

INVESTIGATING THE IMPACT OF MICROFINANCE INSTITUTIONS'
PRODUCTS ON THE GROWTH OF SMES IN KATUTURA, NAMIBIA

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Abstract

This study analysed the impact of microfinance institutions' products on the growth of SMEs in Katutura. The objectives of the study were to determine whether there is a significant relationship between microfinance loans and the growth of SMEs; to establish if there is a significant relationship between microfinance savings and the SMEs' growth as well as to identify other factors enhancing SMEs' growth. The study employed a survey research strategy in which 87 SMEs were utilised as a sample size. A structured questionnaire was used as a research instrument to collect the primary data from SMEs, situated at Soweto Market, Soweto Taxi Rank and Wanaheda Industrial Stalls. Data were analysed using descriptive, inferential analysis which entail the use of Chi-square and simple percentages. The results revealed that there is a significant relationship between microfinance loans and SMEs' growth. On the same note, there is also a significant relationship between microfinance savings and SMEs' growth. Overwhelmingly, 100% of the respondents indicated that the organisation characteristic is one of the other factors that drive SMEs' growth. Conversely, the study established that microfinance insurance is not offered and microfinance institutions are not offering adequate training to capacitate SMEs. The study recommended the MFIs to start diversifying their products offering and also to offer products that are tailored to meet the needs of the SMEs. Moreover, they should offer more training to SMEs on financial management before they lend to SMEs and extensively provide support on managerial skills. Furthermore, MFIs should design and offer insurance products that are aimed at mitigating vulnerabilities and preventing microfinance consumers from catastrophic burdens. This product should entail health, life and all assets in possession of the business. Lastly, the study recommended the establishment of a One-stop centre for SMEs in Windhoek.

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Acronyms

BIPA:	Business and Intellectual Property Authority
BON:	Bank of Namibia
GDP:	Gross Domestic Products
MFB:	Microfinance Banks
MFI:	Microfinance Institutions
MSMEs:	Micro, Small and Medium Enterprises
NAMFISA:	Namibia Financial Institutions Supervisory Authority
NAMPOST:	Namibia Post Limited
NBFI:	Non-Bank Financial Institution
NGO:	Non-Governmental Organisations
OECD:	Organisation for Economic Corporation and Development
SACCO:	Savings and Credit Cooperatives
SCA:	Savings and Credit Associations
SMEs:	Small and Medium Enterprises

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Dedication

This research study is dedicated to my mother, Mrs Hendrina Silva Shipefi and my daughter, Ms Samantha Ndateelela Shipefi. I am really fortunate to have a great and exemplary mother full of wisdom, faith and positivity. My mother completed her degree through the distance learning mode during difficult times and at the same time taking care of her seven children. My daughter was born when I commenced this course and I used to bother her so much by switching on the lights when I had to wake up to study. Of note, she tolerated my disturbances and she often welcomed me home with a beautiful smile.

The aforementioned inspirational characters and circumstances encouraged me to work hard and prosper through completing this research study as well as in the entire course in order to stir a bright future for my family as set by my mother.

Declarations

I, Sem Laudika Shipofi, hereby declare that this study is my own work and is a true reflection of my research, and that this work, or any part thereof has not been submitted for a degree at any other institution.

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29 April 2022

Name of Student

Signature

Date

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Small and Medium Enterprises (SMEs) are globally viewed and acknowledged as key contributors to socio-economic development in every nation, either developed or emerging (Gyimah and Boachie, 2018: 61, Ngatjizeko, 2016: 12). Notably, The World Bank (2020, p. 1) projected that 600 million jobs will be required to be created by 2030 and the vision of this noble development is expected to be accomplished by SMEs, globally. SMEs account for about 99% of enterprises that are trading in the Organisation for Economic Corporation and Development (OECD) area. They have created 70% of jobs on average and they are ranked as the key providers to value addition. Statistically, SMEs have generated about 50 to 60% in value addition. In developing nations, formal SMEs have created 45% of jobs and contributed 33% to the GDP. However, these percentages will be greater if the informal SMEs are included (Organisation for Economic Corporation and Development, 2017:6). These sentiments were echoed by IQualifyUK (2020:1) and the caution being that these crucial strategic contributors to the economy are not adequately capacitated as 50% of them are unable to secure funding or invest in capital projects.

Iguna and Sazita (2018:23) proffer that the SME sector in Namibia is insignificant in comparison to the SME sector in other African nations. Nonetheless, the Namibian state has rated the SME sector as the driving force of socio-economic development in terms of economic development and poverty reduction. Ngatjizeko (2016:12-13) highlights that SMEs in Namibia partake in several sectors of the economy, and the majority of them are retail dealers and one quarter of the population is in food processing, manufacturing and

crafts, whilst others are rendering services. Namibia has about 33700 SMEs, of which 15 000 are formally registered. These SMEs provide employment and income to over 160 000 inhabitants which are attributed to one third of the national workforce and the SMEs contributed approximately 12% to the Gross Domestic Products (GDP) between 2004 and 2009 (Iguna and Sazita, 2018:23). However, the Minister of Industrialisation, Trade and SME Development has expressed that these figures are outdated and encouraged continuous quantitative research to be carried out on Namibia's SMEs (Ngatjizeko, 2016:12-13).

Despite the significant contribution made by these crucial economic players in Namibia, they struggle to grow within the first five years of their commencement, mainly due to funding constraints. Evidently, SMEs that were initially incubated at Katutura SMEs Incubation Centre since 2002 are still unable to expand due to funding constraints (Shilinge, 2016:3). There are 353 registered Microfinance Institutions (MFIs) in Namibia that are specifically established and recognised as ideal vehicles for sealing the funding gap that exists among the SMEs (Brouwers, Chongo, Milinga and Faser, 2014:34-36, Johannes, 2021: personal comm.; 08 January). Some of these lenders are Kongalend, Namibia Post Limited (NAMPOST), Trustco, Letshego and others. They offer payday loans, term loans, microenterprise loans and savings' products to both SMEs with payslips and marginalised SMEs solely for developmental purposes. SMEs that have borrowed from Kongalend have successfully utilised the funds to expand their entities (Kongalend, 2021: 1).

Microfinance is defined as the rendering of financial services such as loans, payment services, deposits or savings, insurance and non-financial services such as professional

training on inventory management, basic bookkeeping and advisory services to underprivileged or low income recipients who are unable to access financial services from conventional banks (Gyimah and Boachie, 2018:60; Nendakulola, 2015: 8).

Simataa (2013:1) posits that scholars in the development space have expressed that microfinance is the ultimate remedy to the prevailing global poverty. Statistically, Haiyambo (2016:1) cautioned that commercial banks in emerging economies are not fully serving the nations as their services have only reached 30% of the underdeveloped nations. Consequently, this has left many of the inhabitants and micro businesses unserved. Namibia is not exempted from this predicament. Thus, the development of microfinance has been sought as the tool to extend the services to the neglected majority. Noteworthy is that Brouwers, Chongo et al. (2014: 34) indicate that the microfinance sector in Namibia is at a promising stage of growth. In the same vein, Simataa (2013:1) opines that the majority of scholars have expressed that the provision of financial access to the marginalised communities and business is set as a vital tool that will accelerate development. This has been confirmed by the widespread evidence around the globe that microfinance is the key tool for poverty reduction, especially in rural areas where inhabitants do not have access to financial institutions as they rely on informal funding.

The above views have also been cemented by Haiyambo (2016:1) who proffers that poverty reduction has been the focal point of microfinance. Other remarkable research findings have disclosed that microfinance enhances the capability of dealing with uncertain circumstances which formerly enforced the underprivileged populace to dispose their rewarding assets such as land and livestock. Eventually, it has been resolved that the role played by microfinance and its impact on social and economic spheres is massive.

However, the challenge is to stimulate acceptable practices in microfinance dealings and improve the provision of its services to the unfortunate on a sustainable manner (Simataa, 2013:1).

The present study concedes that various studies have mainly focused on the factors that impede the growth of SMEs in Namibia. However, research is yet to be carried out on the impact of Microfinance Institutions' (MFIs) products on the growth of SMEs as there is no prior study that has been conducted before the current study. The present study therefore investigated the impact of MFIs' products on the growth of SMEs in Katutura.

