too high loan interest, or to take on too much risk with depositors' money? These are questions particularly important to ask in the microfinance market where the level of customer education is, at best, moderate and people repeatedly experience exploitation and fraud (Mersland and Strøm, 2009). Thus, the microfinance industry is beset by mutual adverse selection and moral hazard problems. It is no surprise that Macey and O'Hara (2003) maintain that the relationships to depositors and borrowers are as important to the success of the bank as the managers' and the board's relationship to its owners.

Therefore, incentive problems have a dual nature, one between owners and managers, the other between the MFI and its customers. Furthermore, the special nature of banks as providers of financial infrastructure often requires public regulations of the bank-customer relationship in order to get customers to entrust their savings and avoid possible economy-wide breakdowns. Therefore, the monitoring of the bank is not as straightforward as in ordinary firms, and need to take the MFI's regulatory framework into consideration (Mersland and Strøm, 2009). According to Mersland and Strøm (2009) the internal comprise the functions of the CEO and the board, the ownership type, internal controls, financial management, risk management and audits. These mechanisms are made by choice and are called internal accordingly. Furthermore, Mersland and

Strøm (2009) specify external governance mechanisms as the product market competition and regulation.

Financial reporting

The availability of information is alleged to be a key determinant of the efficiency of resource allocation decisions (Bushman et al., 2013). Therefore, a crucial element for properly operating MFI is the maintaining of simple accounts and the recording of financial transactions for the purpose of income statement and balance sheet. Maintaining accurate records strengthens MFIs' ability to address the issue of good governance, exhibit better transparency and accountability, and manage the MFIs' activities (Bushman et al., 2013).

Target markets and market strategy

A crucial foundational element for MFIs is the identification of target markets and the formulation of a market strategy (De Hooge, 2022). Each MFI should be focused on the requirements of the local community and develop creative ways to broaden its reach.

2.4.3 Risks identification and management

Risk identification

In a publication released in 2010, Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) cited three major risk categories for MFIs: financial, operational, and strategic. GTZ also listed subcategories of risk under each main category.

Financial; credit risks, liquidity risks, market risks

Operational; fraud risks, credit risks, regulatory and legal compliance risks

Strategic; governance risks and reputation risks

Risk management

According to Fernando (2017) risk management is the process of controlling the likelihood and potential severity of an adverse event: it is about systematically identifying, measuring, limiting, and monitoring risks faced by an institution. Risk management is important simply because "risk…pervades finance as gravity pervades physics" and to "survive and prosper in financial markets, participants must manage risk in ways that increase their wealth."

According to the Federal Reserve Bank (quoted in GTZ 2010, p. 5), comprehensive risk management includes practices designed to limit risk associated with individual product lines and systematic, quantitative methods to identify, monitor, and control aggregate risks across a financial institution's activities and products.

2.5 The role of microfinance institutions

The role of microfinance in any economy is to achieve the provisions of its definition and allow for a better society for the poor, unemployed and those excluded from the formal banking sector. The major goals that relate to the establishment of these MFI's are as follows:

Targeting the Poor

Microcredit has emerged as an innovative tool for fighting poverty in underdeveloped countries (Ribeiro et al, 2022). Microcredit has emerged as an innovative tool for fighting poverty in underdeveloped countries (Ribeiro et al, 2022). The provision of micro-credit to the poor, especially to youth and women in the rural, is essential in poverty reduction through empowerment. One of the most popular new technical tools for economic development and poverty reduction is microloans, made famous in 1976 by the Grameen Bank in Bangladesh. The idea is to loan small amounts of money to farmers or villages so these people can obtain the things they need to improve their economic rewards (Chikwira et al, 2022).

In order to mitigate loan repayment defaults, Grameen Solidarity theory should be used. It steams its roots from the Grameen Bank founded by Dr Yunus. Solidarity lending is a lending practice where small groups borrow collectively and group members encourage one another to pay (Banda, 2020). Solidarity groups build on traditional patterns that prompt the social and economically marginalized sectors to seek collective response and mutual accountability (Huda, 2020)

Positive Impact

Microfinance has been promoted as a tool to reduce poverty. Even so, it has been argued that microfinance will achieve this by promoting productive activity, spurring self-employment and income generating activities (leikem, 2012). Based upon this argument, logical assessment to analyze the impact of microfinance on borrower income were carried out. In the early findings of Armedariz and Morduch (2005), the researchers attempted to measure the casual impact of microfinance on borrowers' income. Despite the difficulties of non-random program location and client selection, the research's findings indicated that microfinance may increase household wealth and total consumption levels. Children's, health, and educational needs are on the rise while everything else stays the same.

In another similar research carried out by Hartarska et al (2023), the findings were that microfinance benefitted the poor by providing them with lives savings and credit. Microcredit to the poor increased their income and enhanced their livelihood opportunities.

Women Empowerment

Scholars in various countries have studied the impact of micro-credit on women empowerment, there is some evidence that indeed microcredit is empowering women, however, this is not consistent across the reviewed studies (Kim et al., 2009). A study carried out in Uganda found that women who took part in micro- credit programs gained financial management skill and gained some selective household assets more commonly held by men (Lakwo, 2006). This conclusion was based on the observation that while women were the ones who signed the loan contracts with microfinance institutions, the control over the utilization of loans was taken over by the men. However, the primary responsibility of loan repayment lay with the women, who in most cases had to draw on their personal savings to repay the loans. This conflict over control of loans often led to domestic violence against the women.

Employment Provision

Microfinance institutions play an important role in the alleviation of poverty by seeking to increase employment opportunities and enhance income adequate to raise the poor above the poverty line (Muntambanadzo, 2013). This is made possible through the capital provisions made available to micro borrowers who later become beneficiaries that are able to create not only for themselves but also a proportion of those individuals directly linked to micro enterprises. This makes microfinance a financial sustainable instrument capable of providing capital for and ensuring growth and sustainability in the private informal sector ignored by traditional commercial banks (Boateng et al, 2015)

2.6 Microfinance in Zambia

In Zambia microfinance can be traced as far as the 1970's and the government was the earliest providers of microfinance in Zambia. In 1980, the Bank of Zambia put up a scheme as a means of encouraging financial institutions to extend credit to small scale industries. It was after this that the earliest microfinance institutions sprung up and these are Lima Bank in 1987, Cooperative bank in 1989, ZNBS. The other vital institutions established by the government at that time included SIDO and SEPU.

In the 1990's, formal microfinance was dominated by the cooperative societies which were registered as credit unions under the Cooperative society Act. It so happened that these cooperative societies depended on government and donors hence resulted in lots of inefficiency and lack of sustainability. Lack of savings mobilization and emphasis on subsidized loans as borrowers considered government loans as fruits of independence. Even so, reforms in the economic sector like liberalization and failure of other state-owned financial institutions has led to the increase of MFI's operating in the financial sector aiming at meeting the needs of the corporate sector, working class elite.

The modern microfinance industry in Zambia has been an emerging industry with the oldest MFI's dating back to the liberalization of financial industry in 1992/93 and the majority MFIs emerged between 1996 and 1998 (Maimbo and Mavrota, 2003). However, most of these MFIs are now transforming their structure to companies limited by guarantee and today there is an interesting blend of private sector for profit firms and non-profit NGOs.

Furthermore, two organizations now exist that encourage the development of microfinance sector and these are the MBT and AMIZ. According to the AMIZ Report (2010), AMIZ's vision is to see the development of sustainable microfinance industry that can contribute significantly to the reduction of poverty in Zambia.

2.6.1 Existing legal framework in Zambia

Zambia’s microfinance sector is governed by the Banking and Financial Services (Microfinance) Regulations, or MFRs. These come under the Banking and Financial Services Act of 1994, as amended in 2000 and 2005. Under the MFRs, the Bank of Zambia has regulated microfinance institutions since January 2006, requiring internal controls, risk management systems, regular reporting, and certain minimum standards.

The MFRs are a detailed list of requirements, which amongst others, prohibit any unlicensed provision of microfinance business, appoint the Bank of Zambia as the regulatory authority and require each MFI to have a minimum of five directors on their board if they are registered as a company. The Regulations prescribe a minimum primary and regulatory capital, require regular submission of management accounts and the payment of a supervisory fee to the Bank of Zambia. The MFRs also demand a clear procedure for handling customer complaints, helping to protect the consumer from mistreatment. (Microfinance Act, 2006).

2.7 The Concept of Critical Success Factors

Chaulagain and Lamichhane (2022) defines critical success factors as "the limited number of areas in which satisfactory results will ensure successful competitive performance for the individual, department, or organization." The few crucial areas where "things must go right" in order for the firm to succeed and for the manager's objectives to be fulfilled are known as critical success factors (Chaulagain and Lamichhane, 2022). One of the critical success factors is the **adoption of new technologies** to match the growing competition and rivalry across institutions (Chanda, 2020). **New technologies** are cardinal in helping MFIs find the best fit between external influence and fundamental business strategies. This is because the problem of finding the best possible fit between external influences and corporate attributes that is, the fundamentals of business strategy clearly influenced Rockart's idea of crucial success elements. Businesses must match their strategy, capabilities, and resources to the external environment in order to succeed, as it is thought to have some basic requirements, constraints, threats, and opportunities. According to Rockart, no company can afford to create a strategy that ignores the key elements that determine success in the sector. This justifies their use as the foundation of a management information system. According to Udeaje and Ibe (2006), critical success factors in the MFI sector include the ability to reach new clients, appropriate lending methodology, productivity, a supportive regulatory environment, ability to attract, train and retain staff, appropriate market segmentation and the use of an appropriate management information system. The ability to reach new clients is an aspect of how the MFI will market itself.

CSF identification helps management take steps to improve potential for success. They provide management with a measure (rating tool) on which improvement efforts can be focused. In the context of current study, the CSF approach is used to measure the relative importance of key considerations for commercial lending for further investigations and statistical validation. The relevance of the CSF approach is seen in its ability to aid preliminary screening of factors that enable MFI to pursue commercial microfinance with ease. Given the identification of factors that matter for success in commercialization, MFIs could be guided in their internal capacity and sense of preparedness. Management is therefore better informed on the likelihood of success, as well as areas where it must direct its efforts to win the financial markets.

Marketing Strategies

A major key to success in the service industry is having the right marketing strategies. Kotler (2000) defines a marketing strategy as a game plan for reaching an organization's set goals, addressing issues such as new product development, pricing, location of operations and the promotion of the institution and its products. Mahdi and Nassar (2021) noted that strategic managers recognize that sustained competitive advantage is rarely achieved by short term profit maximization. Establishing long term objectives in areas such as profitability, productivity, competitive position and dominance, customer service, employee development, technological leadership and public responsibility will be the best way to achieve long term prosperity. Wright et al (2003) notes that the growth in the Microfinance sector and the competition within has led Microfinance institutions to re-examine their products and delivery systems so as to better respond to their clients' needs. They further observe that this development of a client- responsive and market- led approach to the Microfinance industry is an important watershed in the industry. According to Wright et al (2003), the objectives of Microfinance institutions initially were to attract and retain clients which would enable them increase their market share while remaining profitable. They argue that this objective has now evolved to include understanding the external environment and incorporating this knowledge into their business strategy. Microfinance institutions have also begun studying the behavior of their existing and potential clients. By understanding their market and prospective clients MFIs have been able to tailor their products and their price offerings.

According to Churchill (2000), the most important marketing strategy in the MFI industry is to enhance customer loyalty to ensure that the customer is retained. Churchill notes that loss of a good customer in the MFI will have a negative financial consequence in the MFI and also affect other members in the institution. He notes that if an institution is loyal to its clients by providing them with valuable service which improves as the clients' needs change, the clients will be prepared to enter into a mutually beneficial long-term relationship. They argue that although the Profit Impact on Market Share (PIMS) studies have shown that growth in market share is correlated with profitability, other important forms of growth do exist. These include growth in new markets served; increase in the variety of products offered, and improvement in service offered which leads to improvements in a firm’s competitive ability. This can also be correlated into the Microfinance industry as the newer good clients they get, the more profitable they become.

A marketing strategy in the Microfinance industry is a source of competitive advantage in an industry where most providers provide homogeneous product. A good marketing strategy aggressively followed will enable the company attract more customers and ensure that its products and services are well known. The visibility which a marketing strategy will bring will be source of competitive advantage in the industry.

Adoption of new technologies

Lately, there have been a wide variety of technological advancements which have altered the contours of the Microfinance sector in a positive way. The most impactful of these advancements is the use of mobile banking, MIS, and other software to deliver MFI services. By adopting mobile applications and automatic text messaging systems to notify clients of payment dates, MFIs are able to lower cost and time investments by almost 50 percent (Churchill, 2000).

Product Attributes

Kotler (2000) defines a product as anything that is offered to a market to satisfy a want or a need. Kibera and Waruingi (1998) define a product as anything that is offered to customers to acquire or purchase. They further argue that the term product covers physical objects, services and ideas.

These two definitions are not contradictory. The products under discussion in this study are financial services provided by MFIs which are basically loans and saving facilities. Udeaja and Ibe (2006) note that the suitability of a Microfinance product is a critical success factor in the MFI. Thus, the market should be appropriately segmented with loan products and other financial services which should cover all costs of providing the services and also be able to minimize the transaction and opportunity costs to the client. This explains the fact that Microfinance institutions have moved beyond group lending to lending to individuals. Morduch (2000) note that group lending in Microfinance has been a success especially in clients who are less established and wealthy. They note that group lending has both benefits and costs. The benefits are primarily in the self-policing and group guaranteeing in the groups. The costs are that attending group meetings and monitoring group members is both expensive and time consuming. According to Johnson and Scholes (2002), the success of an organization is related to how well it is able to provide product features or attributes that are of value to customers at a given price. The product features that customers value will vary over time. Initially microfinance institutions offered loans and savings products but have now started diversifying.

Organization Resources

Resources are a key success factor for MFIs. Kotler (2000) noted that a company needs resources to carry out business successfully. These include capital, labour, materials, machines, information and energy. Labour is an important resource in the MFI industry. Udeaje and Ibe (2006) identify Human Resources as a key success factor in MFI. They identify the ability to attract and retain human resources as a factor in the growth of an MFI. The development of resource-based approach to strategic management in the 1980s changed the focus of firm performance from industry factors to firm specific factors as 4 sources of competitive advantage and more specifically firm resources (Ndofor, Sirmon and He, 2011). The firm's competitive advantage source has moved to intangibles like the organization's knowledge base and the know-hows on utilizing and developing it from tangible resources and the ability to deploy those (Boon et al, 2017). Barney (2014) eluded that most of the value of a company based on intellectual assets and that majorly global wealth is not tangible (Ferreira and Hamilton, 2010). This growth has led Microfinance institutions to provide saving services to their clients and access market funding sources rather than depend on donor funding as they initially did. She notes that some MFI access funding through Commercial banks in addition to the donors and partners they have. Availability of cash implies the ability to disburse loans to clients, which will attract clients to the institution and ensure a longer lasting relationship between the clients and the institution.

In Zambia there is a certain threshold of resources required by statute which shall be determined by the Bank of Zambia. Minimum Capital Requirements for Microfinance Institutions (MFIs) are as follows:

- Deposit–Taking Microfinance Institution: K2, 500,000.00
- Non-Deposit–Taking Microfinance Institution: K100, 000.00

From the above it can be seen that resources are a very key success factor in the Microfinance industry. Proper utilization of financial and human resources in the industry will enable a firm achieve a sustainable competitive advantage. This will come from a well-trained motivated staff and financial resource base which will enable the firm disburse loans and undertake growth strategies.

Regulatory Framework

The literature demonstrates that the performance of government rules and regulations affect the expansion of microfinance institutions because a successful regulatory structure fosters an environment that is favorable to MFIs (Woller, 2001). Institutional and national regulation are key to the success of microfinance institutions (Crabb, 2008). The regulatory climate offers a favorable setting for the growth of MFIs (Boating, 2013).

Customer and Brand Loyalty

Another critical success factor in the microfinance industry is Customer loyalty. According to Kotler (2000) a high customer satisfaction or delight creates an emotional bond with the product or service. High customer loyalty is developed by delivering high customer value in the eyes of the customer. In delivering high value the customer wins customer loyalty, the market share and revenues go up and the costs of acquiring customers goes down. According to Kotler (2000) a product or service must go beyond visibility and differentiation to achieve loyalty.

According to Churchill (2000), enhancing customer loyalty is a microfinance institution's most important strategy and every critical element involved in managing microfinance operations should be formulated to promote loyalty. Churchill further notes that the loyalty has to be earned and that if an organization is loyal to its customers and is committed to providing them with a valuable service which it improves as the customer's needs change then the customers are likely to repay the favour in the form of a mutually beneficial long-term relationship. According to Kumar, San and Newport (2016) by designing products to the evolving needs of clients the MFI can build client loyalty through customer service thereby increasing the customer base, this means that the financial services of n MFI must be designed in response to the needs and capacities of the clients. Loyalty is a deeply held commitment to repurchase or subscribe to a preferred product or service in the future despite situational influences and marketing efforts having the potential to cause consumers to switch to another product (Kotler & Keller, 2013). according to Kumar, San und Newport (2016) MFIs face difficulties in differentiating their services from those of the competitors particularly when the market is facing an intensive price competition, they suggest a solution to this is to develop a differentiated offer, delivery and a brand image. With the offer including innovative features to distinguish itself from competitor offers.