1.2 Statement of the problem

The World Bank Group (2016:3) postulated that SMEs in Namibia are battling to grow within the first five years of their inception mainly due to financial constraints. Moreover, some SMEs depend on family and friends in terms of funding needs. Consequently, the government of the Republic of Namibia commenced with aggressive campaigns aimed at enhancing the financial inclusions in the country with the sole purpose of ensuring that the nation at large inclusive SMEs receive the appropriate financial education that will propel them to advance their business activities. This campaigns culminated in the development of the microfinance sector and its products in particular (Brouwers et al. 2014:36; Ngatjizeko, 2016: 9). However, limited studies have been conducted to establish the impact of the MFIs products on the growth of SMEs in Namibia after the campaigns and the development of MFIs. Bagudu, Khan and Hakim (2016:81) studied the impact of MFIs on SMEs in Nigeria and they found that a high number of SMEs have utilised loans for business growth motives. Thus, the current study has investigated the impact of the MFIs products on SMEs' growth in Katutura. On the same note, the study intended to

contribute to the present literature on the nexus between MFIs products and the growth of SMEs in Namibia.

1.3 Objectives of the study

The main objective of the study is to determine the impact of the MFIs' products on the growth of SMEs. The following are the specific objectives;

- To establish whether MFIs' loans are helping SMEs to grow;
- To establish whether MFIs' savings are helping SMEs to grow; and
- To investigate other factors enhancing SMEs' growth.

1.4 Hypotheses of the study

H_0 : There is no significant relationship between microfinance loans and SMEs growth

H_1 : There is a significant relationship between microfinance loans and SMEs growth

H_0 : There is no significant relationship between microfinance savings and SMEs growth

H_2 : There is a significant relationship between microfinance savings and SMEs growth

1.5 Significance of the study

The study contributes significantly to the present literature on the nexus between MFIs' products and SMEs in an emerging economy such as Namibia as there was no prior study before the current one. SMEs benefited from this study as the study had acted as an awareness platform for SMEs that did not have any knowledge of the products offered by MFIs. The study also intends to propel MFIs to effectively enhance their products in order to address the prevailing impediments faced by SMEs.

1.6 Limitation of the study

The Covid-19 restriction impacted the collection of data. Thus, the study aggressively employed the available technology such as emails and the WhatsApp technique to collect data.

1.7 Delimitation of the study

The study was conducted in John Pandeni Constituency, which has a population of 111 SMEs that are served by MFIs. In the same breadth, the study focused on the period between 2011 and 2020.

1.8 Outline of the study

This study has six chapters. Chapter one provides the background and the need to conduct the study. Chapter two covers an overview of the SMEs' and MFIs' products in Namibia. Chapter three highlights the theoretical and empirical literature of the study. Chapter four reflects on the research methodology that was utilised in carrying out the study. Chapter five analyses and interprets the collected data. Chapter six provides the conclusion and recommendations of the study.

CHAPTER TWO

OVERVIEW OF SMES AND MICROFINANCE INSTITUTIONS' PRODUCTS IN NAMIBIA

2.1 Introduction

This chapter highlights an overview of SMEs' and MFIs' products in Namibia, the organisational structure of MFIs, and an overview of microfinance in Namibia which entails the prevailing structure of the microfinance sector in Namibia including the regulatory framework and the enhancement of the regulatory framework. In addition, the chapter reflects on the MFIs' products and the SMEs benefiting from MFIs' products.

2.2 An overview of SMEs and MFIs' products in Namibia

Ngatjizeko (2016:11) categorised SMEs in Namibia by considering the number of employees and their turnover as those are the key elements that determine the growth of the SMEs. The following is the classification of SMEs as per the revised Namibian SMEs policy;

Table 2: Classification of MSMEs

Classification	Number of full time employees	And/or	Annual Revenue threshold (N\$)
Micro-enterprises	1 to 10	And/or	0 to 300,000
Small enterprises	11 to 30	And/or	300,000 to 3 000 000
Medium enterprises	31 to 100	And/or	3 000 000 to 10 000 000

Source: Ngatjizeko (2016:7).

Microfinance is commonly observed as an alternative to formal banking and a great tool for supportable development (Olugbenga and Mashingo, 2017: 82). However, Brouwers et al. (2014:34-36) and Kavari (2020: 26) claim that the microfinance products offering in Namibia is limited in terms of diversification, particularly the micro loans as the micro-

credit market offers only two products that are mostly provided by all the registered micro lenders and these products are terms 30 days' loans and term loans. There is also a microenterprise loan product in the market which is offered by few lenders. The other product offered by MFIs is micro savings (Haiyambo, 2016:38-39; Namibia Post Limited, 2021:1).

2.3 An overview of microfinance in Namibia

Namibia is recited as the second nation that has a lower populace density in the globe after Mongolia. The population density plays a major role in determining the financial inclusion of the nation. Namibia is not exempted in this scenario. In order to understand financial inclusion in Namibia, one has to take into account the population. Evidently, there has been a gap in access to financial services as a result of a lower population and microfinance has been sought as the solution to seal this gap as the current conventional banks are mostly concentrated in urban areas and not serving well enough the rural population. Noteworthy is that the microfinance sector in Namibia is currently at a promising stage of growth (Brouwers et al., 2014:34). The growth has also been acknowledged by Kavari (2020:23) who expressed that the sector has significantly rendered the financial services to both rural and urban areas in a cost effective mode which has aided the acceleration of financial inclusion in Namibia.

Conversely, microfinance in Namibia is generally characterised by consumer loaning and this is broadly termed micro lending. Globally, economic literature or studies have defined microfinance as lending for developmental purposes. On the contrary, in Namibia microfinance is limited to consumer micro-credits market as there is a deficiency in the variation of accessible micro-credit products (Kavari, 2020:23). On the same note,

Brouwers et al. (2014:34) mention that the Namibian micro lenders that are registered with Namibia Financial Institutions Supervisory Authority (NAMFISA) are not differentiating between consumer and developmental lending. Statistically, there are 353 MFIs that are registered with NAMFISA and some of these lenders are Letshego Micro Financial Services (Namibia) (Pty) Ltd, Nampost Financial Brokers (Pty) Ltd t/a POSTFIN, Kongalend Financial Services (Pty) Ltd, Trustco Finance (Pty) Ltd, Bellatrix SME Finance (Pty) Ltd, BW Finance (Pty) Ltd (NAMMIC), Entrepo Finance (Pty) Ltd, Eshisha Microfinance (Pty) Ltd, Finaid Financial Services (Pty) Ltd and others (Johannes, 2021: personal comm.; 08 January).

2.4 Organisational structure of MFIs

Haihambo (2016:40) highlights that microfinance is offered by different institutions around the globe. These institutions entail conventional banks, NGOs, credit unions, cooperatives and other establishments owned by the state. These MFIs are also participating in the microfinance sector in Namibia.

Mumi, Quayes and Joseph (2020:6) and World Bank Group (2015:12) indicate that MFIs advancements have been necessitated by a variety of regulations, investments structure and core objectives which have culminated into various organisational structures. MFIs can be owned by conventional banks' shareholders to affiliation members as in credit unions. As a result, these ownership structures cause variances in governing oversight.

MFIs that are trading as commercial banks are owned and regulated by stakeholders that are trading within the formal banking sector and the governing oversight is done by the

central banks, whilst, Non-Government Organisations (NGOs) that are offering microfinance services function under the supervision of donors, initiators or other financiers. However, the regulation of NGOs is insignificant compared to commercial MFIs and Non-Bank Financial Institutions (NBFI). In the same breadth, NBFI ownership and the processes are regulated through a combination of private and public ownership. These entities are regulated either by the central government or by an established government body. In Namibia, these institutions are regulated by NAMFISA (Johannes, 2021: personal comm.; 08 January). The last institutions that fall under the umbrella of MFIs are cooperatives and credit unions. These cooperatives are owned by the affiliates and they are not mandatorily subjected to oversight (Mumi et al., 2020:6; World Bank Group, 2015:12).

2.5 The prevailing structure of the microfinance sector in Namibia

The present microfinance sector in Namibia can be grouped into classes, namely; deposit-taking and non-deposit taking MFIs. The non-deposit taking MFIs offer only credit to the public, particularly SMEs. The anatomy of the sector comprises of one microfinance bank, several minor saving-mobilising MFIs which are termed as NGOs, savings and credit cooperatives (SACCOs), savings and credit associations (SCAs) as well as non-deposit taking MFIs. The non-deposit taking MFIs involve all institutions that are regularly controlled and overseen by micro lenders as well as subsidiaries of conventional banks (Haihambo, 2016: 45-46).

2.6 Microfinance regulatory framework in Namibia

NAMFISA standardises and superintends the non-banking financial institutions in Namibia. The micro lenders are one of the groups of institutions that fall under the auspices of NAMFISA (Kavari, 2020:38; Namibia Financial Institutions Supervisory

Authority, 2020:1). Whereas, the trades of microfinance institutions are currently being governed by the Micro Lending Act of 2018. This Act was brought into use on the 15th of October in 2018 (Office of the President, 2018:1). This Act compels all micro lenders to register with NAMFISA, and empower NAMFISA to standardise and supervise the market dealings of the micro lenders. Micro lenders are required to renew their licences on a yearly basis and those that are not complying to the governing market regulations are subjected to the seizure of their membership (Kavari, 2020:25-26; Office of the President, 2018:1).

There was no explicit regulatory framework that governed the operations of micro lending in Namibia. These lending activities were administered through the requirements of the Usury Act of 1968 and “the Exemption Notices issued thereunder, Notices Nos. 189 and 196 of 25 August 2004”. Under Section 15(a) of the Usury Act, a provision was made for Exemption Notices to be issued by the Minister of Finance, detailing the duties and obligations of micro lenders. These exemptions, which could be revoked or amended as the Minister saw fit, exempted certain categories of money laundering transactions, credit transactions or leasing transactions from any or all of the provisions of the Usury Act. In addition, there was no legal obligation for micro lenders to register with NAMFISA and thus be subject to the limits set out in the Usury Act” (Brouwers et al., 2014:38; Kavari, 2020: 25-26).

The deficiency of the stern regulations made the micro lending customers to be vulnerable as they were not duly protected from unethical practices of the lenders. This vacuum of regulation elevated the opportunity for micro lenders to exploit consumers as most micro lending consumers were perceived as monetarily uneducated. Generally, consumers could

not have legal rights to any grievances due to the absence of adequate regulations. Unethically, some micro lenders were alleged of taking bank cards and the PIN of the card from their customers in order to collect their loan repayments, and this was mainly effected to payday lenders. In the same vein, some lenders used to force customers to sign blank or incomplete agreements. Worth noting is that the prevailing Act has been enacted to eliminate these destructive practices and compelled all micro lenders to be registered with NAMFISA (Brouwers et al., 2014:38; Kavari, 2020: 25-26).

On the contrary, the microfinance sector has viewed that the registration process with NAMFISA is demanding. Additionally, the regulatory body does not provide or issue the requirements to the public which makes it cumbersome to prospective micro lenders. The requirements depend on the employee consulted at NAMFISA. On the same note, prospective micro lenders expressed that registration seems to be subjective and falls short of transparency. Whereas, NAMFISA is of the view that the registrations are made cumbersome in order to discourage exploitative microfinance lenders that intend to destabilize the entire sector. The participants in the sector also claim that the 1% levy which is charged by NAMFISA on the disbursed loans is too high (Brouwers et al., 2014:40).

2.7 The enhancement of the regulatory frameworks

Brouwers et al. (2014:38-41) expressed that NAMFISA has started a process of enhancing the prevailing governing structure of the non-banking monetary sector by developing a new Financial Institution and Market Bill. Part of this bill is to regulate the finance costs and all the lending activities in the country by setting the limits of the finance costs and the cost of borrowing. Microfinancing is known for its greater operative costs, and it is

anticipated to benefit from this limitation. Equally important, the Bank of Namibia (BON) has also commenced to implement a governing structure for deposit-taking institutions. This regulation will permit microfinance institutions to collect deposits from the public as there is no current regulatory framework that permits microfinance institutions that fall under the auspices of NAMFISA to collect deposits from the public. All in all, the bill is intended to pull new participants into the microfinance sector so as to establish greenfield microfinance banks. The new bills are expected to be beneficial if they could include the definitions of the micro lender and microfinance. Worth noting in that Namibwide Financial Services (2019:1) proffer that the new Financial Institution and Market Bill has been introduced by the Ministry of Finance.

2.8 MFIs' products

Tchuigoua (2013:313) and World Bank (2015:12) express that MFIs have been widely viewed as micro banks that have doubled core objectives. One of the objectives is sustainability and the second objective is poverty eradication. Tchuigoua (2013:313) further states that these institutions have positively accelerated the financial inclusion of the marginalised SMEs that were not able to be served by the conventional banking industry. They have specifically played a significant role in the financial sectors of the emerging economics and they have attained the core objective of helping the marginalised SMEs and the entire population to get out of poverty. Of note is that this was made possible through the products and services they offer. Similarly, Gyimah and Boachie (2018:61) indicated that the emergence of MFIs came to resolve the impediments that are coupled with SMEs. Besides the loan products offerings, MFIs also offer savings, insurance and education services to SMEs, which the formal banking sector is not offering. The following sections elucidate the products and services offered by MFIs.

2.8.1 Micro loans

Gyimah and Boachie (2018:61) postulate that micro loans are an integral feature of microfinance and they are narrated as the foundation of MFIs. These loans are issued to SMEs for a defined period of time and they are utilised for various motives. Regularly, they are utilised for investments and wealth creation. These products enable SME owners to meet their prerequisites, minimize business uncertainty, enhance households' financial welfare and eventually propel SMEs to grow in terms of market share, profit, size and return on assets or investments. These sentiments were echoed by Aladejebi (2019:261) who provided that access to microcredits is crucial as it sustains the welfares and for advancing the SMEs.

The microfinance products in Namibia are narrated as limited in terms of the diversification of products offering. The consumer micro-credit market offers two normal products that are provided by all micro lenders that are duly listed by NAMFISA and they are as follows (Brouwers et al., 2014:34-36; Kavari, 2020:26):

- 30 day loans: These are loans that are provided by the lender to the salaried person who is short of cash and requires cash to sustain him/herself until the subsequent salary payment. These loans are always aligned with the expected salary of the customer. Previously, the lender retained the bank card and the pin of the customer with the motive of collecting the dues when the salary is paid.
- Term loan: These loans are for universal use and they are limited to N\$ 100,000. The repayment period is 60 months, whilst the collection of the loan repayments is effected through payroll deductions.

Besides the aforementioned microfinance loan products that are offered, there is also an additional product that is accessible to micro entrepreneurs in the market, namely;

- Micro-enterprise loans: These loans entail individual and solidarity group lending for micro and small firms. The group lending portfolio has been observed as the portfolio that performs well than the individual portfolio. Similarly, the study conducted by Kodongo and Kendi (2013:101) on the comparison between individual lending and group lending in Kenya revealed that group lending is much desirable than individual lending as it alleviates the loan defaults, and this is mainly due to the joint liability amongst the borrowers. Kongaland is one of the MFIs that offers products that are custom-made to meet the funding needs of micro, small and medium enterprises. They also offer a group loan product called Group Power loan and other individual loan products such as Lima Power Loan, SMME Power Loan, Solar Power Loan and People Power Loan to SMEs (Kongalend, 2020:1). Another MFI, which is POSTFIN, provides loans to low income earners. This is one of the subsidiaries of NAMPOST Holdings. However, these loans are only accessible to the formally working market segments (Haiyambo, 2016: 39; Brouwers et al., 2014:34-36; Kavari, 2020:26).