Customer loyalty will lead to a sustainable competitive advantage as the firm will be able to have long term customers who they can use as success stories in marketing strategies. It can also lead to new business s these customers can attract new clients through word of mouth.

2.8 Critical failure factors of MFIs

The business dictionary explains failure as the closure or cessation of business activity that results in loss to its creditors. Best well-known external factors include political and economic aspects which matters to do with interest rates, inflation, demographic and any changes in the political climate that may have an effect on the organization's structure (Johnson et al, 2014).

In contrast, another body of knowledge also puts an emphasis on internal factors that cause failure (Tedlow, 2008), the appropriate example being management style inside an organization. Another body of knowledge sets its base on the fact that operating problems within the firm result into action or inaction of top managers in the changing environment (Pearson, 2014). Focus of control for failure is internal to an organization even through the context may involve external influence (Gillespie and Dietz, 2009). This view has acted as a benchmark for researches gaining a broader understanding for effective governance within microfinance institutions. However, the major factors Microfinance institutions are facing that affects the growth and performance are discussed as follows taking in account the views of various authors. These factors include:

Donor dependency

Sustainability of microfinance operations is the ability to repeat performance through time (Schreiner, 2000). Sustainability in simple terms can also be referred to the long-term continuation of the Microfinance programme after the project activities have been discontinued or when donor funding has been ceased. The effectiveness of MFIs as a poverty reduction device needs to be assessed. Channeling donor funding into microfinance without a proper assessment of the associated benefits and costs entails the risk of diverting scarce resources from other primary areas, such as health and education. Subsidization of MFIs may also relax their budgetary constraints and create unfair competition with traditional financial institutions, preventing them from entering the microfinance niche (Hendricks, 2003).

There has been an argument that MFI have not had enough incentive to properly act towards becoming independent from donor's money. Over reliance on subsides and poorly designed subsidies limit scale and undermine incentives to build strong institutions (Morduch, 2005). According to Siwala and Ritchie (2011), a research done in Zambia concluded that what affects microfinance growth and performance would be attributed to over dependence on donor funds that are given to microfinance institutions at start or during the course of the business. It gives a false start to an organization that results in the abuse of resources and later on failure. Siwale and his counterpart further suggests that if only an organization is given an external push with resources remitting form am organization itself there would exist a sense of belonging with an aspect of sustainability at play.

Inadequate loan monitoring

Inadequate financial analysis according to Sheila (2011) is another cause of loan default. This is when in the loans department the officers do not take a careful study of the applicants to ensure that he/she has a sound financial base such that the risk of loss is mitigated in case of default. Warue (2012) also concludes that, most cases of loan delinquency which later because default are caused by microfinance institutions and self-help groups' management failure to efficiently manage specific factors which are considered to be within the direct control of the MFIs' and Self-

Help Groups' (SHGs') management. MFI's should consider paying particular attention to internal controls that have a greater impact on loan repayment as compared to external controls. According to Bichanger and Aseya (2013), the researchers also note non-monitoring of micro and small enterprises is another cause of default in loans which has an impact on the microfinance institution. A research also carried out in Ghana on what causes microfinance failures had its research findings closely related to factors which include inadequacy of loan monitoring and willful default of the loan (Antwi, 2015). Where loan appraisal is conducted by the credit department to come up with the decision to whether to grant a loan or not, credit monitoring is equally essential for microfinance as the credit department ensures repayment of the loan. Where this is neglected loan borrower can default payment and this will have much effect on the collapse of the institution

Loan default and insolvency

Poor business practice is another factor that cause loan default, there are weaknesses that the lender does not know about the borrower and hence has little control, hence the need for tighter screening before granting a loan. In most cases it is evident that borrowers lack the technical skill like keeping records and checking on the business performance until repayment time.

Default may occur if the debtor is either unwilling or unable to pay their debt. A loan default occurs when the borrower does not make required payments or in some other way does not comply with the terms of a loan. (Murray, 2011). Among the factors that can lead to a business failure is excessive taxation, high interest rates, wars, poor management decisions, excessive regulations, lack of public interest and lack of competitive power. Some companies decide to willingly shut down, whereas others continue operations until they are forced to shut down by a court order (Antwi, 2015). When micro credit borrowers fail to repay, this may cause an MFI to become illiquid, and lead to a possible chance of failure.

Failure to comply with the provisions of the Banking and Financial Services Act and the Banking and Financial Services Regulations

Even though microfinance institutions and formal banks provide similar products in the financial sector, the regulation that is imposed on these financial institutions must be different because they face different types of risks. Even so, various countries in the world still use the same regulation rules for both Banks and Microfinance institutions which becomes of much concern to the MFI.

This makes MFI’s more vulnerable to temporal shocks that could quickly undermine the financial health of the institution.

Chiumya, (2006), also in her research ascertains that MFI’s differ with traditional commercial banks in a number of aspects and the various risks associated to commercial banks are not directly applicable to MFI’s hence the need in the differentiating of regulation and supervision. In addition, MFI owners lack the financial depth required to inject more capital when needed. It is apparent that the donor and government go through lengthy procedures to disburse funds and thus private investors would not be willing to place more funds in the troubled organization.

Lack of accountability and transparency

Fraud or integrity risk involves planned deception by either an employee or a client of the institution. Resultantly, the organization sustains a financial loss. Direct theft by loan officers or other staff members is common with MFIs as in the case of CETZAM. Bribes, phantom loans, misleading financial statements and ‘kickbacks’ are some of the fraudulent activities that are common among MFIs. Such activities are cancerous since they can be shared by the employees. If due care is not taken, a fraudulent culture may develop in an institution that will later cause a an institution to fail (Mago et al, 2013)

Another scholar concludes that effective interest rate that a borrower pays for microcredit is very different from the stated interest rate of the loan. Microcredit organizations routinely hide the actual interest cost by using "creative" practices, such as charging interest on the original value of the loan rather than on the declining balance; up-front fees; collection of a security deposit (deducted from the loan amount); compulsory savings (collected with loan installments); and charging an insurance premium. With such hidden charges it is common for the effective annual interest rate to be more than 100 percent, when the stated interest rate is only 15 percent (Karnani, 2011).

Poor risk management practices

The sensitive nature of this industry calls for checks and balances in liquidity risk. However, the research findings by Owino (2011) indicated that the extent of use of liquidity risk monitoring methods is quite low. The goal of liquidity risk management is to match assets- liability and maintain liquidity risk exposure within acceptable parameters. MFIs need to manage the liquidity risk inherent. The effective management of liquidity risk is a critical component of a comprehensive approach to risk management and essential to the long-term success of any MFI. MFIs should now have a keen awareness of the need to identify measure, monitor and control liquidity risk as well as to determine that they manage liquidity risk in a more acceptable manner to avoid MFIs insolvency and or bankruptcy

Poor methods of credit risk management are yet another problem that MFI's are facing in various countries as much concentration is given to documentation. According to (Banda, 2020), every MFI's, loan officers must do a good job of collecting a host of information at the screening stage. For instance, the Russian micro lending program relies heavily on credit officers' visits to applicants' businesses rather than just on business documents. Cornée (2009) demonstrates the relevance of using loan officer's subjective judgment in order to predict future default of microenterprise.

2.9 Review of similar studies

Danga and Yusuph (2019) did a study on Factors affecting the growth of microfinance institutions in Tanzania: A case study SACCOS in Singida region. The research was conducted in Singida District in 2018 comprising a sample size of 88 respondents from ten SACCOS. Both qualitative and quantitative data were collected. The study employed case study method intended to assess the factors that affect the growth of Micro-finance Institutions in Tanzania. The study found that the growth of MFIs is affected by the following factors; Capacity in managing finances and loans and adhering to financial policies and guidelines. Others include competent personnel, appropriate training to key staff, loan follow up, corruption, and access of members to business training. Similarly, the availability of Technical support to SACCOS, Availability of sources of Business Capital, Level of knowledge on sustainability, Risk management, Training related to the members, challenges of business competition, Macroeconomic factors including inflation, Financial Sector Reforms and Development of Microfinance Policy, affect MFIs. Further the study found that the challenges affecting the performance of the growth of MFIs are within the capacity of the MFIs stakeholders. Henceforth, the study urges all stakeholders to play a pertinent role to enhance effective performance of MFIs

Hermes & Hudon (2018) carried out a research on Determinants of the Performance of Microfinance Institutions: A Systematic Review. they carried out a systematic review of close to 170 articles discussing the determinants of the financial and social performance of MFIs. The review shows that the most important determinants addressed in the literature are MFI characteristics (size, age, type of organization), their funding sources, the quality of organizational governance and the MFIs' external context such as macroeconomic, institutional and political conditions. The evidence on these issues is rather mixed. Moreover, the direction of the relationship between these drivers and MFI performance depends on the context, particularly the country-specific context. Finally, there is a lack of consensus in the literature on the measurement of financial and social performance. Due to the complexity of the concept, they argued that social performance should only be assessed by using a multidimensional perspective. This can be done either by applying recent and holistic social performance measures such as the SPI4, or at least by using a combination of proxies, such as outreach, gender and rural measures.

Chaulagain and Lamichhane (2022) carried out a study concerning the key factors of performance of the Nepalese microfinance institutions (MFIs). The principal goal of the study was the identification of necessary operational performance of MFIs. The determinants influencing MFIs' performance were identified using descriptive, correlational, and casual-comparative study methodologies. The study's conclusions demonstrated a strong correlation between MFIs performance and information technology, loan lending processes, and regulatory environment. The regulatory Framework seems to be an important factor in Nepal's microfinance performance as well. The study also discovered that MFIs performance is significantly influenced by the loan lending system, regulatory environment, and information technology. The study discovered that the loan lending system, regulatory framework, information technology, loan lending system, employee motivation, management system, effective risk management, and regulatory framework have a positive link with the performance of MFIs and significantly affect it. Additionally, it shows that the operational effectiveness of MFIs in Nepal has no correlation with employee motivation, management system, and effective risk management. The study's findings will be helpful to all parties involved with MFIs, including investors, regulators, legislators, and BFIs. According to the outcome, operational efficiency significantly affects the viability and continuation of service of Nepalese MFIs

Akhter (2018) carried out a study about key factors that are concerning the performance of microfinance institutions in Bangladesh. Self-administer questionnaire (structured and Unstructured questionnaire) has been used based on a five point likert scale. It has selected top five microfinance institutions (Grameen Bank, BRAC, ASA, BURO Bangladesh and TMSS) as a sample. It has surveyed 170 employees who are working in these microfinance institutions in Dhaka city to collect the primary data. It has applied both descriptive statistics and inferential statistical methods to identify the key patterns that are shaping the performance of microfinance institutions. In this study, several hypotheses and conceptual framework have been developed on the base of background literature. It has applied reliability statistics, One-way ANOVA, and Multiple Regression Analysis to test hypotheses. The study finds that loan lending system, motivation of employee, proper management system, effective risk management technique and government regulatory framework have a significant relationship with microfinance institutions' (MFIs) performance. It also represents that innovation and information technology (IT) has an insignificant relationship with the performance of microfinance institutions in Bangladesh. It shows that loan lending system, motivation of employee, proper management system, and government regulatory framework have a positive relationship of MFIs' performance and effective risk management has a negative relationship with the performance of MFIs. It also found that the loan lending system is the most important issue to the performance of MFIs.

Muithya and Muathe (2020) carried out the study based on six objectives; to examine the effect of absorptive capability on performance of MFI in Kenya, ; to examine the effect of adaptive capability on performance of licensed MFIs in Kenya, ; to examine the effect of innovative capability on performance of MFI in Kenya, ; to examine the effect of networking capability on performance of MFI in Kenya, to examine the mediating effect of strategic choice on the relationship between dynamic capabilities and performance of MFI in Kenya and to examine the moderating effect of business regulatory environment on the relationship between dynamic capabilities and performance of licensed MFIs in Kenya. The study was based on various theories; resource-based view, dynamic capabilities view, theory of strategic choice, institutional theory and balanced score card. Resource based view was the main theory to anchor the study. Empirical studies on the various variables was reviewed. The study adopted positivist approach and combined descriptive and explanatory cross-sectional research design was used. The target population comprised 13 licensed MFIs in Kenya between the year 2017 and 2018 with four functional areas from each. A census of the licensed MFIs was done to analyse the data. Primary data was collected using semi-structured self-administered questionnaires for both quantitative and qualitative data. Secondary data was collected from published reports, financial reports published by MFIs and Central Bank of Kenya reports on MFIs between 2017- 2018. Face, content and construct validity ensured through expert opinions and pilot testing. Reliability test was done through use of Cronbach's alpha score at the level of 0.7. Descriptive statistics included mean scores, standard deviations, percentages, and frequency distribution was used to analyse the data. Mutiple regression was done and coefficient of determination (R2) was used to establish the statistical significance of the regression models. Significance level of 0.05 was used. Based on the extant literature reviewed there has been varied relationship; both significant and non-significant between dynamic capabilities and performance. The sub capabilities of dynamic capabilities were; absorptive capability, adaptive capability, innovative capability and networking capability. Strategic choice and business regulatory environment have been mediating and moderating variables respectively. The three constructs; dynamic capabilities, strategic choice and performance can be fully conceptualized in one study. Integration of the various theories like resource-based view, dynamic capabilities view, theory of innovation, contingency theory and attention-based view in one study can be researched on.

Siwale and Godfroid(2022) are proponents on digitising how financial services are accessed in the microfinance industry is considered a magical pathway to increasing financial inclusion. This paper argued that beyond the numerous advantages digitisation is supposed to bring, it may also hinder financial inclusion if it completely replaces the loan officer-client relationship that has been a hallmark of microfinance. Based on questionnaires and on 21 semi-structured interviews with managers and loan officers of four (04) microfinance institutions in Zambia, the research highlighted the trade-offs that needed to be considered when digitising the lending process. The study argued for a blended approach between digital technologies and flexibility through human touch if microfinance institutions are to retain the competitive advantage, as well as enhance the production and quality of soft information for financial inclusion in less mature markets

Malilwe and Haabazoka (2024) examined the factors that affect the growth of building societies with regards to the housing deficit, in Zambia. It focused on the influence of regulatory requirements, socio-economic factors, environmental considerations and operational requirements. The goal was to gain an understanding of how these financial institutions develop over time. Through a regression approach, the study examined the relationships between independent variables (regulatory, socio-economic, environmental and operational factors) and the growth of building societies. The research is based on quantitative data collected from 53 participants from building societies in Zambia. The findings revealed a significant and positive relationship between regulatory requirements and building society growth. Socio-economic factors demonstrate varying degrees of significance, environmental factors exhibited limited impact, and operational requirements display a weak relationship with growth. The study highlighted the role of frameworks, the multifaceted influence of socio-economic dynamics, the secondary importance of environmental factors and the significance of operational excellence. In conclusion, the research provided insights into the dynamics that drive building society growth in Zambia. Policymakers are advised to strengthen frameworks to consider socio intricacies carefully and prioritize operational efficiency. The implications extend to promoting inclusion, stability and growth, in Zambia’s evolving landscape.

Table 2. 3: Literature Review Matrix research articles on Microfinance Institutions

NO	AUTHOR	JOURNAL	TOPIC	AIM/PURPOSE	METHODS	CONTEXT/COUNTRY	EMERGING ISSUES	RESEARCH GAP
1.	Danga, M. and Yusuph, M.L.	International Journal of Academic Multidisciplinary Research (IJAMR), Vol. 3 Issue 3, March – 2019, Pages: 69-79	Factors affecting the growth of microfinance institutions in Tanzania: A case study SACCOS in Singida region.	Articulate and explain factors affecting the growth of microfinance in Tanzania, in Singida region	Both qualitative and quantitative data were collected. The study employed case study method	Tanzania	Macroeconomic factors including inflation, Financial Sector Reforms and Development of Microfinance Policy, affect MFIs.	The methodology used was a case study which is not sufficient evidence to generalize findings/conclusions

2.	Hermes, C., & Hudon, M. (2018)	(SOM Research Reports; Vol. 2018, No. 008). University of Groningen, SOM research school.	Determinants of the Performance of Microfinance Institutions: A Systematic Review.	Investigating determinants of the Performance of Microfinance Institutions: A Systematic Review.	Systematic review of 170 articles	Various countrie s	Lack of consensus in the literature on the measurement of financial and social performance. Due to the complexity of the concept, it is argued that social performance should only be assessed by using a multidimensiona l perspective.	The methodolo gy used was a review of 170 articles whose methodolo gies were not cited, and places of study noted included. Therefore, the findings could not be generalize d.

3.	Chaulagain, K.P. and Lamichhane, B.D.,	*Journal of Nepalese Business Studies*, *15*(1), pp.46-59. 2022	A Study on the determinants factors of microfinance performance in Nepal	This study concerns about Determinants factors of microfinance performance in Nepal	The determinants influencing MFIs' performance were identified using descriptive, correlational, and casual-comparative study methodologies	Nepal	This study concerns the key factors of performance of the Nepalese microfinance institutions (MFIs). The principal goal of the study is the identification of necessary operational performance of MFIs	The study provides good insight but fundamentals are different for Zambia set-up
4.	Akhter, P., 2018	*Pacific Business Review International*, *10*(11), pp.124-132.	A study on the factors affecting the performance of microfinance	This study concerns about key factors that are concerning the performance of microfinance	Self administer questionnaire (structured and Unstructured questionnaire) has been used based on a five	Bangladesh	It shows that loan lending system, motivation of employee, proper management	The study provides good insight but fundamentals are different

			institutions in Bangladesh	institutions in Bangladesh	point likert scale. It has selected top five microfinance institutions (Grameen Bank, BRAC, ASA, BURO Bangladesh and TMSS) as a sample		system, and government regulatory framework have a positive relationship of MFIs' performance and effective risk management has a negative relationship with the performance of MFIs. It also found that the loan lending system is the most important issue to the performance of MFIs.	for Zambia set-up

5.	Muithya, V. and Muathe, S., (2020)	*Journal of Business, Economics and Management Works*, *7*(08), pp.15-29.	Dynamic capabilities and performance in the context of microfinance institutions in Kenya: An exploratory study.	The study has six objectives; to examine the effect of absorptive capability on performance of MFI in Kenya, ; to examine the effect of adaptive capability on performance of licensed MFIs in Kenya, ; to examine the effect of innovative capability on performance of MFI in Kenya, ; to examine the effect of	The study will adopt positivist approach and combined descriptive and explanatory cross sectional research design was used. The target population comprised 13 licensed MFIs in Kenya between the year 2017 and 2018 with four functional areas from each. A census of the licensed MFIs was done	Kenya	The three constructs; dynamic capabilities, strategic choice and performance can be fully conceptualized in one study	The study provides good insight but fundamentals are different for Zambia set-up

				networking capability on performance of MFI in Kenya, to examine the mediating effect of strategic choice on the relationship between dynamic capabilities and performance of MFI in Kenya and to examine the moderating effect of business regulatory environment on the relationship between dynamic capabilities and performance of	to analyse the data. Primary data was collected using semi-structured self-administered questionnaires for both quantitative and qualitative data. Secondary data was collected from published reports, financial reports published by MFIs and Central Bank of Kenya			

				licensed MFIs in Kenya.	reports on MFIs between 2017- 2018			
6.	Siwale, J. and Godfroid, C., 2022.	*Oxford Development Studies*, *50*(2), pp.177-191.	Digitising microfinance: on the route to losing the traditional 'human face'of microfinance institutions.	Digitising how financial services are accessed in the microfinance industry is considered a magical pathway to increasing financial inclusion.	Based on questionnaires and on 21 semi-structured interviews with managers and loan officers of four microfinance institutions in Zambia	Zambia	The research highlights the trade-offs that need to be considered when digitising the lending process.	The study focused only digitizing effect on clients and MFIs performance in relation to one factor
7.	Malilwe, S. and Haabazoka, L., 2024.	*Open Journal of Business and Management*, *12*(2), pp.993-1020.	A Study of the Factors Affecting the Growth of Building Societies in Zambia: A	This study examines the factors that affect the growth of building societies with regards to the housing	The research is based on quantitative data collected from 53 participants from building	Zambia	The implications extend to promoting inclusion, stability and growth, in Zambia's	The study provides good insight but did not cover most of the

			Case Study of Building Societies, Banks and Micro-Finance Institutions in Lusaka	deficit, in Zambia. It focuses on the influence of regulatory requirements, socio-economic factors, environmental considerations and operational requirements. The goal is to gain an understanding of how these financial institutions develop over time. Through a regression approach, the study examines	societies in Zambia.		evolving landscape.	critical success factors needed to ensure success of MFIs in Zambia

				the relationships between independent variables (regulatory, socio-economic, environmental and operational factors) and the growth of building societies.				

The literature review matrix has provided the researcher with wider insights regarding microfinance institutions and the various research methodologies used. This will form part of literature review for purposes of summarizing, synthesizing, critiquing and comparisons. The writer has also observed that some methodologies used are inadequate, such as case studies, to come up with general conclusions on the subject matter. Therefore, the study undertakes to use reasonable sample size in the Zambian environment.

2.10 Critique of existing literature

The literature reviewed covers a number of aspects including what microfinance institutions are, the critical success factors of microfinance institutions, and the challenges facing microfinance institutions in Zambia and others countries. Unfortunately, there is not much research on the crucial success elements that MFIs in Lusaka, Zambia need to succeed, in most instances, case studies were used which may not be adequate to generalize the findings and conclusions. Hence the need for this study to be able to contribute to the existing literature on the topic at hand.

2.11 Chapter summary

This chapter has presented the reviewed literature which are related to the topic under discussion. The literature has been presented depending on various existing themes and topic and sub-topics in relation to or closely related to the relevance in the study of critical success factors of MFIs. The theoretical framework and the conceptual framework have also been presented.

CHAPTER 3

RESEARCH METHODOLOGY

3.0 Introduction

This chapter provides and discusses a research methodology for the study. It begins by briefly describing the research design adopted for this study, the chapter also discusses the methods, procedures and instruments that were used for data collection, analysis and presentation. The chapter further discusses the target population as well as data which the researcher will acquire

3.1 Research Approach

This research adopted a mixed research approach to deliver conclusions or inferences concerning the critical success factors of Microfinance Institutions (MFIs) in Zambia. Both quantitative and qualitative strategies were used. Quantitative strategies were utilized to analyse data and draw conclusions about the factors critical to the success of MFIs. Quantitative research was chosen because it allows for the measurement and analysis of numerical data, providing a more objective and statistical understanding of the critical success factors of MFIs. This approach enables the researcher to identify patterns, trends, and relationships among variables, which is essential for drawing meaningful conclusions and making informed recommendations for policy and practice in the microfinance sector.

3.2 Selected methodology

This research used mixed methods. According to Kombo and Tromp (2006), mixed methodology, or mixed methods research, refers to an approach that combines both qualitative and quantitative research methods within a single study. This approach allows researchers to draw on the strengths of both methodologies to provide a more comprehensive understanding of a research problem. The researcher opted for mixed methodology because it combines qualitative and quantitative data to provide a more complete understanding of the research problem.

3.3 Research Design

The study employed an exploratory research design to lay the foundation for investigating the critical success factors of Microfinance Institutions (MFIs) in Zambia. This design was chosen for its ability to provide necessary information, formulate important principles of knowledge, and suggest solutions to enhance the application of critical success factors in the context of Zambian MFIs. Exploratory research was crucial as it allowed researchers to gain a deeper understanding of a topic or issue, identify potential variables or relationships, and generate hypotheses for future research (Komb & Tromp, 2006). In this study, the exploratory design helped the researcher gain insights into the critical success factors of MFIs in Zambia, informing future research and policy decisions in this area. Qualitative strategies played a crucial role in understanding the critical success factors of microfinance institutions. By using qualitative research methods such as interviews, the researcher was able to gain insights into the unique challenges and opportunities faced by these institutions. Qualitative data helped identify key factors that contribute to the success or failure of microfinance institutions, such as leadership, organizational culture, client relationships, and regulatory environment.

3.4 Study area

This study was conducted in Lusaka. Lusaka was chosen as a study area because it is the economic center of Zambia, housing a significant number of microfinance institutions, making it an ideal location to assess their success factors. Additionally, the city has a diverse population with varying income levels, providing a rich context for studying the impact and effectiveness of MFIs. Furthermore, the concentration of MFIs and their clients in Lusaka allowed for easier access to data and participants for the study.

3.5 Target population for the study

The target population for this study are 29 registered MFI by BOZ in Lusaka from which the sample was drawn. These institutions were identified through the registry. These MFIs will be chosen because they will provide necessary information concerning the research because it centers on their operations.

3.6 Sampling method

The study used one stage cluster sampling techniques were out of the 29 MFIs, 10 MFIs will be selected randomly and out of the 10 MFIs, 6 key informants within each MFI were selected purposively to respond to the survey. The key informants or expert were either be a Chief executive officer, Chief finance officer, Head of loans collection, Credit and Risk analyst, Legal officer or/and marketing officer. The list of MFIs will be obtained from the list of Non-Bank Financial Institutions (Excluding Bureaux de Change) licensed under the Banking and Financial Services Act of 2017 of the laws of Zambia. The following steps were used in simple random sampling to choose the MFIs; (i) the population was defined; (ii) sample size was chosen; (iii) population was listed; (iv) numbers was assigned to units; (e) random numbers was selected; and (f) sample selection was done. Cluster sampling was chosen because it allows for a more practical and cost-effective way to collect data from a large and diverse population of MFIs. By selecting clusters of MFIs, the study could reduce the time and resources needed for data collection. Additionally, by purposively selecting key informants within each MFI, the study could gather in-depth and relevant information from individuals with expertise in various aspects of microfinance operations, such as finance, risk management, and marketing.

3.7 Sample size

According to bank of Zambia's Non-bank financial institution report of March 2023, there are 29 microfinance institutions in Lusaka and out of 29 MFIs, 10 MFIs were selected randomly and 6 key informants were purposively selected from each selected MFIs. Hence, the sample for this study will be 60 respondents. The sample size of 60 respondents was selected to ensure representativeness, statistical power, and feasibility for the study on the critical success factors of microfinance institutions (MFIs) in Lusaka, Zambia. This sample size allows for the inclusion of a diverse range of MFIs and key informants, aiming to capture a comprehensive view of the factors affecting MFIs in the region. With this sample size, the study can analyze the data effectively and draw meaningful conclusions about the critical success factors of MFIs in Lusaka, ensuring that the findings are robust and reliable. Additionally, the sample size of 60 was chosen to address resource constraints such as time, budget, and access to respondents, making it manageable within the limitations of the research project while allowing for in-depth data collection and analysis.

3.8 Data collection Instruments

Both primary and secondary data were used for this research.

3.8.1 Primary data

Primary data was gathered through the administration of questionnaire. Questionnaires were chosen as the primary instrument for data collection in this study for several reasons. Questionnaires were used because they are a cost-effective and efficient way to gather data from a large number of respondents and provide a standardized way of collecting data, ensuring that all respondents are asked the same questions in the same format. This helped to minimize bias and ensured consistency in the data collected. Thirdly, questionnaires are well-suited for collecting quantitative data, such as numerical ratings or responses to multiple-choice questions, which is important for analyzing the critical success factors of MFIs in Zambia and drawing statistical conclusions. Lastly, data collected through questionnaires was is quantified and analyzed using statistical tools, allowing for the identification of trends, patterns, and relationships among variables. The interview schedules were also used as tool for data collection. This allowed the researcher to obtain original and unique data directly from a source based on the study's requirements. This helped to reduce bias and ensure that the data collected is consistent and reliable. Kothari (2014) argues that interview schedules also allow for in-depth exploration of topics and the opportunity for follow-up questions, which can lead to richer and more detailed data.

3.8.2 Secondary data

Secondary data was collected through various methods, typically involving the use of existing sources rather. These sources included books, magazines, journal articles, government and institutional reports among others.

3.9 Data collection procedure

The procedure for data collection began by getting approval from the Ethics committee, authorizing the researcher to go ahead with the research. Permission will also be sought from every MFIs that were selected for the study. After getting permission from all relevant bodies, closed ended questionnaires were distributed to the identifiable respondents in the selected MFIs using google forms and paper form. This allowed the researcher to collect quantitative data. The questionnaires will be evaluated for errors before administering. The researcher opts for the questionnaire because it is fast and cost effective.

3.10 Data analysis

Data collected was cleaned, processed, coded and analyzed using Microsoft office excel and Microsoft office word for qualitative parts. The analyzed data was displayed mostly by using tables, pie charts, graphs and other graphics, these will provide a visual and in-depth understanding of the data analysis in identifying critical success factors and critical failure factors of MFIs and their enhancement. Quantitative data was analyzed using SPSS 22, this provided a numeric understanding of the research study. These results obtained from the data collected were then used to make the necessary conclusions and recommendation. The researcher use closed-ended questions and questionnaire guide which provided structured responses that are easy to quantify and analyze, aligning with the study's focus on identifying and analyzing the critical success factors of MFIs in Zambia. Using Google Forms and paper forms also allowed for efficient data collection from multiple respondents across different MFIs. Overall, this approach was chosen for its practicality and ability to provide the necessary data for the study's analysis.

3.10.1 Reliability of research instrument

Kombo and Tromp (2006) state that a reliability test is a type of test that is used to assess the consistency and stability of a measurement or test over time. Therefore, in this study, A 0.7 Cronbach's Alpha statistic will be used to test the reliability of the data set to assess its internal consistency and to measure the reliability of the data collection instrument. 0.7 will be chosen because Cronbach alpha values of 0.7 or higher indicate acceptable internal consistency in a reliability test. Additionally, analysts frequently use 0.7 as a benchmark value for Cronbach's alpha. At this level and higher, the items are sufficiently consistent to indicate the measure is reliable. Typically, values near 0.7 are minimally acceptable but not ideal.

3.10.2 Validity of research instrument

The validity was done to ensure that the instrument covers all relevant aspects of the concept being measured. A validity test is a method used to determine whether a test or assessment accurately measures what it is intended to measure. Therefore, in this study, validity assessed whether the study variables were accurately presented in the study. It involved content and factor validity. Content validity compared the study data with results from similar studies in the literature. Factor analysis was also be used to establish whether the variables relate and load on common factors known as factor loading.

3.11 Ethical considerations

Ethical issues of research were applied to all phases of the research process. All the ethical principles which include informed consent, confidentiality, justice, anonymity, and protection from harm was observed. Informed consent was applied to participants by providing potential research participants with all the necessary information about a study so that they can make an informed decision about whether to participate or not. The participants were assured of confidentiality and there was no coercion whatsoever as a form of making the respondents participate in the research. All information collected was purely used for the purposes of this academic research and confidentiality will be upheld. Using justice, the researcher didn’t expose one group of people to the risks of the research solely for the benefit of another group and therefore, fair and equal distribution of benefits and risks of participation in a research study for the researcher and participants was observed. Providing anonymity of information collected from research participants meant collecting without identifying information of individual persons such as names and addresses. To protect respondents from harm, the researcher obtained informed consent from participants.

3.12 Chapter summary

The chapter discusses the research methodology which highlights the research design, targeted population, sampling procedure and how the sample size will be drawn. This chapter highlights the data collection instrumentation and tools as well as the kind of data used and discussed inclusive of how the data will analyzed.

CHAPTER 4

DATA PRESENTATION

4.0 Introduction

In this pivotal chapter, we delve into the presentation of data, shedding light on the empirical findings that unfold the critical success factors of Microfinance Institutions (MFIs) in Lusaka, Zambia. This section serves as the bridge between the extensive research conducted and the formulation of meaningful insights. Through a meticulous analysis of collected data, we aim to unveil patterns and trends that contribute to a comprehensive understanding of the key elements influencing the success of MFIs in this specific geographic context.

The subsequent sections will unravel the quantitative and qualitative data amassed during the research process, allowing us to discern the nuanced dynamics at play. The presentation is designed to provide clarity on the identified critical success factors, offering stakeholders, policymakers, and practitioners' valuable insights for informed decision-making within the microfinance landscape of Lusaka, Zambia. As we embark on this data-driven journey, the goal is to contribute to the ongoing discourse surrounding financial inclusion and sustainable development in the microfinance sector.

4.0.1 Survey response rate

Table 4.1: Response rate

Response rate	**Frequency**	**Percentage**
Returned questionnaires	60	100
Unreturned questionnaires	0	0
Total	**100**	**100**

According to the study findings, the study had a response rate of 100 percent which was very satisfactory for the study.

4.1 Demographic characteristics

The demographic characteristics of respondents included their gender, age and level of education. These characteristic may have a bearing in the growth of microfinance institutions.

4.1.1 Gender

There respondents were asked to state their gender and the following results were obtain as show in figure 4.1. The results show that 55 percent of the respondents were male while 45 percent of the respondents were female.