2.8.2 Micro savings

Mohammad (2021:30) avers that accrued savings help to overcome unanticipated expenses and or price adjustments in household expenditures. In addition, savings mitigate uncertainty or risks that may pose a danger to the welfare of the households, which could emanate from sickness, death, theft, retrenchments or from natural and other disasters such as flood, war, fire and others. Ultimately, savings permit individuals and entrepreneurs to

take advantage of unforeseen investment opportunities. In the same breadth, Aladejebi (2019:265) alludes that Microfinance Banks (MFBs) collect savings from individuals and SMEs on a daily, weekly and monthly basis. In most cases, MFIs' banking products are established for these micro savings. MFBs offer micro savings products that are tailored for the needs and aspirations of the SMEs in the informal market as well as in rural areas. These savings products enable the SMEs to save, exploit opportunities and expand their entities. The Namibian microfinance sector also offers micro savings products and these are discussed below:

- Deposit and savings: Nampost Savings Bank plays a crucial role in rendering financial services to marginalised inhabitants, mainly from remote areas. They offer a Smart Card Savings product which is available to any citizen. The bank uses the finger-print biometric to authenticate the identity of a client. Moreover, Nampost Bank offers investment products such as Fixed Term Deposits, Call Accounts, Notice Accounts and Save-As-You-Earn accounts (Brouwers et al., 2014:34-36; Kavari, 2020:26). On the same note, Haiyambo (2016:38-39; and Namibia Post Limited (2021:1) narrate that NAMPOST Savings Bank is one of the largest savings banks in Namibia that mainly serves the disadvantaged inhabitants. The bank has more than 400 000 account holders, provides or charges minimal fees and the requirement for opening the bank accounts are flexible. In comparison with commercial banks, the bank offers tax-free interest rate saving products, which conventional banks are unable to offer. Notably, the bank has been expanding exponentially as it has been opening an average of 4500 new savings

accounts on a monthly basis countrywide. This has been made possible through the 135 post offices of its parent company which serve its clients.

In relation to conventional banks, NAMPOST savings bank has 135 branch networks, whilst, Bank Windhoek, First National Bank, Standard Bank, Nedbank Namibia have 119, 126, 82, and 57 branches respectively. The figures illustrated above indicate that the bank has invested more in reaching a wider set of customers in comparison to commercial banks. In addition, of the 42 percent that depicted the expansion of branches network in the country between 2007 and 2012, the conventional bank network has only contributed 7 percent whilst the remainder was contributed by the savings bank (Haiyambo, 2016:38-39).

Kongalend is currently working on the modality of inventing the savings products that are tailored to the aspirant needs of the SMEs and persons which should conform with the prevailing regulatory framework (Kongalend, 2020:1).

2.8.3 Micro insurance

This product is considered crucial as it protects the activities undertaken by microfinance consumers (Gyimah and Boachie, 2018:62). This has been echoed by Paramasivan and Rajaram (2016:1) as they alluded to the fact that micro finance is a new development model in microfinance which is aimed at mitigating vulnerabilities and preventing microfinance consumers from catastrophic burdens. This concept has two words; One word is “Micro”, which is defined as reasonably priced to the disadvantaged populace, whilst the second word is “Insurance” which indicates “Risk pooling to compensate an individual and group”. Aladejebi (2019:265) narrates that this product entails health, life and all assets in possession of the business.

2.8.4 Education

MFIs offer educational training to SMEs which would propel them to successfully utilise the resources at their disposals, enhance their managerial expertise as well as training on bookkeeping. To add to that, the trainings are not limited to the ones narrated above, MFIs also provide training in various areas such as marketing, formulating a successful business plan, financial reporting, client services, establishment of cooperative societies and many more. In the end, these trainings enable SMEs to sustain and grow their entities (Aladejebi, 2019:265-266; Gyimah and Boachie, 2018:63).

2.9 SMEs benefiting from MFIs products

Historically, microfinance was established as a try and error project meant to assess its feasibility. This methodology found that it was prudent to lend extensively to women as they have been able to service their debts as opposed to men. Additionally, women were observed as much more focussed and they are concerned much about the welfare of their families as opposed to men. The effective repayment and traits portrayed by women lead to one of the distinguishing features of microfinance worldwide (Haldar and Stiglitz, 2016: 465). In the same vein, Wang (2013:3) postulated that a study that was conducted to examine the effects of microfinance on gender parity revealed that there are plenty of benefits in financing women even though there is a deficiency of evidence in reducing gender disparity. Notably, microfinance propels women to enjoy larger economic power, superior living eminence and tougher social and political empowerment.

By definition, microfinance is designed and intended to provide financial services and products to the disadvantaged group of SMEs in order to ensure financial inclusion which would propel SMEs' growth and alleviate poverty. This group is mostly operating in the informal sector and is also not able to access finance from commercial banks due to high

requirements and exorbitant charges (Bangudum et al., 2016:81; Gyimah and Boachie, 2018:60; Nendakulola, 2015:8). In a nutshell, Nyikos and Soos (2018:831) allude to the fact that this segment is found not bankable by conventional banks. Thus, microfinance activities are found desirable to seal the gap that exist amongst the SMEs.

In light of the above, non-bankable SMEs in Namibia are also financed by MFIs, particularly those that are operating in the informal sector and they are both formally and informally registered. In Windhoek, these SMEs are situated in the following constituencies: John Pandeni, Samora Machel, Moses Garoeb, Tobias Hainyeko, Katutura East, Katutura West, Windhoek East and Windhoek West (Joodt, 2021: personal comm.; 14 January). Worth noting is that SMEs that have borrowed from Kongalend have effectively utilised their loans to expand their business (Kongalend, 2021:1).

CHAPTER THREE

LITERATURE REVIEW

3.1 Introduction

This chapter entails the theoretical literature and reviews the studies that have been conducted by numerous scholars on the impact of microfinance products on the growth of SMEs. The chapter also covers the other factors enhancing SMEs growth and access to microloans.

3.2 Theoretical literature

Gyimah and Boachie (2018:61) postulate that micro loans propel SMEs to grow in terms of market share, profit, size and return on assets or investments. Micro savings were found useful to SMEs as these products enable the SMEs to save, exploit opportunities and expand their entities (Aladejebi, 2019:265). Paramasivan and Rajaram (2016:1) allude that micro insurance is a new development model in microfinance which is aimed at mitigating vulnerabilities and preventing microfinance consumers from catastrophic burdens and ensuring continuous development. MFIs offer educational training to SMEs which would propel them to successfully utilise the resources at their disposals, enhance their managerial expertise as well as training on bookkeeping. In addition, MFIs provide training in various areas such as marketing, formulating a successful business plan, financial reporting, client services, establishment of cooperative societies and many more. In the end, these trainings enable SMEs to sustain and grow their entities (Aladejebi, 2019:265-266; Gyimah & Boachie, 2018:63).

This study has learnt that there are various theories of microfinance that have been adopted by numerous scholars. The study has looked at few theories that are narrated below, namely; the theory of financial sustainability, game theory and the uniting theory.

The financial theory of sustainability expressed that the long term continuity and sustainability of MFIs is key in delivering services and products to their clients, particularly the SMEs as well as to meet the day to day operational costs or obligations (Mbithe, 2013:12). Similarly, Kibichii and Wafula (2020:157) expressed that the focal point of this theory is none other than creating an environment where MFIs are able to meet their operational needs, enhance accountability as well as to render more services to clients with the sole purpose of capturing the economics of scale.

The game theory of microfinance supports the notion of group lending amongst SMEs as group members cooperatively guarantee effective loan settlement. Noteworthy, access to further loans depends on the successful repayment made by all group members. This theory also finds it prudent for MFIs to offer insurance products to SMEs that are in the group. “This model has contributed to broader social benefits because of their mutual trust arrangement at the heart of group guarantee system and the group itself often becomes the building block to a broader social network. However, group based mechanisms end to be vulnerable to free riding and collusion. Inefficiencies are well known to emerge in similar contexts” (Mbithe, 2013:11; Kibichii and Wafula, 2020:157-158).

The uniting theory of change complements the games theory of change as it stresses on the joint liabilities of the members. This theory expressed that all theories of microfinance maintained that the joint liability is a noble idea as it assists in lessening main challenges facing MFIs such as screening, monitoring and so forth. The advantage is that when one group member defaults, the group will be contractually being required to settle the outstanding debts (Mbithe, 2013:1-12).