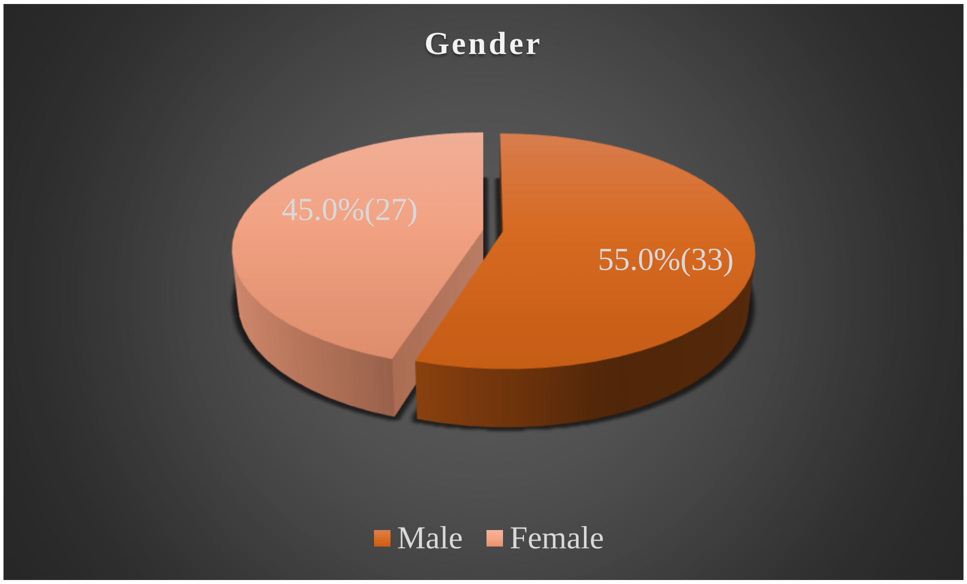


Figure 4.1: Gender (Source: Survey results)

4.1.2 Age

The respondents were asked to state their age and figure 4.2 presented the findings. The figure showed that 58.3 percent of the respondents were 31 years and above while 41.7 percent of the respondents were below 30 years

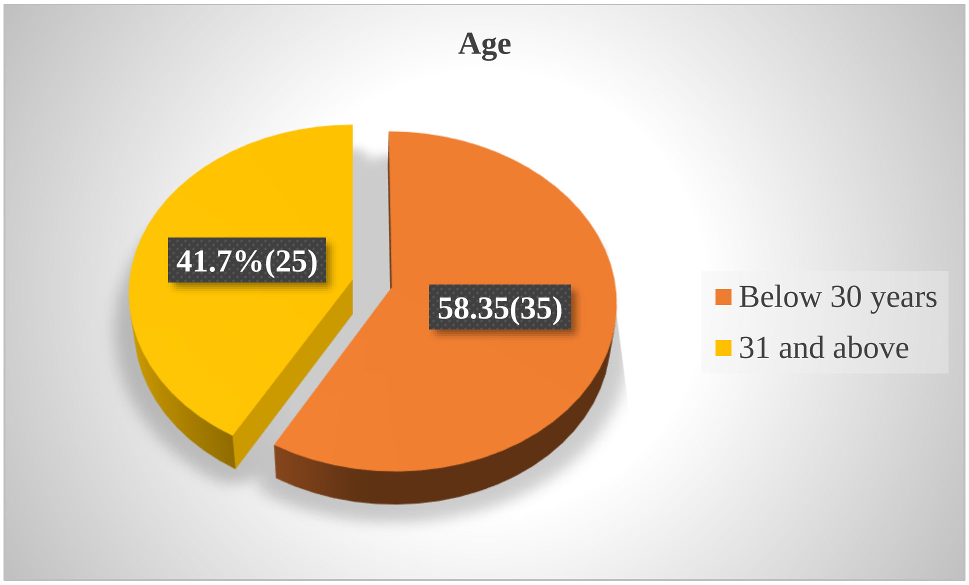


Figure 4.2: Age of respondent (Source: Survey results)

4.1.3 Level of Education

Level of education is one of the demographic characteristic of the respondents. Level of education was measured according to the Zambia education system. The results are presented in figure 4.3. The figure shows that 98.3 percent of the respondent had obtained tertiary level of education while only 1.7 percent had secondary school level of education.

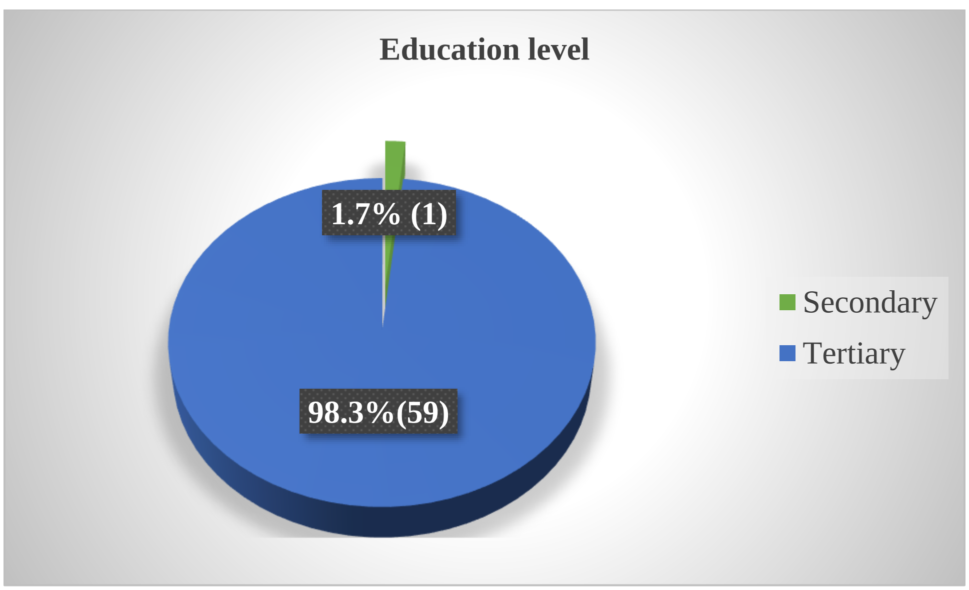


Figure 4.3: Level of Education (Source: Survey results)

4.2 Kind of microfinance institution

The respondents were asked on on the kind of microfinance they are working for and the results are displayed in figure 4.4. the results show that majority of the respondents responded to others representing 70 percent while 8.3 percent worked for commercial banks with microfinance services and 20 percent worked for cooperatives while 1.7 percent for non-profit organization

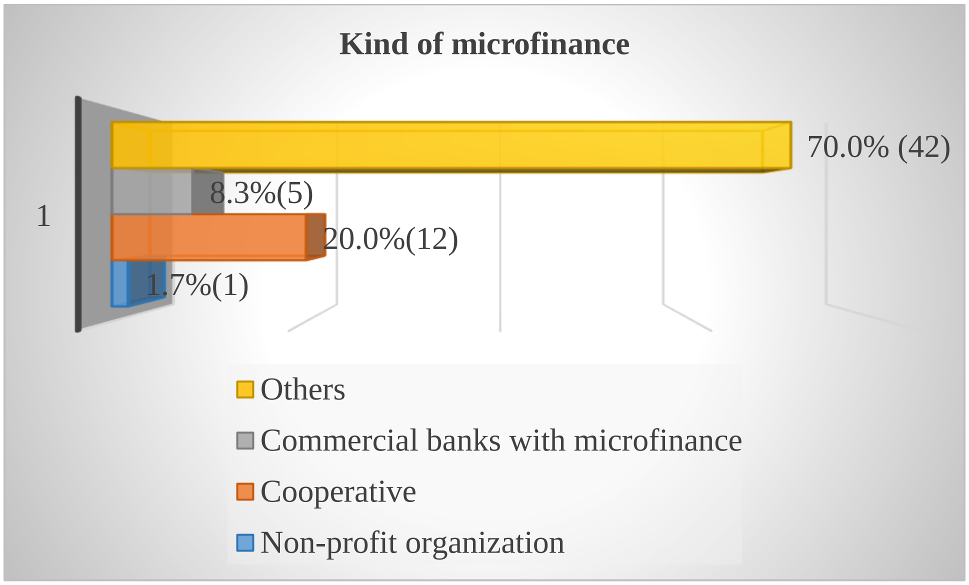


Figure 4.4: Kind of microfinance institution (Source: Survey results)

4.2.1 Kind of services offered

The distribution of financial products and services within the surveyed respondents reflects a diverse landscape of offerings by Microfinance Institutions (MFIs). Notably, microcredit emerges as a predominant choice, commanding a substantial 91.70% agreement, underscoring its central role in empowering individuals and businesses with small-scale loans. Savings accounts follow at 56.70%, emphasizing the importance of promoting financial inclusion through accessible savings mechanisms. While insurance products, mobile banking services, and education loans garner noteworthy percentages, the lower scores for group lending, housing finance, and microenterprise training suggest potential areas for enhanced focus or innovative approaches. The inclusion of agriculture finance aligns with the economic landscape of many regions, emphasizing support for rural communities. Interestingly, health financing and environmental or social impact initiatives rank relatively lower, indicating potential growth areas for MFIs to explore in aligning their services with broader developmental goals. This nuanced array of preferences underscores the need for MFIs to tailor their offerings to the unique needs of their client base while considering opportunities for diversification and inclusive community development initiatives.

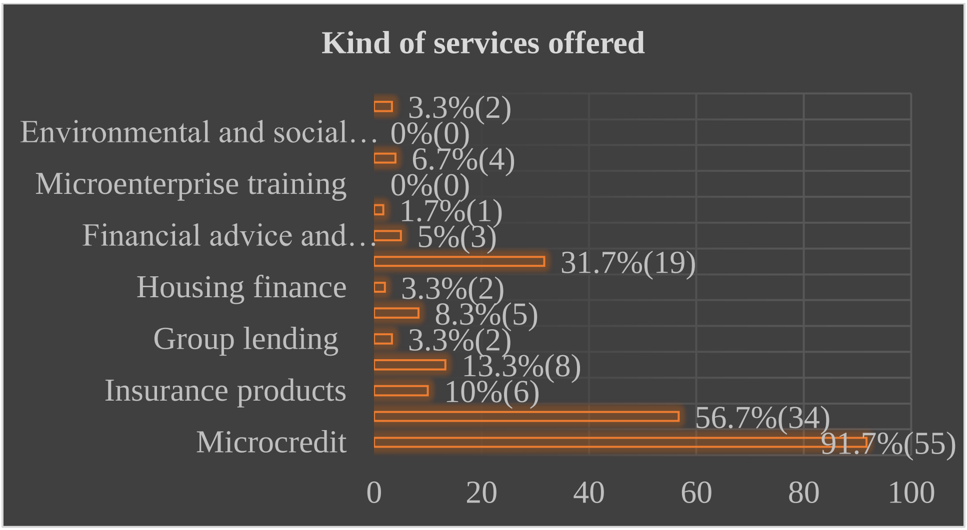


Figure 4.5: Services offered (Source: Survey results)

4.2.2 Number of employees

The respondents were asked to state the number of employees the microfinance institution had working there and figure 4.5 shows us the results. The results show that 28.3 percent had 20 to 99 employees representing 17 microfinance institutions while 36.7 percent had 5 to 19 employees representing 22 microfinance institutions while 35 percent had less than 5 employees representing 21 microfinance institutions.

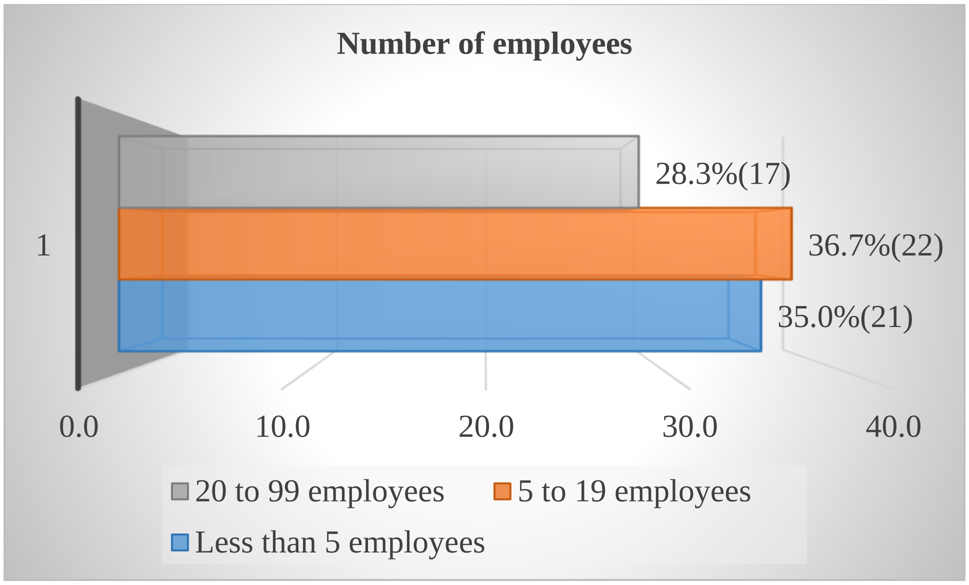


Figure 4.6: Number of employees (Source: Survey results)

4.3 Role of Microfinance institution

Microfinance institutions play a crucial role in fostering financial inclusion and addressing economic challenges, particularly in underserved and low-income communities. Table 4.1 show some of the roles respondents agreed to crucial be played by microfinance institutions. The results show that only 6.7 percent agreed to microfinance institution play the role of targeting the poor while 76.7 percent remained neutral and 8.3 percent strongly disagreed and disagreed. 45 percent and 48.3 percent agreed and strongly agreed respectively while 8.3 remained neutral to microfinance institution playing the role of positive impact. 23.3 percent and 10 percent agreed and strongly agreed while 63.3 percent remained neutral and 1.7 percent disagreed and strongly disagreed to microfinance playing the role of women employment. 43.3 percent and 48.3 percent agreed and strongly agreed respectively while 8.3 percent remained neutral to microfinance institutions playing the role of employment provision.

Table 4.2: Role of Microfinance institutions

	Agree	**Strongly agree**	**Neutral**	**Disagree**	**Strongly disagree**
Targeting the poor	6.7% (4)		76.7% (46)	8.3% (5)	8.3% (5)
Positive impact	45% (27)	48.3% (29)	8.3% (5)		
Women empowerment	23.3% (14)	10% (6)	63.3% (38)	1.7% (1)	1.7% (1)
Employment provision	43.3% (26)	48.3% (29)	8.3% (5)		

In tandem with the findings above, when respondent were as to explain the role of microfinance institutions, the following were some of the responses:

One of the respondents noted that, "*Microfinance institutions play a crucial role in targeting the poor by providing them with access to financial services such as loans, savings, and insurance...these institutions have a positive impact on poverty reduction by enabling the poor to start or expand their businesses, increase their income, and improve their standard of living*".

Another addaed that, "*microfinance institutions often prioritize women as their target clients, leading to women empowerment and by providing women with financial resources and training, these institutions help them become economically independent, make decisions for their families, and contribute to their communities' development*".

Furthermore, one of the respondents argued that, "*microfinance institutions in Lusaka play a significant role in employment provision by offering loans to small businesses and entrepreneurs, creating job opportunities, and stimulating economic growth in local communities*".

4.4 Microfinance institution and provision of financial services

Microfinance institution are instrumental in providing a range of financial services to individuals and businesses, especially in underserved and economically disadvantaged communities. Figure 4.6 shows to what extent the respondents agree that microfinance play a crucial role in providing financial services. The results show that 80 percent agreed while 11.7 percent strongly agreed and 3.3 percent remained neutral while 5 percent strongly disagreed

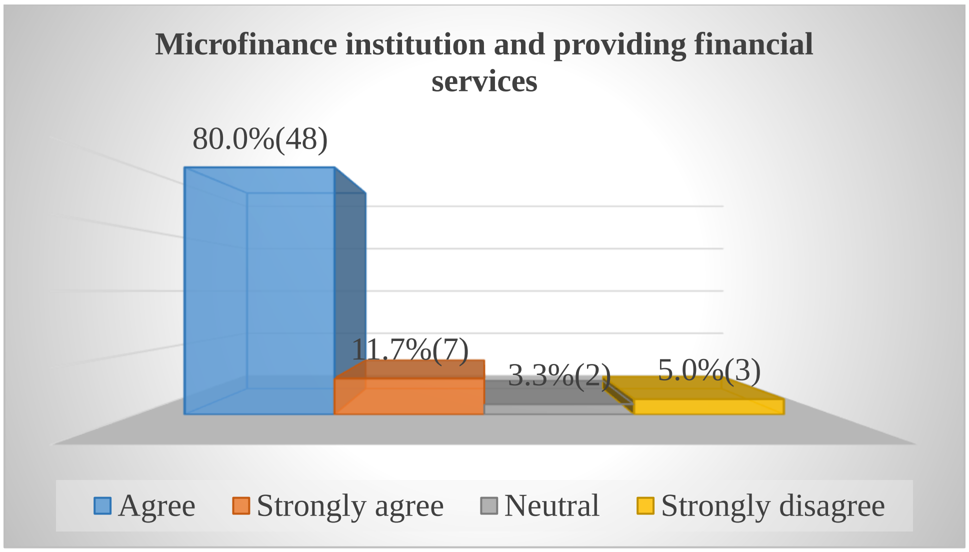


Figure 4.7: Microfinance institution and providing financial services (Source: Survey results)

On the provision of financial services by mirco finance institutions in Lusaka, the respondents had the following to say.

A respondent argued that, "*Microfinance institutions in Lusaka provide financial services to individuals and small businesses who may not have access to traditional banking services*".

Additionally, another one stated that, "*micorfiance institutions offer small loans, savings accounts, and other financial products to help clients start or expand their businesses*"

4.5 Microfinance institutions and individual development and businesses

Microfinance institutions play a transformative role in fostering individual development and supporting the growth of small businesses. Figure 4.8 show how respondent responded to rating the impact of microfinance institutions on the individual development and businesses. The results show that 76.7 percent rated it to be high while 3.3 percent rated it very high and 18.3 percent rated it moderate while 1.7 rated it very low.

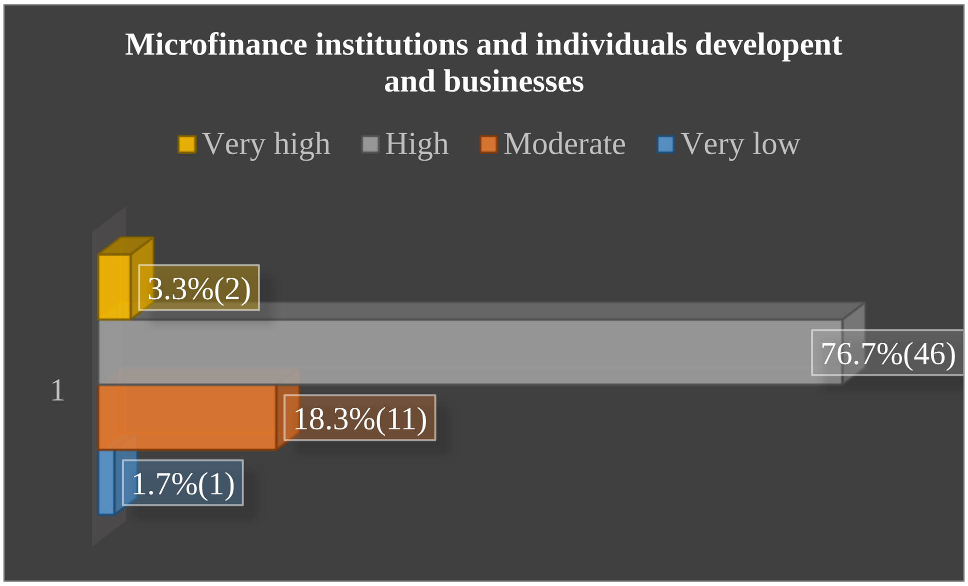


Figure 4.8: Microfinance institutions and individual development and businesses (Source: Survey results)

According to the study findings, the respondents were asked to explain how microfinance institutions play a transformative role in fostering individual development and supporting the growth of small businesses. One of the respondents stated that,

"*Microfinance institutions provide financial services to individuals who are unable to access traditional banking services, such as small loans, savings accounts, and insurance because by providing these services, they empower individuals to start or expand their own businesses, improve their living conditions, and build a better future for themselves and their families*".

Another one noted that, "*some ways in which microfinance institutions support individual development and small business growth include providing access to credit for entrepreneurs who may not qualify for loans from traditional banks and offering financial literacy training and business development support to help individuals manage their finances and grow their businesses*".

Not only the above, another respondents explained that, "*by encouraging savings habits and helping individuals build assets over time and promoting financial inclusion by reaching out to marginalized communities and individuals who are often excluded from the formal financial* *sector, microfinance institutions play an important transformative role in fostering individual development and supporting the growth of small businesses*".

4.6 Critical success factors of microfinance institutions

The critical success factors (CSFs) of microfinance institution encompass various elements that are crucial for their effectiveness and sustainability. The respondents were asked which critical success factor they considered crucial for the success of the microfinance institution and table 4.2 presents the results. The survey results provide valuable insights into the perceptions of respondents regarding various critical factors for Microfinance Institutions (MFIs). The majority agree (63.3%) that financial stability is a key consideration, emphasizing its paramount importance for the success and sustainability of MFIs. Outreach to the underserved population is less acknowledged, with 80% expressing a neutral stance, undermining the significant role of MFIs in reaching marginalized communities. Marketing strategies also garner substantial attention, with 56.7% strongly agreeing and 36.7% agreeing on their relevance. The adoption of new technology is viewed positively, as 53.3% agree and 43.3% strongly agreeing, indicating the increasing importance of technological advancements in the microfinance sector. Product attributes, organizational resources, regulatory compliance, efficient risk management, and customer and brand loyalty are recognized as critical factors, with varying degrees of agreement. These findings collectively highlight the multifaceted nature of success in microfinance, emphasizing the need for a holistic approach that addresses financial stability, technology integration, client outreach, and organizational capabilities.

Table 4.3: Critical success factors of microfinance institutions

	Agree	Strongly agree	Neutral	Disagree	Strongly disagree
Financial stability	38 63.3%	16 26.7%	6 10.0%	0 0.0%	0 0.0%
Outreach to underserved population	5 8.3%	4 6.7%	48 80.0%	3 5.0%	0 0.0%
Marketing strategies	34 56.7%	22 36.7%	4 6.7%	0 0.0%	0 0.0%

Adoption of new technology	26 43.3%	32 53.3%	2 3.3%	0 0.0%	0 0.0%
Product attributes	31 51.7%	25 41.7%	4 6.7%	0 0.0%	0 0.0%
Organizational resources	19 31.7%	33 55.0%	8 13.3%	0 0.0%	0 0.0%
Regulatory compliance	28 46.7%	27 45.0%	5 8.3%	0 0.0%	0 0.0%
Efficient risk management	29 48.3%	28 46.7%	3 5.0%	0 0.0%	0 0.0%
Customer and brand loyalty (client satisfaction)	28 46.7%	28 46.7%	4 6.7%	0 0.0%	0 0.0%

For microfinance institutions to succeed, there are factors that are at play. Therefore, according to the study findings, there are various critical success factors that affect microfinance institutions in Lusaka. The respondents had the following to say:

One of the respondents stated that, "*for me the critical success factors of microfiancne institutions in Lusaka include marketing strategies, financial stability, outreach to underserved population and adoption of new technology*"

According to another respondents, she explaind tht, "*for microfinance institutions to succeed in Lusaka, the critical success factors of microfinance institutions are essential for their sustainability and impact on underserved populations. This is because financial stability ensures that the institution can continue to provide services and grow over time while outreach to underserved populations is crucial for reaching those who are most in need of financial services…marketing strategies help attract clients and promote the institution's services*".

Additionally, another respondent pointed out that, "*among microfinance institutions, adoption of new technology can improve efficiency and reach more clients. This is one of the key critical success factors. Though some critical success factors such as product and organizational reources play a part…product attributes should meet the needs of clients and be tailored to their specific* *circumstances…organizational resources, including human capital and infrastructure, are necessary for the smooth operation of the institution*".

Furthermore, the study findings revealed that one of the respondents was of the view that, "*Regulatory compliance is critical for microfinance institutions because it ensures that the institution operates within the legal framework and maintains trust with clients and stakeholders while efficient risk management is essential for mitigating potential losses and ensuring the institution's long-term viability*".

Not only the above, another respondents stated that, "*compliance and customer and brand loyalty are key to the success of microfinance institutions in Lusaka, especiallycustomer and brand royalty because customer and brand loyalty, are key for retaining clients and building a positive reputation in the community*".

4.7 Measures and strategies

Certainly, measures and strategies are essential for the sustainability of microfinance institutions. Respondents were asked to state the measures and strategies microfinances institutions employed. Figure 4.9 displays the results, the results show that 98.3 percent employ technology integration, 83.3 percent employ capacity building, 85 percent use customer-centric approach, 83.3 percent employ risk management systems while 70 percent employ financial education and 68.3 percent employ strategic partnerships. 68.3 percent diversify their services and 80 employ client protection, data analytics and reporting is employed by 81.7 percent and regulatory compliance by 66.7 percent. Monitoring and evaluation, social impact measurement, community engagement, innovation and adaptability and flexibility in loan products were employed represent 86.7 percent, 48.3 percent, 66.7 percent, 78.3 percent and 78.3 percent respectively while 1.7 percent employ others.

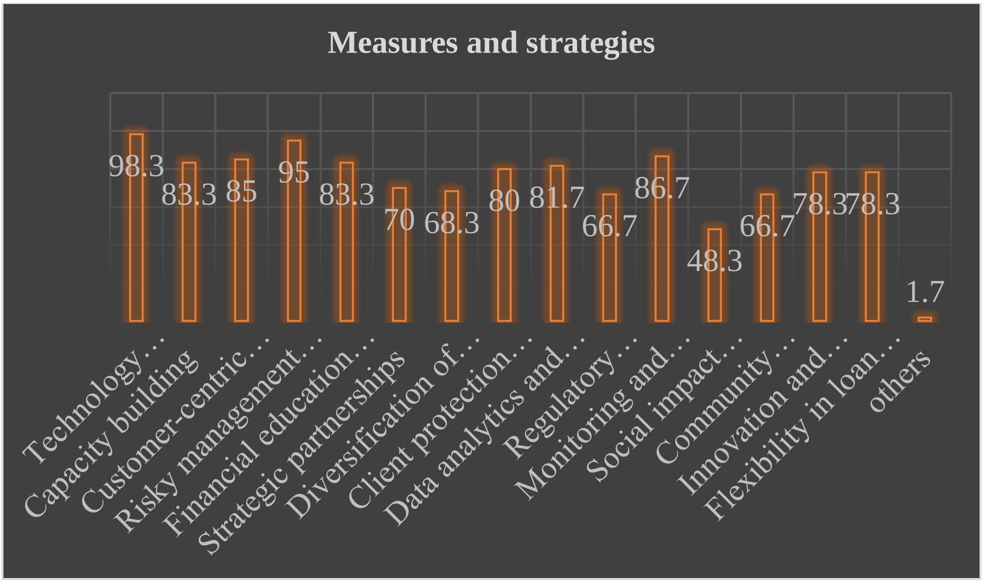


Figure 4.9: Measures and strategies (Source: Survey results)

In support of the above findings on measures and strategies that can improve performance of microfinance institutions, some of the responses from the respondents are shown below.

From among the respondents, one of the respondents stated that, "*Technology integration can help improve the performance of microfinance institutions by automating processes, reducing errors, increasing efficiency, and improving customer service*".

Another one noted that, "*Capacity building can enhance the skills and knowledge of staff, enabling them to better serve clients and manage operations effectively while monitoring and evaluation can provide valuable insights into the effectiveness of programs and help identify areas for improvement*".

Another also added that, "*among microfinance institutions, social impact measurement can help demonstrate the positive outcomes of microfinance initiatives and attract funding and support…ommunity engagement can build trust and relationships with clients, leading to increased participation and success…most importantly, innovation and adaptability can help microfinance institutions stay competitive and relevant in a rapidly changing market*".

Furthermore, one of the respondents argued that, "*Flexibility allows institutions to respond to changing circumstances and adjust their strategies as needed*".

4.8 Critical failure factors of microfinance institutions

Identifying failure factor of microfinance institution is crucial for the success of microfinance institution. The respondents were asked which critical failure factor that the microfinance institution are facing. Figure 4.10 displays the results, it shows that 90 percent agreed to limited access to funding as a critical failure factor and 83.3 percent agreed to operational efficiency while 80 percent agreed to limited financial literacy and 68.3 percent agreed to economic vulnerability. 40 percent agreed to competition and market saturation and 76.7 percent agreed to lack of collateral while 65 percent agreed to staff capacity and training.

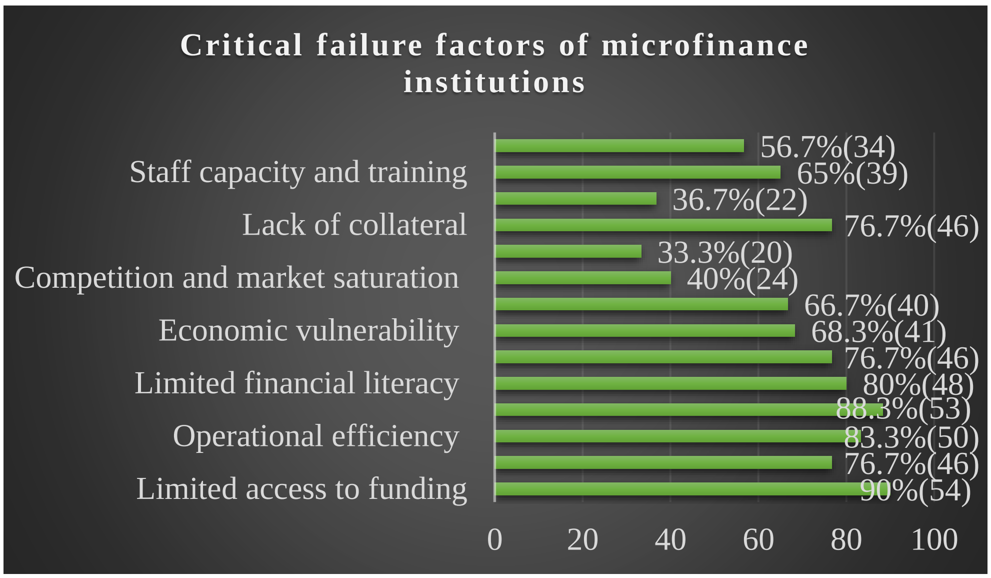


Figure 4.10: Critical failure factors of microfinance institutions (Source: Survey results)

When respondents were asked to mention some of the critical failure factors of microfinance instituons that they know, one of the respondents stated that,

"*Lack of collateral, lack of financial literacy, economic vulnerability, limited access to funding, lack of staff training are critical failure factors of microfinance institutions in Lusaka*".

The researcher, then asked the respondents to explain how these identified factors affected microfinance institutions. The following were some of the responses from the respondents.

Lack of collateral can make it difficult for microfinance institutions to secure loans and manage risk. Without assets to secure the loans, the institutions may face higher default rates.

One of the respondents argued that, "*Lack of financial literacy among borrowers can lead to mismanagement of funds and an inability to repay loans, leading to a higher risk of default for the microfinance institutions and similary, cconomic vulnerability of the target population can also impact the ability of microfinance institutions to recover loans, as economic shocks can lead to increased default rates*".

Another respondents added that, "*Limited access to funding can constrain the operations and growth of microfinance institutions, making it difficult for them to reach more clients and provide necessary financial services*".

It was also noted by another respondent that, "*Lack of staff training can lead to inefficiencies in operations and an inability to properly assess the creditworthiness of borrowers, leading to higher default rates*".

4.9 Risk

The respondents were asked on some of the risks microfinance institution face, figure 4.11 shows that 96.7 percent agreed credit risk and 93.3 percent agreed to operational risk while 85 percent Interest rate risk. 88.3 percent agreed to face liquidity risk and 85 percent agreed to market risk while 85 percent agreed to facing foreign exchange risk and 78.3 percent faced strategic risk. 63.3 face Social and political risk and 61.7 percent face regulatory and compliance risk while 90 percent face technology risk.

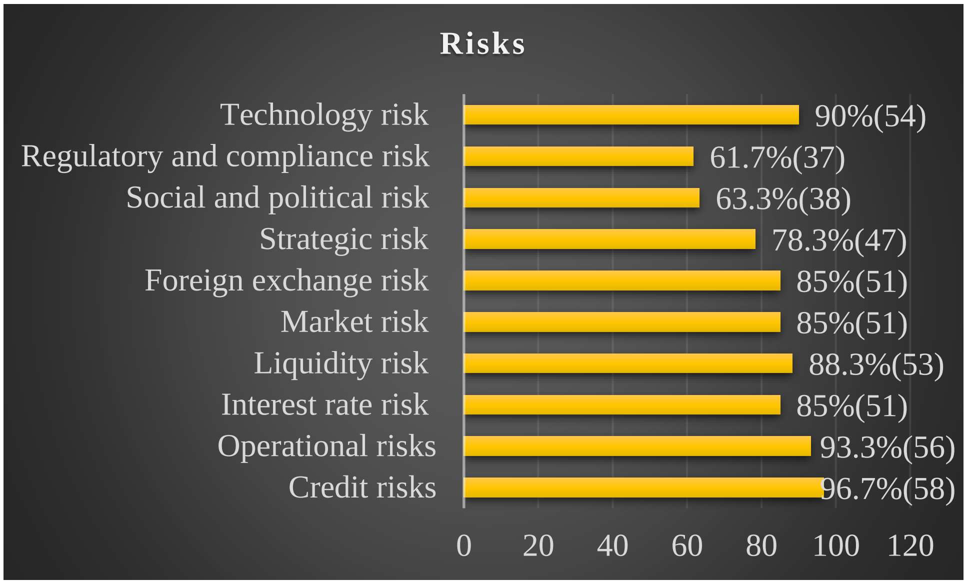


Figure 4.11: Risks faced by microfinance institutions (Source: Survey results)

According to the study findings, when the respondents were asked to mention some of the risks microfinance institution face, the responses were varied as shown below.

One of the respondents stated that, "*micorfiance institutions in Lusaka usually face the risk of technology use because, inapporiate use of technological related financial apects can negatively affect microfinance institutions*".

Another respondent stated that, "*microfinance institutions face risks in their businesses such as issues of foreign exchange, credit problems, market issues and regulatory challenges*".

4.10 Mitigation measures

To mitigate the risks that microfinance institutions face certain measures can be implemented, respondents were asked on some of measures microfinance institution have implement to mitigate these risks in section 4.9 and the critical failure factors in section 4.8

4.10.1 Credit risk mitigation measures

Figure 4.12 show the results for the credit risk mitigation measures, 95 percent implement mitigation measures thorough credit assessments and 80 percent through diversification of loan portfolios while 86.7 percent is through collateral requirements and 55 percent through credit insurance or guarantee programs.