3.3 Empirical literature

A study conducted by Bagudu, Khan and Hakim (2016:81) on the impact of microfinance institutions on SMEs in Nigeria found that there is a strong relationship between MFIs and SMEs as the development of SMEs positively impacted MFIs or either way. Similarly, Gyimah and Boachie (2018:59) studied the impact of microfinance products on small business growth and established that there is a correlation between microfinance products and business growth. Micro loans were found to be the major contributing factors to growth. Bagudu et al.'s (2016:81) finding is cemented by the fact that the Nigerian government has accelerated its intervention through the central bank by providing a governing and supervisory framework for the microfinance policy. However, the state's interventions were found to be inadequate and scholars have suggested that further studies need to be conducted on how best SMEs can be financed through equity. This notion has been echoed by the United States Agency for International Development (2019:19), as they asserted that the present studies have concentrated more on debts to SMEs than equity financing.

Wang (2013:10-16) conducted a study on the influence of microfinance on the development of small and medium enterprises in Taizhou, China. The study found that microfinancing contributed greatly to the growth of income and the returns of SMEs in the year 2010 to 2011. In the same vein, a study conducted by Momba (2013:50) on the impact of microfinance on the growth of small and medium enterprises in Moronogo revealed that accessing microfinance products impacts positively the growth of SMEs' sales. However, Wang (2013:10-16) discovered that microfinancing is required when SMEs are in financial distress, have a low level of output and seek for greater investments. Moreover, microfinancing is assumed to be provided based on the innovative and

entrepreneurship expertise of SMEs. Worth noting is that the study highlighted that microfinancing will be beneficial in the long run to the SMEs that are borrowing under unhealthy economic conditions. Furthermore, SMEs that have borrowed in 2010 would be able to apply and be funded in the future. This study was not able to arrive at the conclusion on the long run effect of microfinance on the development of SMEs due to the inaccessibility of data.

A study carried out by Olugbenga and Mashingo (2017:82-90) on the effect of microfinance on microenterprises in the Ga-Ranhuwa Township, South Africa, revealed that SMEs in the township are financially excluded as there are no stand-alone MFIs that offer the required financial support to SMEs. This impediment made it cumbersome for most SMEs to develop their entities as they are earning a periodic average income which is less than R 6000. Of concern is that the microfinance is only offered by the sections within two commercial banks, namely First National Bank and Nedbank. The study discovered that only 50 percent of microfinance sections in Nedbank are lending to SMEs. One of the funding requirements is that SMEs need to be formally registered and they have to provide their financial statements in order to access loans. The study expressed that with no stand-alone MFIs, there would be no predictions for SMEs' growth and economic development. In the final analysis, the study found that microfinance had no influence on microenterprises in the Ga-Ranhuwa Township. Conversely, these findings could not include all other townships where there are stand-alone MFIs. The study then suggested the state to elevate its interventions in establishing stand-alone MFIs that would provide financial services to SMEs, establish awareness programmes and relax the prevailing funding requirements in order to elevate access to microfinance.

A study conducted by Khale (2013:44-47) on the impact of microfinance institutions on the growth and development of small and medium enterprises in Machakos Town, Nigeria highlighted that MFIs offer a range of products and services to SMEs such as business loans, business accounts, managerial training, marketing and monetary literacy services. Of these products, business loans were found as one of the products that propelled the growth and development of SMEs. However, other products were not provided satisfactorily to facilitate SMEs to grow and develop. The study pinpointed that the SMEs lacked the financial education, inadequate training provided by MFIs, and the deficiencies in the business management among SMEs were mainly hindering the growth and development of SMEs. The study recommended MFIs to offer training to SMEs on financial management before they lend funds to SMEs and extensively provide support on managerial skills.

Similarly, Aladejebi (2019:261-274) studied the effects of Microfinance Banks (MFBs) on the growth of SMEs in Lagos Metropolis. The study's aim was to establish whether micro savings, micro loans and training offered by microfinance banks impact the financial performance of the SMEs. The findings show that micro savings had a huge impact on financial performance due to higher interest rates offered by microfinance banks as opposed to conventional banks. This helped business owners to overcome unanticipated expenditures and propelled continuity. Moreover, microloans were provided to SMEs much faster in comparison to commercial banks. Conversely, most SMEs were not provided training by the MFBs. Even though, a significant number of SMEs did not receive any training, the minority that received the training acknowledged the importance of training on managerial skills for micro entrepreneurs. In a nutshell, the study found that

most of the SMEs experienced financial growth. This revealed that the MFBs impacted the SMEs positively. The study then suggested MFBs to employ training methods in order to upskill their clients accordingly.

Khan (2020:115-128) studied the impacts of microfinance banks on small and medium scale enterprises in Nigeria, and argued that stringent requirements on obtaining funds from the microfinance bank has a major impact on the development of the SMEs as the strict requirements such as the high interest rate discouraged SMEs to acquire loans and rather raised capital from other sources. In the final analysis, the study revealed that the microfinance banks indeed assisted in funding and the enhancement of the SMEs. However, the significant number of respondents did not find the services of microfinance institutions more exceptionally in comparison with the services offered by traditional financial institutions. The study recommended the state to implement a policy for the advancement of the SMEs.

A study conducted by Djath (2019:187) on the role of MFIs in funding micro and small enterprises in Lome remarked that microcredits provided by MFIs impacted the growth of SMEs positively. The aforementioned sentiments were also echoed by Aladejebi (2019:261). However, the MFIs do not impact the employment created by the same SMEs that have acquired the microcredits.

On the contrary, a study by Nyikos and Soos (2018:831) on microfinance and access to funding of SMEs in Europe revealed that there is a prevailing deficiency in accessing funding for a significant number of SMEs. The predicament is that most SMEs are seen as not bankable by conventional financial institutions, particularly the ones that do not have any credit historic data. However, access to credit by healthier businesses is availed

by both commercial banks and microfinance institutions. To cushion this challenge, the respective states have mediated to support the struggling SMEs by endorsing microfinance undertakings.

The growth of the SMEs is one of the critical indicators to the economy's strength (Business Development Bank of Canada, 2015:3). Nendakulola (2015:10) opines that it is imperative to define the SMEs' growth and how the growth is measured when exploring other factors that affect the growth of SMEs. Business Development Bank of Canada (2015:3) defines growth as one of the stages of the trade life cycle which commences with the start-up stage and culminates in expansion. Then, the subsequent stage will be maturity which defines the going concern of the entity. In a nutshell, this stage propels the business to its success or closure. Nendakulola (2015:10) implied that there are several techniques of measuring the growth of SMEs. However, there are key techniques which are found suitable to measure the growth of SMEs, namely; the sales and the employment. These indicators measure the firm's size and growth. Notably, studies have revealed that the growth in sales and the growth in the number of employees are extremely interrelated.

Although SMEs engage in a range of activities or trades, they always strive to attain one common goal which is growth (Kedogo, 2013:12; Business Development Bank of Canada, 2015:1). Most scholars have acknowledged that micro loans are the major contributing factors to growth, however there are also other factors that propel SMEs to prosper in one way or the other. Some scholars found that the personal characteristics of the business owner and the strategy employed determine the success of the business. Nonetheless, there are key comprehensive factors such as individual, organisational and

environmental factors that play a major role in the determination of the growth of SMEs (Sarwoko & Frisdiantara, 2016:36-38).

The first factor is the individual (Sarwoko and Frisdiantara, 2016: 36-38). These factors entail the individual characteristics of the firm's owner, the expertise and the background. These factors are crucial in enhancing or determining the growth of SMEs. Kedogo (2013:12) points that most business owners lack the requisite educational background which is key to success. Consequently, they spend a considerable time on their entities' day to day operational matters and neglect the long term pertinent issues and opportunities. Moreover, they tend to be instinctive rather than analytical in their leadership.

The second one is the organisational factors (Sarwoko and Frisdiantara, 2016: 36-38). The growth of the SMEs is also defined by the effective deployment and utilisation of the organisation's resources at disposal such as labour, capital and the expertise acquired. The capacity, strategy, structure and practices of the SMEs are also essential. Ogega and Muturi (2017:1695) expressed that business training is key to the successful performance of the entity. The training includes people's effects, business requirements valuation and human resources development.