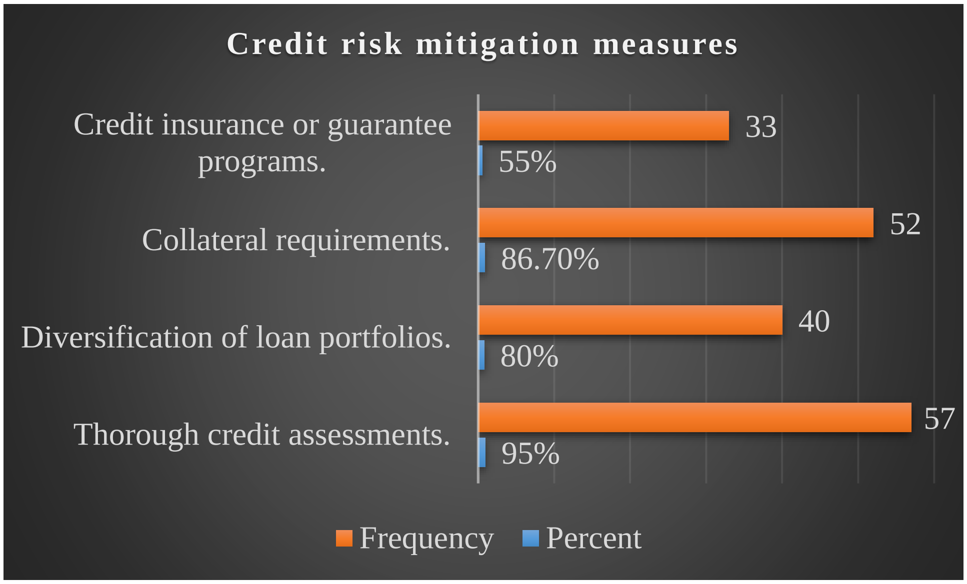


Figure 4.12: Credit risk mitigation measures (Source: Survey results)

When asked on the credit risk mitigation measures, in tandem with the findings above, the following were the responses from the respondents.

One of the respondents explained that, "*Credit insurance is a type of insurance policy that protects a lender or seller from the risk of non-payment by the borrower or buyer and plays a big part in managing the credit risk.*"

Another respondent noted that, "*when there is collateral, microfinance institutions can't lose out…collateral requirements refer to the assets that a borrower pledges to secure a loan, which the lender can seize if the borrower defaults.*"

Additionally, another one argued that, "*Thorough credit assessments involve evaluating a borrower's credit history, financial stability, and ability to repay a loan in order to determine the level of credit risk…microfinance institutions assess credit before giving clients financial resources.*"

4.10.2 Operational risk mitigation measures

Figure 4.13 shows the results for operational risk mitigation measures, it shows that 61.7 percent put in place robust internal controls and 85 percent put in place regular process reviews and updates while 85 percent employ staff training on operational procedures and 65 percent Invest in technology for efficiency.

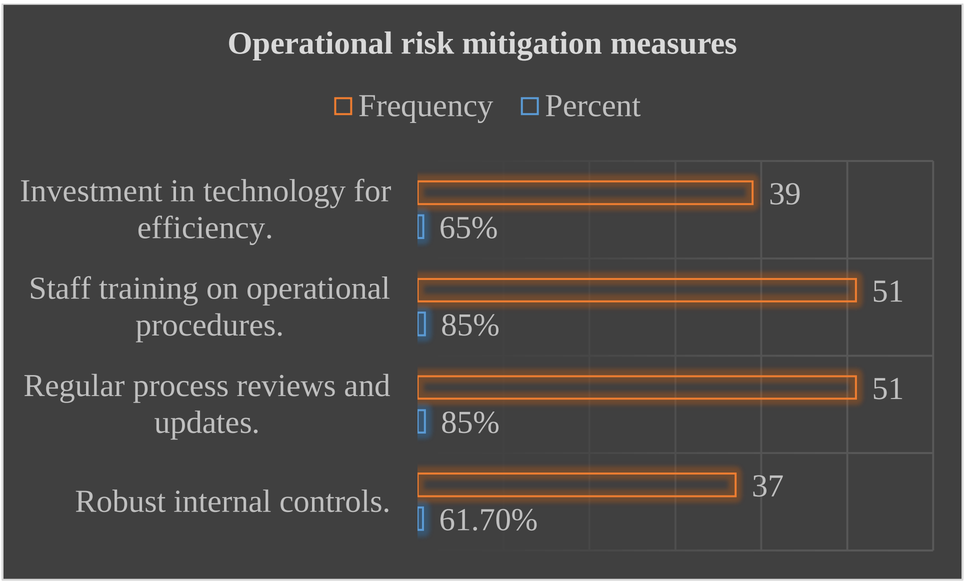


Figure 4.13: Operational risk mitigation measures (Source: Survey results)

Operational risk mitigation measures are important in the operations of microfinance instituions. Therefore, when asked about operational risk mitigation measures. Some of the responses from respondents are shown below.

One of the respondents argued that, "*Investment in technology and robust internal controls can indeed help mitigate operational risks among microfinance institutions because by implementing advanced technological solutions such as risk management software, automated processes, and data analytics tools, microfinance institutions can better identify, assess, and manage potential risks in their operations.*"

Additionally, another respondent noted that, "*establishing strong internal controls, such as segregation of duties, regular audits, and compliance monitoring, can further enhance the institution's ability to prevent and detect operational risks.*"

4.10.3 Interest rate risk mitigation measures

Figure 4.14 shows results for interest rate mitigation measures, the results show that 55 percent employ Interest rate derivatives and 83.3 percent offer fixed-rate loans while 78.3 percent have regular review and adjustment of interest rate policies.

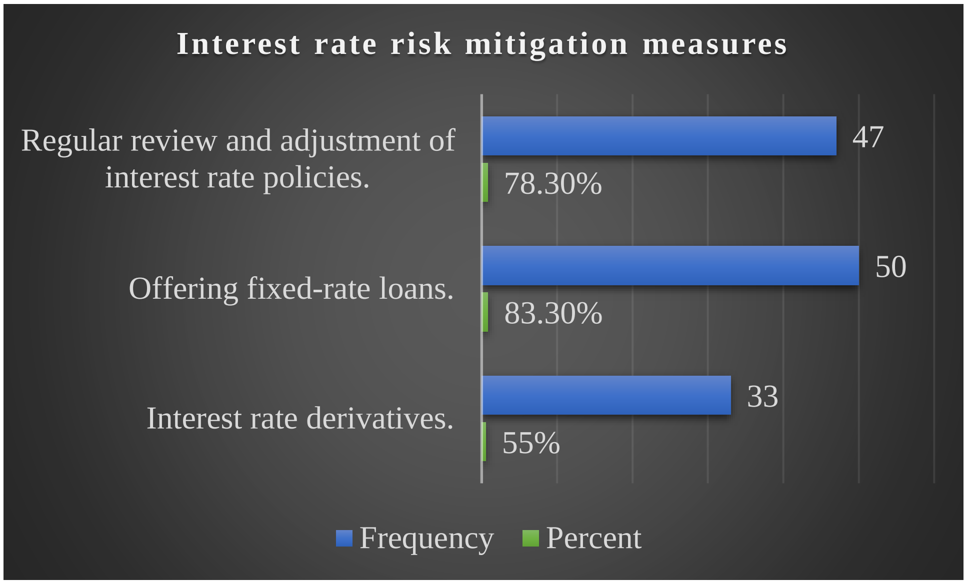


Figure 4.14: Interest rate risk mitigation measures

In line with the findings on interest rate mitigation measures. One of the respondents took time and explained that,

"*Regular review of interest rate policies, offering fixed rate loans, and using interest rate derivatives can help mitigate interest rate risk for individuals and businesses…this is because by regularly monitoring interest rate trends and adjusting policies accordingly, entities can better anticipate and manage potential fluctuations in interest rates*."

Another respondent added that, "*Fixed rate loans provide stability by locking in a set interest rate for the duration of the loan, while interest rate derivatives such as swaps and options can be used to hedge against interest rate changes and can be very useful In dealing with the interest rate problems among microfinance institutions*."

4.10.4 Liquidity risk mitigation measures

Figure 4.15 shows the results of liquidity risk mitigation measures, the results show that 85 percent of the microfinances diversify funding sources while 55 percent have contingency funds while 91.7 percent employ effective cash flow management.

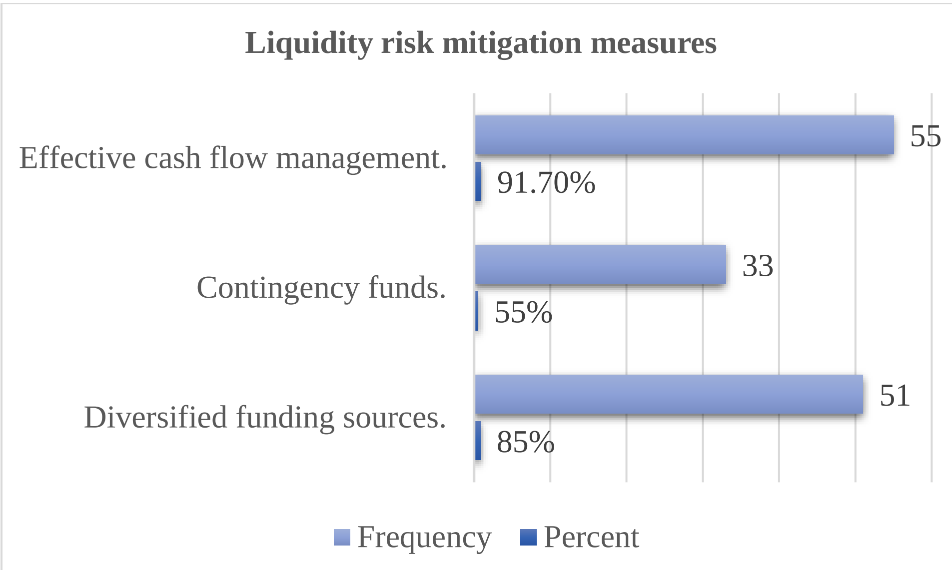


Figure 4.15: Liquidity risk mitigation measures (Source: Survey results)

When asked on the liquidity risk mitigation measures, one of the respondents stipulated that, "*Effective cashflow management can help mitigate liquidity risk by ensuring that a company has enough cash on hand to meet its financial obligations, such as paying bills, salaries, and debts*."

Furthermore, another respondent stated that, "*By closely monitoring cash inflows and outflows, a company can identify potential cash shortages and take proactive measures to address them, such as securing a line of credit or adjusting payment terms with suppliers*."

Additionally, one of the respondents explained that, "*By projecting cash inflows and outflows over a given period, microfinance institutions can anticipate potential liquidity shortfalls and take preemptive measures. Effective cash flow management also entails optimizing payment terms with suppliers and customers to ensure a steady flow of liquid funds*."

4.10.5 Market risk mitigation measures

Figure 4.16 shows the of market risk mitigation measures, the results show that 85 percent of the microfinance institutions employ thorough market analysis and 71.7 percent have diversification of products and services while 75 percent have strong relationships with regulatory authorities.

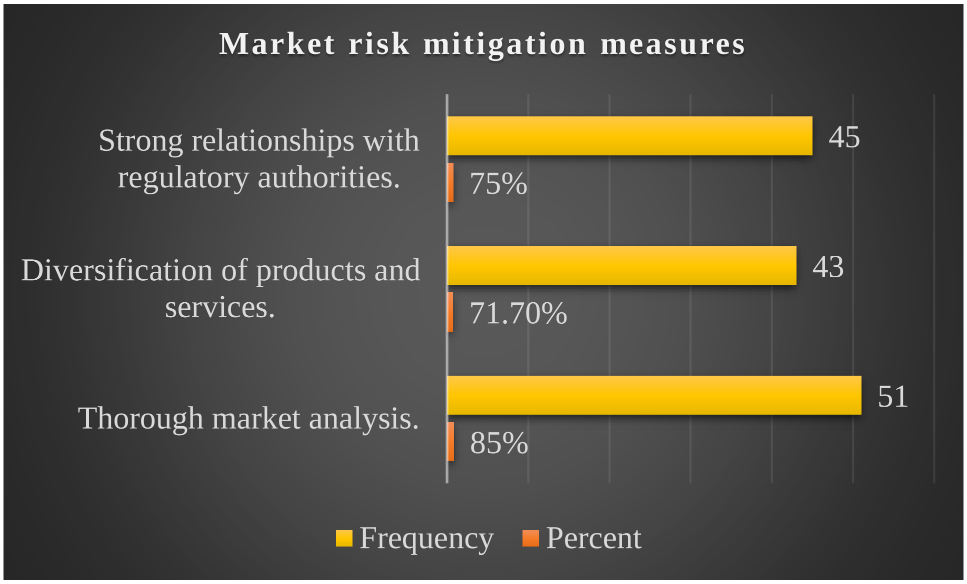


Figure 4.16: Market risk mitigation measures (Source: Survey results)

According to the study findings, in tandem with the findings in the figure above, respondents were asked on the market risk mitigation measures. The study findings revealed that one of the respondents stated that,

"*A strong relationship with regulatory authorities can help microfinance institutions mitigate market risk by ensuring compliance with regulations and staying informed about any changes or updates that may impact their operations…market analysis, on the other hand, can help institutions identify potential risks and opportunities in the market, allowing them to make informed decisions and adjust their strategies accordingly.*"

4.10.6 Foreign exchange risk mitigation measures

Figure 4.17 shows the results of the foreign exchange risk mitigation measures, the results show that 68.3 percent of the microfinance institution employ the use of hedging instruments and 20 percent select stable currencies for funding while 90 percent employ regular monitoring of exchange rates.

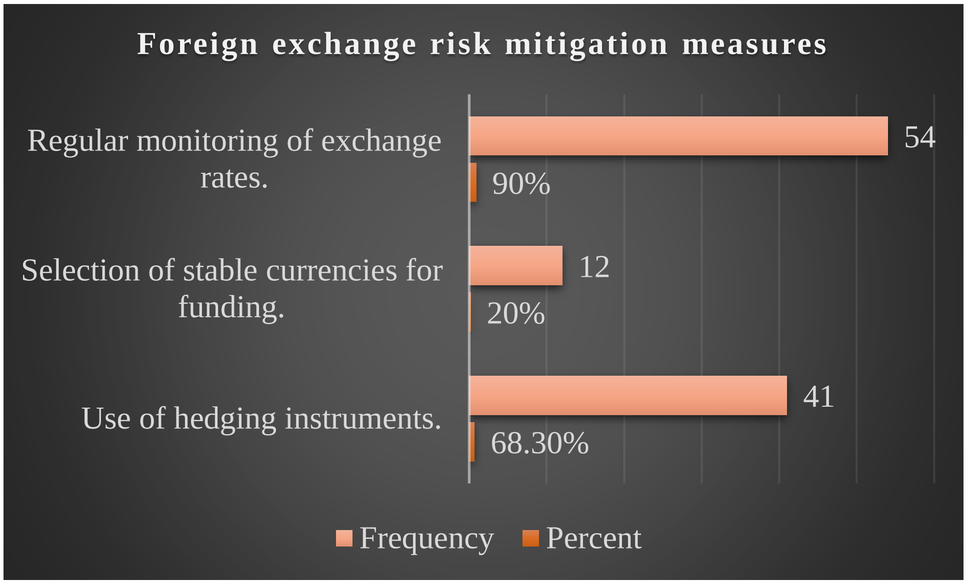


Figure 4.17: Foreign exchange risks mitigation measures (Source: Survey results)

The study findings indicate that exchange rate risk cannot be avoided altogether when investing overseas, but it can be mitigated considerably through the use of hedging techniques. Therefore as suggestions of foreign exchange risk mitigation measures, one of the respondents argued that,

"*Regular monitoring of exchange rates, selecting stable currencies for funding, and using hedging instruments are important strategies for microfinance institutions to mitigate foreign exchange risk.*"

Another was of the view that, "*By keeping a close eye on exchange rate fluctuations, choosing currencies with lower volatility for funding, and utilizing hedging instruments such as forwards or options, microfinance institutions can protect themselves from potential losses due to currency fluctuations.*"

4.10.7 Strategic risk mitigation measures

Figure 4.18 shows the results of the strategic risk mitigation measures, the results show that 80 percent of the microfinance institution use clear and adaptable strategic planning and 76.7 percent do regular review and adjustment of goals while 68.3 percent implement alignment between social and financial objectives.

Figure 4.18: Strategic risk mitigation measures (Source: Survey results)

The strategic risk mitigation measures, a respondent explained that,

"*Alignment between social and financial objectives, regular review and adjustment of goals, and clear and adaptable strategic planning are essential for microfinance institutions to mitigate strategic risk…this is because by ensuring that their social and financial goals are aligned, regularly reviewing and adjusting their goals, and having a clear and adaptable strategic plan in place, microfinance institutions can better navigate the challenges and uncertainties they face.*"

4.10.8 Social and political risk mitigation measures

Figure 4.19 shows the results of social and political risk mitigation measures, the results show that 81.7 percent of the microfinance institutions carry out thorough risk assessments before entering new markets and 56.7 percent employ contingency plans for potential disruptions while 90 percent carry out collaboration with local communities and authorities.

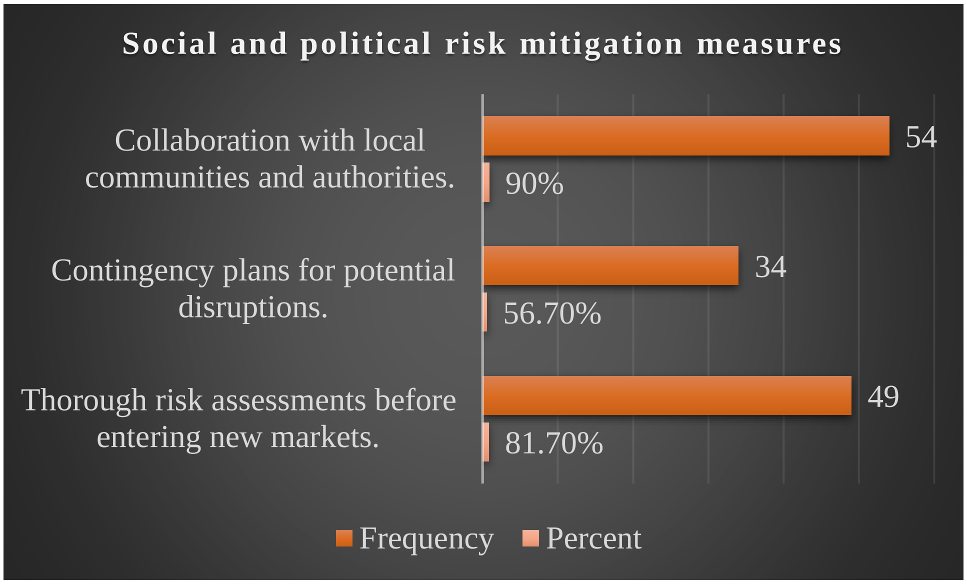


Figure 4.19: Social and political risk mitigation measures (Source: Survey results)

According to the figure above, respondent were asked to mention the social and political risk mitigation measures. According to the findings of the study, one of the respondent explained that,

"*to deal with the social and political risks, microfinance institutions must always collaborate with local communities and local authorities in their day to day affairs of conducting business*."

Not only the above, another respondents was of the view that, "*Collaboration with local communities, conducting thorough risk assessments before entering new markets, and developing contingency plans for possible disruptions are crucial strategies for microfinance institutions to mitigate social and political risks.*"

Addionally, one of the respondent also noted that, "*By engaging with local stakeholders, understanding the cultural and political landscape, and planning for potential challenges, microfinance institutions can better navigate uncertainties and build sustainable operations*."

4.10.9 Regulatory and compliance risk mitigation measures

Figure 4.20 shows the results of the regulatory and compliance risk mitigation measures, the results show that 70 percent of the microfinance institution regularly update policies and procedures and 65 percent use legal advice on regulatory compliance while 81.7 percent employ the implementation of a compliance monitoring system

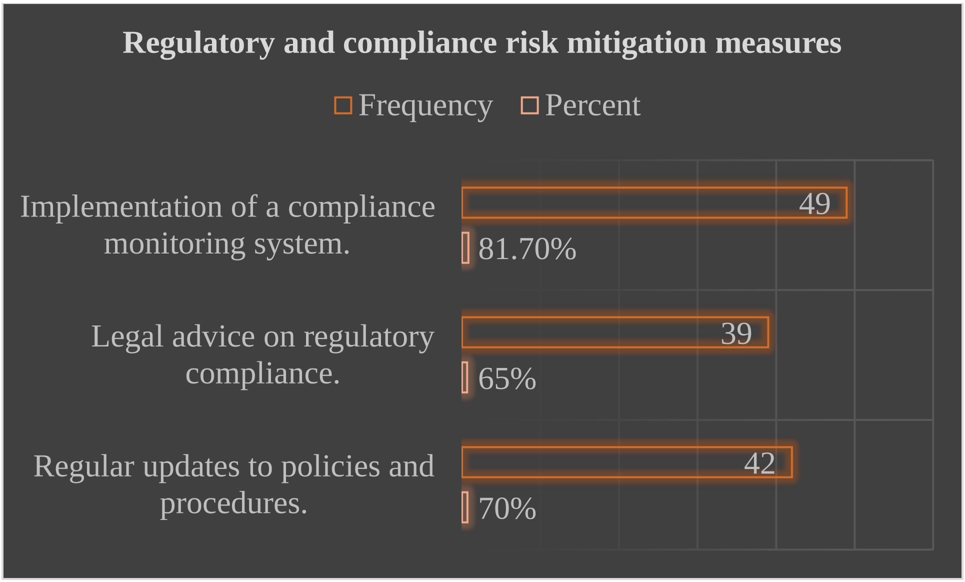


Figure 4.20: Regulatory and compliance risk mitigation measures (Source: Survey results)

When respodents were asked on regulatiry and compliance risk mitigation measures, one of the respondents argued that,

"legal advise on regulatory compliance can help microfinance institutions to do what is right and conduct their businesses amicably"

Additionally, another respondent explained that, "*Implementing a compliance monitoring system and regularly updating policies and procedures can help microfinance institutions mitigate regulatory and compliance risks by ensuring that they are aware of and adhere to all applicable laws and regulations as this can help prevent costly fines and penalties, as well as protect the institution's reputation.*"

4.10.10Technology risk mitigation measures

Figure 4.21 shows the results of the technology risk mitigation measures, the results show that 35 percent of microfinance institution implement robust cybersecurity measures and 70 percent employ regular updates and patches for software systems while 50 percent carry out staff training on cybersecurity best practices.

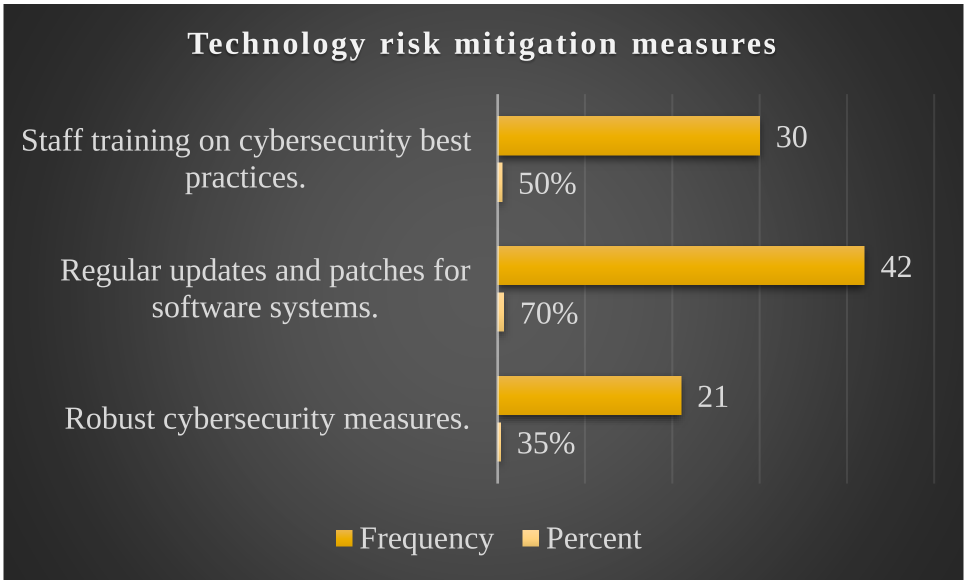


Figure 4.21: Technology risk mitigation measures

In line with the findings in the figure above, respondent had inline views on technology risk mitigation measures. One of the respondent noted that,

"*Staff training in cyber security and regular updates are crucial for mitigating technology risks among microfinance institutions…I say so because by educating employees on best practices for data protection, identifying potential threats, and responding to security incidents, institutions can better safeguard their systems and sensitive information."*

Another respondent stated that, "*Regular updates to software and security systems are also essential for staying ahead of evolving cyber threats."*

Furthermore, another respondent also argued that, "*keeping systems up to date is cardinal because by ensuring that systems are up-to-date with the latest patches and security measures, institutions can reduce the likelihood of breaches and data theft.*"

4.11 Addressing defaults, death or Changes in employment status of clients

The respondents were also asked in the context of microfinance institutions (MFIs), addressing defaults, deaths, or changes in employment status of clients is crucial for risk management, what measures you implement to mitigate these risks. The results are shown in figure 4.22, the figure shows that 76.7 percent implement credit Life Insurance and 23.3 percent joint liability Groups while 25 percent implement cross-default clauses and 65 percent regular monitoring and communication. 85 percent implement loan portfolio diversification and 80 percent client education programs while 40 percent implement savings products and 48.3 exist strategies. 60 percent and 13.3 percent implement legal recourse and succession planning respectively.

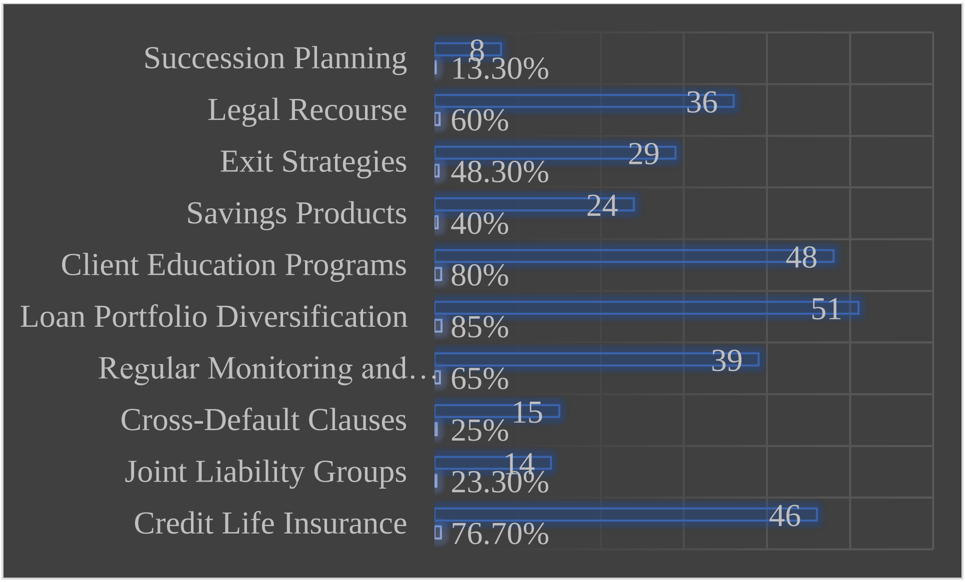


Figure 4.22: Addressing defaults, death or changes in employment status of clients (Source: Survey results)

When the respondents were asked whethere addressing defaults, deaths, or changes in employment status of clients is crucial for risk management and what measures that can be implement to mitigate these risks, the following were some of the responses from the respondents.

One of the respondents argued that, "*Addressing defaults, deaths, or changes in employment status of clients is crucial for risk management in financial institutions as it can impact the repayment of loans or investments.*"

Another one stated that, "*to deal with risks of default, death and changes in employment status, the microfinance institutions must ensure that legal recourse and exit strategies are put in place*"

Additionally to the above, another respondent noted that, "*Some measures that can be implemented to mitigate the risks mentioned include regularly updating client information to ensure accuracy and relevance..implementing strict credit evaluation processes to assess the financial stability of clients…developing contingency plans for handling defaults, deaths, or changes in employment* *status…diversifying the client portfolio to spread out the risk and monitoring client accounts and conducting regular reviews to identify any potential red flags*."

It was also noted by another respondent that, "*credit life insurance can be among the most viable measures to deal with issues such as death or change in employment status*"

4.12 Chapter summary

This chapter has presented the study findings. The study findings have been presented according to the research objectives and common themes emanating from the study for easier presentation, analysis and interpretation.

CHAPTER 5

DISCUSSION OF FINDINGS

5.0 Introduction

The previous section was about presenting the results and findings. In this section the results and findings will be discussed, the discussions will be in line with the objectives of the study. This section is mainly meant to provide adequate answers to the objectives of the study

5.1 Demographics

The demographic analysis reveals a predominantly male respondent base, constituting 55% of the sample, while females account for 45%. Age distribution indicates a higher representation of individuals aged 31 and above, comprising 58.3%, compared to those below 30 years, constituting 41.7%. In terms of education, an overwhelming 98.3% of respondents have attained tertiary education, contrasting with a mere 1.7% holding secondary school qualifications. The employment context in microfinance institutions varies, with a significant 70% falling under the category of 'others.' Meanwhile, 8.3% are associated with commercial banks offering microfinance services, 20% with cooperatives, and a minor 1.7% working in non-profit organizations. These findings underscore the gender and age disparities within the surveyed group and highlight the prevalence of tertiary education among respondents, shedding light on the diverse employment affiliations within the microfinance sector, with a substantial proportion falling under the broad classification of 'others.

5.2 Critical Failure Factors of MFIs in Lusaka

In line with answering the first object of identifying critical failure factors of microfinance institution, the findings from the respondents regarding critical failure factors faced by microfinance institutions (MFIs) in Lusaka provide valuable insights. The majority, at 90%, identified limited access to funding as a critical failure factor, indicating a significant challenge in securing financial resources. Operational efficiency followed closely, with 83.3% acknowledging its importance, suggesting that streamlined and effective operations are vital for MFI success. Limited financial literacy was recognized by 80% of respondents, underlining the importance of enhancing financial education among clients. Economic vulnerability, as cited by 68.3%, indicates the susceptibility of MFIs to economic fluctuations. The lower agreement percentages for competition and market saturation (40%), lack of collateral (76.7%), and staff capacity and training (65%) suggest varying degrees of significance for these factors. Possible reasons for these results could include the intense competition and saturation in the market, highlighting the need for innovative strategies. The high agreement on limited access to funding underscores the critical role of financial resources in sustaining MFIs. Addressing these identified failure factors requires strategic interventions, such as exploring diverse funding sources, improving operational efficiency, enhancing financial literacy programs, and devising measures to mitigate economic vulnerabilities. Additionally, efforts should be directed towards fostering a competitive edge, finding alternative collateral options, and investing in comprehensive staff capacity building and training programs to fortify the overall resilience of microfinance institutions in Lusaka. Siwale and Ritchie (2011) had done a similiarly research in Zambia with the topic “Failure by design: the rise and fall of a microfinance institution in Zambia–a case of Pride Zambia”.and had similar results

5.3 Critical Success Factors of MFIs in Lusaka

In line with achieving the second objective of identifying critical success factors of microfinance institution, the survey results indicate a nuanced perspective on the critical success factors (CSFs) of microfinance institutions in Lusaka. Financial stability emerged as a primary consideration, with 63.3% of respondents emphasizing its paramount importance. This aligns with the foundational role financial stability plays in ensuring the sustainability and effectiveness of MFIs. The emphasis on this factor may stem from the recognition that a solid financial base enables MFIs to provide consistent and reliable financial services to their clients. Surprisingly, outreach to the underserved population received a less enthusiastic response, with 80% expressing a neutral stance. This may be attributed to a lack of awareness or appreciation for the transformative impact MFIs can have on marginalized communities. Bridging this gap in perception is crucial for promoting the social mission of microfinance and expanding financial inclusion. The substantial attention given to marketing strategies (56.7% strongly agreeing and 36.7% agreeing) suggests a growing acknowledgment of the importance of effective communication and promotion in the competitive financial landscape. This emphasis on marketing could be influenced by the need for MFIs to differentiate themselves, attract clients, and build trust within the community. The positive view on the adoption of new technology (53.3% agree and 43.3% strongly agree) reflects an awareness of the evolving landscape and the increasing role of technology in financial services. The respondents likely recognize that embracing technological advancements can enhance operational efficiency, broaden service delivery, and improve overall customer experience. The varying degrees of agreement on factors like product attributes, organizational resources, regulatory compliance, efficient risk management, and customer and brand loyalty highlight the complexity of the microfinance sector. Different stakeholders may prioritize these factors differently based on their roles and perspectives within the industry. These results are similarly to the findings of Siwale and Ritchie (2011) in Zambia and Parul (2018) in Bangladish and Hartung (2007)

5.4 Measures to Enhance Application of Critical Success Factors

In line of achieving the three objective of this study of recommending measure to enhance application of critical success factors. The survey results shed light on the measures and strategies employed by microfinance institutions in Lusaka to enhance the application of critical success factors. The high adoption rate of technology integration (98.3%) indicates a strong recognition of its transformative potential in streamlining operations, expanding outreach, and improving financial services delivery. The ubiquity of technology in the modern world underscores its significance in enhancing efficiency and staying competitive in the microfinance sector. Capacity building emerges as another prominent strategy, with 83.3% of respondents employing it. This reflects an understanding that investing in the skills and knowledge of staff contributes to the overall effectiveness of microfinance institutions. A well-trained workforce is better equipped to navigate challenges, adapt to changes, and maintain high service standards. The emphasis on a customer-centric approach (85%) aligns with the earlier discussion on marketing strategies as a critical success factor. Recognizing and meeting the diverse needs of clients not only fosters trust but also strengthens the institution's market position and client loyalty. The employment of risk management systems by 83.3% of institutions underscores the acknowledgment of the inherent risks in the microfinance landscape. Effectively managing risks is crucial for safeguarding financial stability and ensuring the long-term sustainability of microfinance operations. The use of financial education (70%) and strategic partnerships (68.3%) indicates a commitment to empowering clients with financial literacy and expanding the institutional network. Financial education contributes to responsible borrowing and enhances the impact of microfinance in the communities served. Strategic partnerships can facilitate resource-sharing, innovation, and broader community reach. The relatively lower adoption rates for social impact measurement (48.3%), community engagement (66.7%), and regulatory compliance (66.7%) suggest potential areas for improvement. Strengthening these aspects can enhance the social mission of microfinance, deepen community connections, and ensure alignment with regulatory standards. The high employment of monitoring and evaluation (86.7%) reflects a commitment to assessing and improving the effectiveness of microfinance programs. Regular evaluations allow institutions to adapt to changing circumstances, refine strategies, and maximize positive outcomes. The results are smiliar to the scholar Hartungi who carried out a research to try and understand the success factors of a microfinance institution in a developing country in 2007.

5.5 Chapter summary

According to the chapter above, demographics, critical failure factors, critical success factors and measures have all been discussed in tandem with the study findings and the research objectives. The subsequent chapter presents the conclusion and recommendations of the study.