The third and last factors are environmental (Sarwoko & Frisdiantara, 2016: 36-38). These factors mostly look at the competition in the market as competition propels especially the new entrants to grow or easily fall. Of note, competition in this case is the factor that define the growth of the SMEs.

United States Agency for International Development (2019:14-19) expressed that access to credit is key when more SMEs are granted credit, because they purchase the required

services and equipment to enhance their business practices and or enhance productivity, improve product quality or product offerings in order to enhance cost efficiency and enhance revenue. This ultimately increases profits and employment possibilities. This notion has been acknowledged by Ndungu (2016:2-4) who provided that access to credit is critical for SMEs' growth and employment creation in Kenya.

United States Agency for International Development (2019:14-19) cautioned that numerous scholars have investigated the impact of access to funding involvements on SMEs' growth. The scholars have found that some of these interventions which entail enhanced credit information and collateral law reform can enhance the firm's performance in revenue and employment creation. The credit guarantees theory of change claims that when an association minimises the funder's risk through credit guarantee, SMEs will obtain more credits. In the same vein, some researchers have indicated that credit guarantees can assist SMEs' growth faster in terms of capital advancement. Ndungu (2016:5) also expressed that most scholars have recognised that collateral plays a major role in granting credits to SMEs as it provides assurance on uncertainty. Nevertheless, United States Agency for International Development (2019:14-19) posits that credit guarantees may escalate the probability of failure to service issued loans. The access to credit mechanisms has become a common practice in today's developmental sphere though they can be costly. There is a deficiency of studies on the cost-efficiency of these mechanisms compared to other interventions. Moreover, the available literature has mostly concentrated on debt funding to SMEs. However, some SMEs may prefer other methods of funding such as private equity.

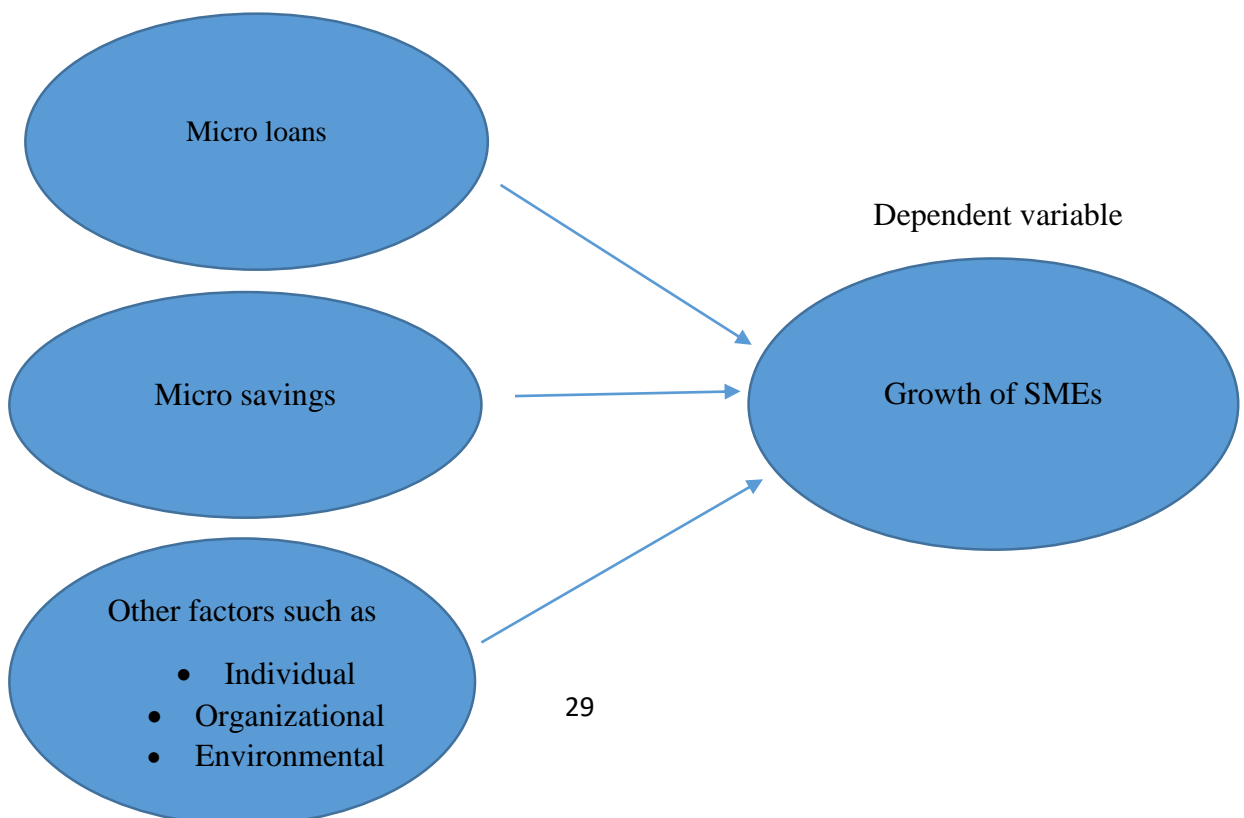
3.4 Conceptual framework

The literature highlighted that the growth of SMEs is influenced by MFIs' products such as microloans, micro savings, micro insurance and education. Moreover, there are other factors such as individuals, organisational and environmental that influence the growth of SMEs. These MFIs' products and other factors are not unique to the SMEs' in Namibia. They can be traced to SMEs around the globe. However, this study investigated the relationship between microloans and the SMEs growth as well as the relationship between the micro savings and the SMEs' growth. Moreover, the study has also investigated the other factors that impacted the growth of SMEs.

The conceptual model figure 3 below, highlights that the growth of SMEs (dependent variable) is influenced by micro loans and micro savings (independent variables). Other factors that influence the growth are individuals, organisational and environmental factors.

Figure 3: Conceptual model

Independent variables



3.5 Research gap

From the accessible literature, there are clear pointers that there are many areas that need to be researched on. The study established that there is a great deal of research that need to be conducted with respect to SMEs in Namibia and elsewhere around the globe. The gaps in research entail the impact of MFIs' products on the growth of SMEs in Namibia. This is evidenced by the deficiency of research on microfinance in Namibia.

CHAPTER FOUR

RESEARCH METHODOLOGY

4.1 Introduction

This chapter presents the research methodology and techniques that were employed in establishing the impact of microfinance institutions' products on the growth of SMEs in Katutura. The chapter deliberates and presents the research approach adopted under the following sections; research design, sample, research instruments, procedure, data analysis and research ethics.

4.2 Research design

According to Mukong (2020:2), a research design is described as a generic strategy that is employed to answer the study questions, and this view has been acknowledged by Akhtar (2016:68). Thus, this study employed a survey research strategy. Creswell (2014:13) posits that “survey research provides a quantitative or numeric description of trends, attitudes or opinions of a population by studying a sample of that population”. To shed more light, this study is quantitative in nature as it expressed the gathered data in terms of the quantities and utilised a structured questionnaire as a research instrument with closed ended questions in order to garner the relevant data that addressed the research objectives.

Dudovskiy (2022:1) stated that “research philosophy deals with the source, nature and development of knowledge. In simple terms, research philosophy is belief about the ways in which data about a phenomenon should be collected, analysed and used”. This study employed a quantitative method to collect data and analysed them using Chi-square.

4.3 Sample

Kenton and Johnson (2021:1) termed sample as a reduced and controllable form of the population or a subsection of a bigger populace. Ultimately, a sample permits the researcher to conduct and complete studies in an effective and timely manner. The study is based on the John Pandeni Constituency, which has a population of 111 SMEs. These micro entrepreneurs are situated at Soweto Market, Soweto Taxi Rank and Wanahenda Industrial Stalls. The number of these SMEs is 103, 5 and 3 respectively (Joodt, 2021: personal comm.; 14 January). A purposive sampling technique was employed to distribute the questionnaires. Denscombe (2014:41) argues that purposive sampling is the best approach when you want to ensure that relevant and knowledgeable respondents who are able to render pertinent information are included in the sample. However, a sample of 87 respondents was targeted, which was computed by using this formula: $n = N \div (1 + Ne^2)$. Whereas n = sample size, N = population size, e = acceptable error value (5%).

4.4 Research instruments

A research instrument is defined as an apparatus that is utilised to gather, quantify and analyse data pertaining to the study (Columbia University, 2020:2). This study used a structured questionnaire to collect the data from the SMEs. This is because a questionnaire can be completed at the respondent's own convenient time and the interviewer may not alter the respondent's views.

4.5 Procedure

A structured questionnaire composed of close ended questions was distributed to a sample of 87 participants. The distribution was done via email and hand delivered to those that did not have access to email.

4.6 Data analysis

The study employed an approach utilised by Khan (2020:124). The collected data were processed using descriptive, inferential analysis and simple percentages. The descriptive analysis contained the use of mean, median, and standard deviation of gathered data. The inferential statistics entailed the use of Chi-Square. The Chi-square is stated as $X^2 = \sum \frac{(F_o - F_e)^2}{F_e}$. Where: X^2 = Calculated value of chi-square, \sum = summation, F_o = Observed frequency, F_e = Expected frequency.

Calculation of the Degree of Freedom;

Degree of freedom (df) = (r-1) (c-1)

Where: r = Number of observations in a row

c = Number of observations in a column

The above analyses were appropriate to the study as they were effective in terms of the output and easy to analyse the statistics produced.

4.7 Research ethics

Denscombe (2014:306), and Bless, Higson- Smith and Sithole (2013:25) expressed that research ethics is not a choice but an essential trait of all good research. The best and global practice is that a study needs to be sanctioned, thus an approval should be sought from the designated research committee. With that said, the study sought ethical clearance from the University of Namibia's Research and Ethics Committee. Participation was voluntary and permission was received from participants that participated in the study. The study also acknowledged every source of information which is relevant to the study by citing the source using the appropriate conventions.

CHAPTER FIVE

ANALYSIS AND INTERPRETATION OF THE RESULTS

5.1 Introduction

This chapter concentrates on the analysis and interpretation of data gathered from the respondents. Respondents were provided with the logic of the study. This study utilised a quantitative approach to gather the data from the respondents. The collected data were processed using descriptive, inferential analysis and simple percentages. Quantitative data were analysed using Microsoft excel.

5.2 Response characteristics and response rate

The data were collected from SMEs that are situated at Soweto Market and Soweto Taxi Rank. The study formulated a questionnaire that was distributed to the respondents who were given assurance that all gathered data would be utilised for academic purposes only and that their characteristics would be confidential thereof. The population of the study was made of 111 SMEs of which the majority are trading from the Soweto Market. On the same note, a sample of 87 respondents was targeted. However, 66 participants responded positively whilst 21 business owners were not available and some declined to partake in the research due to their busy schedules. Thus, the response rate equates to 59% of the population.

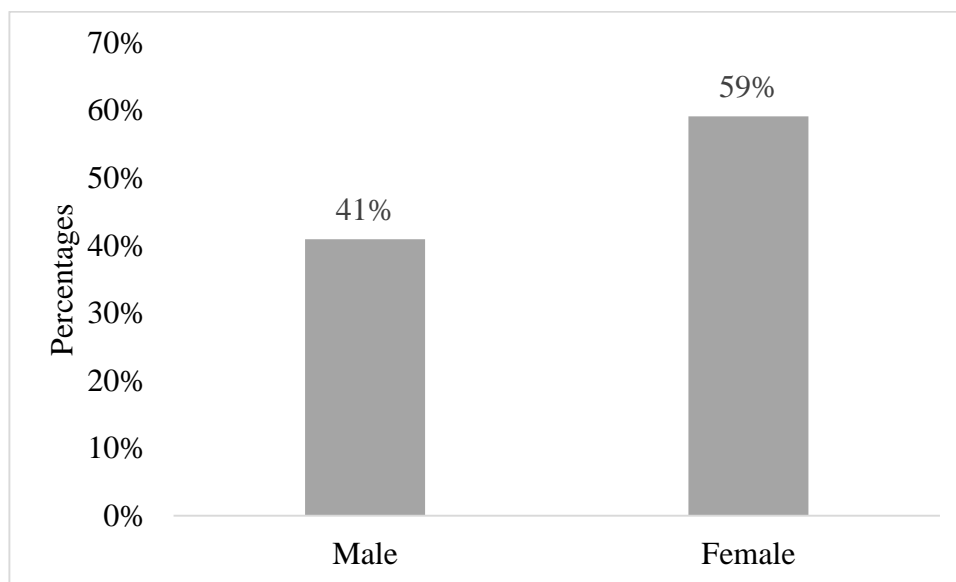
5.3 Interpretation and discussion

The following is the analysis, interpretation and deliberation of the data gathered from the primary research:

SECTION A: Participants' background and access to micro loans

The questionnaire consisted of 17 close ended questions whose ratings were done in accordance with a two-format approach adopted by Khan (2021:124). Participants were asked to indicate either Yes or No to the questions. Responses were presented in pictographic form using bar graphs as follows:

Figure 5.1: Gender

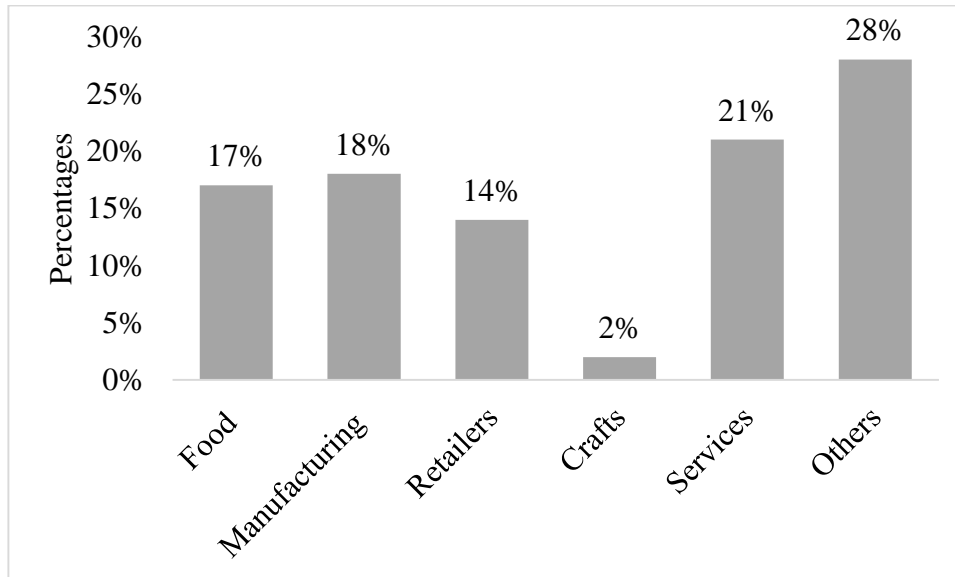


Source: Field survey

Figure 5.1 depicts the number of participants per gender within the sample size. Most of the respondents were female as illustrated above. This is represented by 59% of the sample, followed by 41% who are the male counterparts. This informs us that women are more involved in business in comparison to men. This affirms the sentiments drawn by Haldar and Stiglitz (2016:465) that women are much more focussed and are concerned much about the welfare of their families as opposed to men. Moreover, they are able to service their debts as opposed to men. Noteworthy, the effective repayment of borrowed

funds from MFIs and the traits portrayed by women lead to one of the distinguishing features of microfinance worldwide.