CHAPTER 6

CONCLUSION AND RECOMMENDATION

6.0 Introduction

Chapter Five serves as the culmination of the study, providing a comprehensive conclusion and offering valuable recommendations based on the findings. This section synthesizes the key insights derived from the research on critical success factors and measures employed by microfinance institutions in Lusaka. Through an exploration of survey results, this chapter aims to draw meaningful conclusions that contribute to the existing knowledge in the field of microfinance and guide future initiatives in Lusaka and potentially beyond.

The chapter begins by revisiting the research objectives and summarizing the main findings related to the critical success factors considered essential for the effectiveness and sustainability of microfinance institutions. It then delves into an analysis of the measures and strategies employed by these institutions to enhance the application of identified critical success factors. The synthesis of both quantitative and qualitative data provides a holistic understanding of the microfinance landscape in Lusaka.

Following the comprehensive review of results, the conclusion section outlines the implications of the findings, discussing their significance within the broader context of microfinance practices. It reflects on the strengths and weaknesses identified in the current state of microfinance institutions in Lusaka, emphasizing areas of success and opportunities for improvement.

Subsequently, the chapter transitions into the recommendations section, offering actionable insights for stakeholders, policymakers, and practitioners in the microfinance sector. Recommendations draw upon the identified critical success factors and suggest strategic initiatives that could further enhance the effectiveness and sustainability of microfinance institutions in Lusaka. These insights aim to inform decision-making processes and guide future efforts to promote financial inclusion, social impact, and overall success in the microfinance domain.

In conclusion, chapter five serves as a comprehensive endpoint to the study, summarizing key findings, highlighting their implications, and providing practical recommendations for advancing the microfinance landscape in Lusaka. This chapter aims to contribute to academic discourse, inform policymaking, and guide practitioners in their efforts to create a positive and lasting impact in the microfinance sector.

6.1 Conclusion

Drawn upon the findings of the study, it was concluded that:

Objective One: Identify Critical Failure Factors of MFIs in Lusaka

The research reveals that limited access to funding, operational efficiency, and limited financial literacy are primary contributors to the failure of microfinance institutions in Lusaka, as identified by the majority of respondents. Specifically, 90% of respondents identified limited access to funding as a critical failure factor, while 83.3% emphasized the importance of operational efficiency, and 80% recognized the significance of limited financial literacy. These critical failure factors underscore the pressing need for strategic interventions, including exploring diverse funding sources, improving operational efficiency, and enhancing financial education programs. Addressing economic vulnerability, cited by 68.3% of respondents, and adopting innovative strategies to navigate competition and market saturation are crucial for fortifying the resilience of MFIs in the dynamic financial landscape of Lusaka.

Objective Two: Identify Critical Success Factors of MFIs in Lusaka

The nuanced perspective on critical success factors emphasizes the paramount importance of financial stability in ensuring the sustainability and effectiveness of microfinance institutions. Specifically, 63.3% of respondents highlighted financial stability as a primary consideration. However, the neutral stance towards outreach to the underserved population, expressed by 80% of respondents, suggests a gap in awareness, highlighting the need for targeted efforts to promote the transformative impact of MFIs on marginalized communities. The significant attention given to marketing strategies, with 56.7% strongly agreeing and 36.7% agreeing, and the positive view on technology adoption, with 53.3% agreeing and 43.3% strongly agreeing, underscore the industry's recognition of the evolving financial landscape. This emphasizes the multifaceted nature of success that requires a holistic approach.

Objective Three: Recommend Measures to Enhance Application of Critical Success Factors

The measures employed by successful microfinance institutions in Lusaka, such as technology integration (adopted by 98.3% of respondents), capacity building (83.3%), and a customer-centric approach (85%), indicate a proactive approach to enhance critical success factors. Recommendations include fostering community engagement, improving social impact measurement, and strengthening regulatory compliance to create a more comprehensive and sustainable microfinance landscape. Strategic interventions, such as exploring diverse funding sources, enhancing financial literacy programs (employed by 70% of respondents), and investing in staff capacity building, are crucial for addressing critical failure factors and fortifying the overall resilience of microfinance institutions in Lusaka.

6.2 Recommendation

Based on the results, the following are some of recommendations the study suggested;

- **Diversification of Funding Sources**

  The research reveals that limited access to funding, operational efficiency, and limited financial literacy are primary contributors to the failure of microfinance institutions in Lusaka, as identified by the majority of respondents. Specifically, 90% of respondents identified limited access to funding as a critical failure factor.

  Therefore, it is recommended that diverse funding sources beyond traditional avenues be adopted. This could involve partnerships, grants, or alternative financial instruments to address the critical issue of limited access to funding.

- **Tailored Financial Literacy Initiatives**

  The research reveals that limited access to funding, operational efficiency, and limited financial literacy are primary contributors to the failure of microfinance institutions in Lusaka, as identified by the majority of respondents. Specifically, 90% of respondents identified limited access to funding as a critical failure factor, while 83.3% emphasized the importance of operational efficiency, and 80% recognized the significance of limited financial literacy.

Therefore, it is recommended that MFIs develop targeted financial literacy programs based on identified gaps to empower clients. This can enhance the understanding of financial products and services, addressing the critical factor of limited financial literacy.

- **Operational Efficiency Optimization**

The research reveals that limited access to funding, operational efficiency, and limited financial literacy are primary contributors to the failure of microfinance institutions in Lusaka, as identified by the majority of respondents. Specifically, 90% of respondents identified limited access to funding as a critical failure factor, while 83.3% emphasized the importance of operational efficiency, and 80% recognized the significance of limited financial literacy.

Therefore, it is recommended that MFIs develop specific strategies for optimizing operational efficiency within MFIs. This may include technology adoption, process streamlining, and staff training to address the acknowledged importance of operational efficiency.

- **Enhanced Community Engagement**

The research reveals the neutral stance towards outreach to the underserved population, expressed by 80% of respondents, suggests a gap in awareness, highlighting the need for targeted efforts to promote the transformative impact of MFIs on marginalized communities.

Therefore, it is recommended that MFIs develop and implement strategies to enhance community engagement, addressing the neutral stance on outreach to the underserved population. This could involve community-driven initiatives, partnerships with local organizations, and awareness campaigns to highlight the transformative impact of MFIs on marginalized communities.

6.3 Limitation of the study

The study has several limitations that should be considered when interpreting its findings. Firstly, the sample size is specific to the respondents in Lusaka, potentially limiting the generalizability of the results to the broader microfinance sector in the region. Moreover, the reliance on self-reported data introduces the possibility of response bias, as participants may provide socially desirable answers or inaccurately represent their institutions' challenges and strategies. The subjectivity in the perception of critical failure and success factors adds another layer of complexity, reflecting individual perspectives that may not always align with objective performance indicators. Additionally, the study's time sensitivity means that its findings capture conditions and perspectives at a specific point, with the rapidly evolving microfinance landscape suggesting potential changes in the relevance of identified factors. Cultural and linguistic context, inherent survey limitations, and a lack of exploration into external environmental factors further contribute to the study's constraints. Lastly, the cross-sectional nature and potential recall bias may limit the depth and temporal understanding of the microfinance institutions' dynamics. Despite these limitations, the study provides valuable insights, but cautious interpretation is necessary.

5.4 Recommendation for future researchers

For future researchers in the realm of microfinance institutions (MFIs) in Lusaka, consider the following succinct recommendations:

- Longitudinal Exploration: Undertake longitudinal studies to track the temporal evolution of critical failure and success factors within the microfinance sector. This approach allows for a nuanced understanding of trends and the enduring impact of interventions over time.

- Diverse Sampling Strategies: Implement diverse sampling strategies to ensure a representative study population. Stratified sampling based on institution size, geographic location, or target demographics will provide a more inclusive and insightful perspective.

- Comparative Analyses: Conduct comparative analyses between Lusaka's microfinance institutions and those in other regions or countries. Cross-cultural insights may reveal unique challenges and innovative strategies, contributing valuable lessons for the Lusakan context.

- Continuous Monitoring of External Factors: Integrate continuous monitoring of external factors such as regulatory changes, economic conditions, and global events. Understanding the influence of these external elements on MFIs enhances the applicability and relevance of research findings, providing actionable insights for stakeholders.

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APPENDICES

Appendix 1: Questionnaire

IDENTIFYING THE CRITICAL SUCCESS FACTORS OF MICROFINANCE INSTITUTIONS (MFIs) IN LUSAKA, ZAMBIA

The University of Zambia
P. O. Box 32379
Lusaka,
Date:

Dear Sir/Madam,
I am Noah David Nyirenda bearing the student number- 21209101, a post graduate student who is currently enrolled at The University of Zambia for a Master's of Science in Accounting and Finance. As a topic of choice, "Evaluating the critical success factor of microfinance institutions (MFIs) in Lusaka" captured my interest. Be informed that you have been randomly selected as a source of valuable information. In addition, information collected through this research is strictly for academic purposes and therefore shall be kept confidential. You are also free to choose to participate in this research and therefore you can choose to pull out at any time. However, your participation will be most valued.
It should not take you more than 10 minutes of your time. Your response is of the utmost importance to me.
Please do not enter your name or contact details on the questionnaire. It remains anonymous. Should you have any queries or comments regarding this survey, you are welcome to contact me
Yours Sincerely,

Noah David Nyirenda

PLEASE ANSWER THE FOLLOWING QUESTIONS BY TICKING (√) THE RELEVANT BLOCK OR WRITING DOWN YOUR ANSWER IN THE SPACE PROVIDED

EXAMPLE of how to complete this questionnaire What is your gender? If you are female		
Female	1	√
Male	2	

you consider most appropriate among the alternatives provided

SECTION A

This section of the questionnaire refers to background or biographical information. Although we are aware of the sensitivity of the questions in this section, the information will allow us to compare groups of respondents. We assure you that your response will remain anonymous. Your cooperation is appreciated

1. What is your gender?

Male	1
Female	2

2. What is your age?

Below 30 years	1
31 and above	2

3. What is your highest level of education?

No Education	1
Primary	2
Secondary	3
Tertiary	4

SECTION B: MICROFINANCE BACKGROUD INFORMATION

This section of the questionnaire refers to microfinance background information. Although we are aware of the sensitivity of the questions in this section, the information will allow me to compare groups of business. I assure you that your response will remain anonymous. Your cooperation is appreciated

1. Type of microfinance institutions?

Non-profit organization	1
Cooperative	2
Commercial banks with microfinance services	3
Deposit taking	4
Non-Deposit taking	5
Others	6

2. What kind of services do you offer?

Microcredit	1
Savings Accounts	2
Insurance products	3
Mobile banking services	4
Group lending	5
Agriculture finance	6
Housing finance	7
Education loans	8
Financial advice and consultations	9
Health financing	10
Microenterprise training	11
Community development initiatives	12
Environmental and social impact initiatives	13
Others	14

3. How long has your company been in operation

Less than 5 years	1
5- 10 years	2
Above 10 years	3

4. How many employees do you have?

Less than 5 employees	1
5 to 19 employees	2
20 to 99 employees	3
100 or more employees	4

SECTION C: CRITICAL FAILURE FACTORS

This section of the questionnaire refers to the critical failure factors of microfinance institutions. Although being aware of the sensitivity of the questions in this section, the information will allow me to compare how critical failure factors affect microfinance institutions. I assure you that your response will remain anonymous. Your cooperation is appreciated

1. Which of the following are the critical failure factors MFIs in Lusaka? Tick where necessary.

	Agree	**Strongly agree**	**Neutral**	**Disagree**	**Strongly disagree**
Over-Indebtedness					
Higher Interest Rates in Comparison to Mainstream Banks					
Regulatory Issues					
Bureaucratic obstacles					
Poor credit culture amongst clients					

2. To what extent do you believe microfinance institutions are affected by the above critical success factors?

Strongly Disagree	1
Disagree	2

Neutral	3
Agree	4
Strongly Agree	5

3. How would you rate the impact of the critical failure factors on microfinance institutions in Lusaka?

Very low

Low

Moderate

High

Very high

SECTION D: CRITICAL SUCCESS FACTORS OF YOUR MICROFINANCE INSTITUTION

This section of the questionnaire refers to the critical success factors of your microfinance institution. Although we are aware of the sensitivity of the questions in this section, the information will allow me to compare the critical success factors of your microfinance institution to other microfinance institutions. I assure you that your response will remain anonymous. Your cooperation is appreciated

1. Which of the following are the main critical success factors of your microfinance institution? Tick in the boxes provided

	Agree	Strongly agree	Neutral	Disagree	Strongly disagree
Financial stability					
Outreach to underserved population					
Marketing strategies					
Adoption of new technology					
Product attributes					
Organizational resources					
Regulatory compliance					

Efficient risk management

Customer and brand loyalty (client satisfaction)

2. Do you think the critical success factors have an influence on your microfinance institution?

Yes	1
No	2

SECTION E: MEASURES AND STRATEGIES

This section of the questionnaire refers to the measures and strategies of your microfinance institution. Although we are aware of the sensitivity of the questions in this section, the information will allow me to compare the measures and strategies of your microfinance institution to other microfinance institutions. I assure you that your response will remain anonymous. Your cooperation is appreciated

1. What measures or strategies do you think can enhance the application of critical success factors in microfinance institutions in Lusaka?

Technology integration	1
Capacity building	2
Customer-centric Approach	3
Risky management systems	4
Financial education programs	5
Strategic partnerships	6
Diversification of services	7
Client protection mechanisms	8
Data analytics and reporting	9
Regulatory compliance	10

Monitoring and evaluation framework	11
Social impact measurement	12
Community engagement	13
Innovation and adaptability	14
Flexibility in loan products	15
others	16

2. How can technology be leveraged to improve the application of critical success factors in microfinance operations?

Mobile banking	1
Online platforms	2
Data analytics	3
Others	4

3. What challenges come as a result of failure to apply the critical success factors by microfinance institutions?

Limited access to funding	1
Regulatory compliance burden	2
Operational efficiency	3
Risk management	4
Limited financial literacy	5
Client over-indebtedness	6
Economic vulnerability	7
Technological barriers	8

Competition and market saturation	9
Social and cultural factors	10
Lack of collateral	11
Political instability	12
Staff capacity and training	13
Community resistance	14

SECTION F: RISKS FACED BY MFIs AND MEASURES IN PLACE TO MITIGATE THOSE RISKS

1. What type of risks do you face as a MFI that affects you in achieving your objectives?

Credit risks	1
Operational risks	2
Interest rate risk	3
Liquidity risk	4
Market risk	5
Foreign exchange risk	6
Strategic risk	7
Social and political risk	8
Regulatory and compliance risk	9
Technology risk	10

2. What measures have you put in place to mitigate the risks mentioned above?

Credit Risk Mitigation measures

Thorough credit assessments.	1
Diversification of loan portfolios.	2
Collateral requirements.	3
Credit insurance or guarantee programs.	4

Operational Risk Mitigation Measures

Robust internal controls.	1
Regular process reviews and updates.	2
Staff training on operational procedures.	3
Investment in technology for efficiency.	4

Interest Rate Risk Mitigation Measures

Interest rate derivatives.	1
Offering fixed-rate loans.	2
Regular review and adjustment of interest rate policies.	3

Liquidity Risk Mitigation Measures

Diversified funding sources.	1
Contingency funds.	2
Effective cash flow management.	3

Market Risk Mitigation Measures

Thorough market analysis.	1
Diversification of products and services.	2
Strong relationships with regulatory authorities.	3

Foreign Exchange Risk Mitigation Measures

Use of hedging instruments.	1
Selection of stable currencies for funding.	2
Regular monitoring of exchange rates.	3

Strategic Risk Mitigation Measures

Clear and adaptable strategic planning.	1
Regular review and adjustment of goals.	2
Alignment between social and financial objectives.	3

Social and Political Risk Mitigation Measures

Thorough risk assessments before entering new markets.	1
Contingency plans for potential disruptions.	2
Collaboration with local communities and authorities.	3

Regulatory and Compliance Risk Mitigation Measures

Regular updates to policies and procedures.	1
Legal advice on regulatory compliance.	2
Implementation of a compliance monitoring system.	3

Technology Risk Mitigation Measures

Robust cybersecurity measures.	1
Regular updates and patches for software systems.	2
Staff training on cybersecurity best practices.	3

3. In the context of microfinance institutions (MFIs), addressing defaults, deaths, or changes in employment status of clients is crucial for risk management. What measures have you implemented to mitigate these risks?

Credit Life Insurance	1
Joint Liability Groups	2
Cross-Default Clauses	3
Regular Monitoring and Communication	4
Loan Portfolio Diversification	5
Client Education Programs	6
Savings Products	7
Exit Strategies	8
Legal Recourse	9
Succession Planning	10

Thank you for your cooperation

Appendix 2: Interview Schedule

1. What is the role of microfinance institutions?
2. Do you agree that microfinance institutions are instrumental in the provision of financial services in Lusaka?
3. Explain your answer above.
4. Do you agree that microfinance institutions play a transformative role in fostering individual development and supporting small businesses?
5. Give a reason to your answer above.
6. State the critical success factors of microfinance institutions
7. State the critical failure factors of microfinance institutions
8. What measures and strategies can be used to ensure the sustainability of microfinance institutions in Lusaka?
9. What are some of the risks that microfiancne institutions face?
10. Explain some of the risks you have mention above.