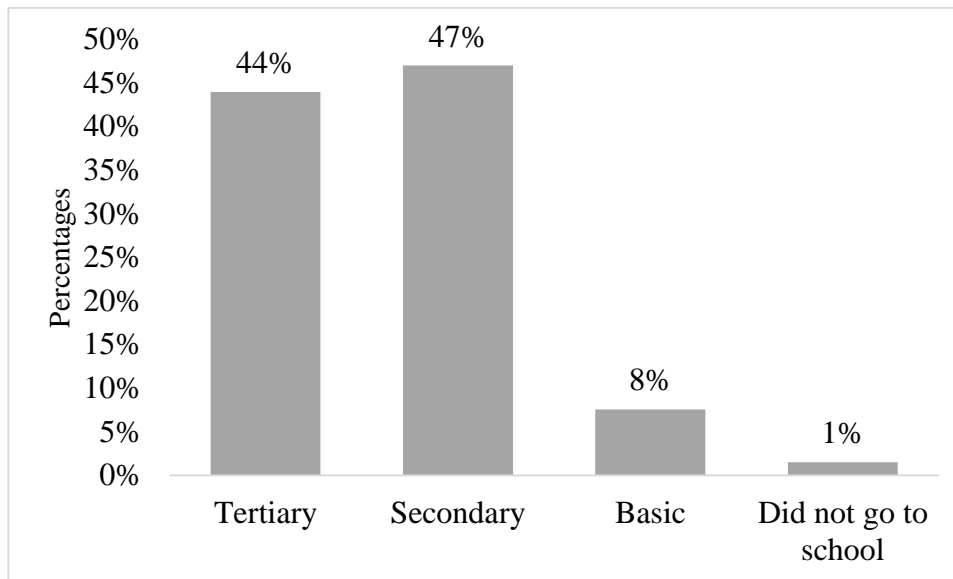
Figure 5.2: Industry



Source: Field survey

The above figure revealed that most SMEs are in other industries which are not classified as per the figure indicated above. This is demonstrated by 29% of the respondents, followed by 21% in services, 18% in manufacturing, 17% in food, 14% in retail and 2% of the minority are in crafts. The findings are conflicting with the narration stated by Ngatjizeko (2016:12-13), that the majority of SMEs in Namibia are retail dealers and one quarter of the population is in food processing, manufacturing and crafts, whilst, others are rendering services. This arose as Ngatjizeko's (2016:12-13) sentiments were based on a nation-wide population.

Figure 5.3: Highest level of education

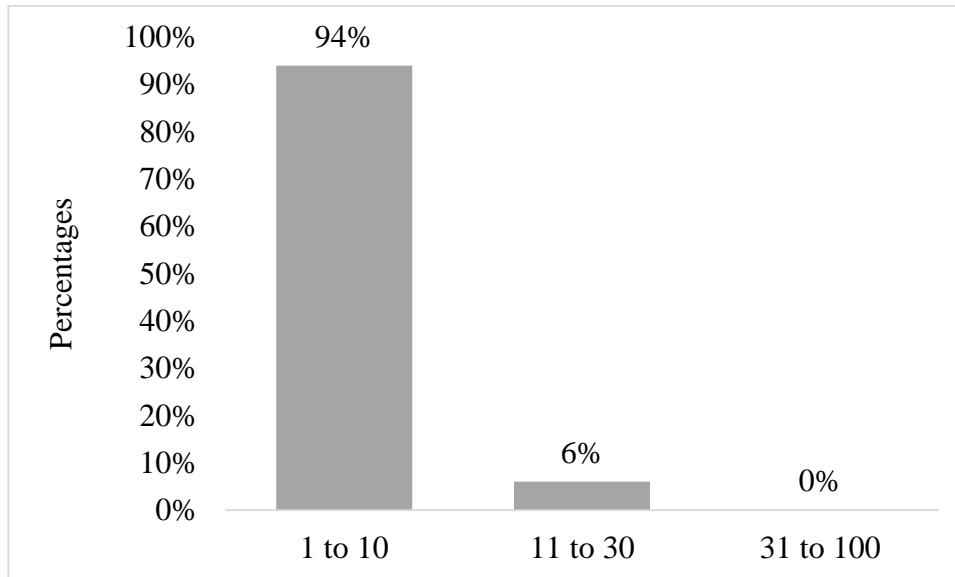


Source: Field survey

Figure 5.3 shows various levels of education symbolised within the sample size. Most SMEs fall in the category of those with secondary education as the highest level of education. This is represented by 47% of the sample, followed by 44% of SMEs in the category of tertiary education, 8% of SMEs have only basic education, whilst 1% did not go to school. The above findings illustrate that SMEs are not well capacitated. This in line with the interpretations made by Brouwers et al. (2014:38) and Kavari (2020:25-26) that SMEs are exploited by MFIs as they are perceived as financially illiterate. Generally, consumers could not have legal rights to any grievances due to the absence of adequate regulations. Unethically, some micro lenders were alleged of taking bank cards and the PINs of the bank cards from their customers in order to collect their loan repayments, and this was mainly effected to payday lenders. In the same vein, some lenders used to enforce customers to sign blank or incomplete agreements.

Sarwoko and Frisdiantara (2016:36-38) posits that the individual characteristics of the firm's owner, the expertise and the background are one of the factors that are crucial in determining the growth of the SMEs. In the same vein, Kedogo (2013:12) expressed that most business owners lack the requisite education background which is key to success. Consequently, they spend a considerable time on their entities' day to day operational matters and neglect the long term pertinent issues and opportunities. Moreover, they tend to be instinctive rather than analytical in their leadership.

Figure 5.4: Number of employees



Source: Field survey

Figure 5.4 illustrates the number of employees that have been recruited by SMEs. These findings assisted in determining the appropriate classification of SMEs that participated in the study. The results revealed that 94% of SMEs have only recruited employees between one to ten, whilst 6% have recruited eleven to thirty employees. None have recruited thirty-one to one hundred employees. Ngatjizeko (2016:11) categorised SMEs in Namibia by taking into account the number of employees and their turnover as the key elements that determine the growth of the SMEs. The following is the classification of SMEs as per the revised Namibian SMEs policy;

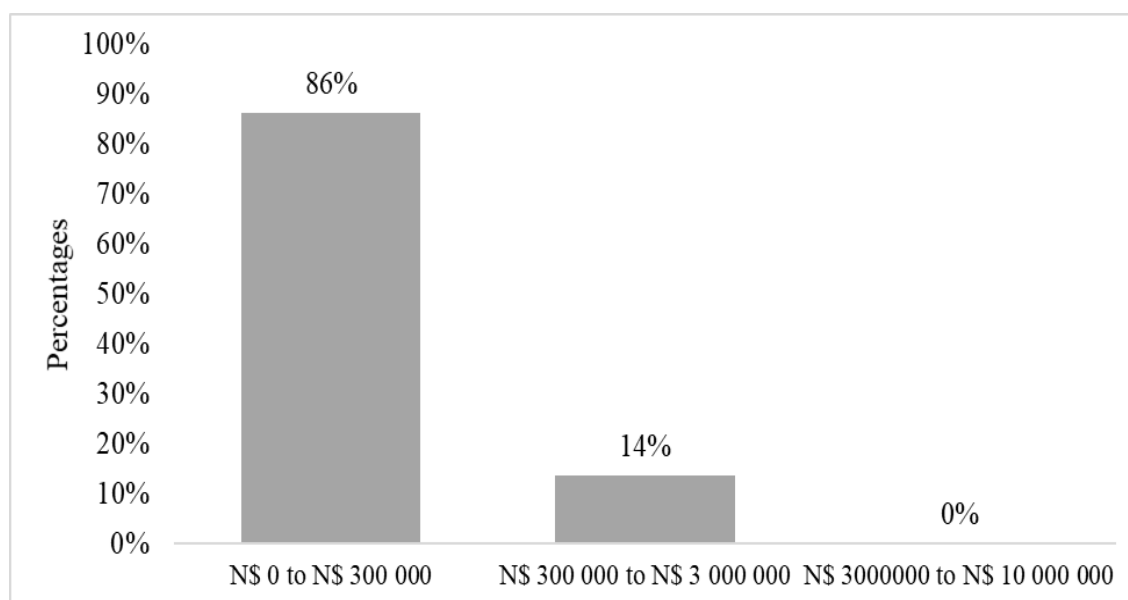
Table 2: Classification of MSMEs

Classifications	Number of full time employees	And/ or	Annual Revenue threshold (N\$)
Micro-enterprises	1 to 10	And/or	0 to 300,000
Small enterprises	11 to 30	And/or	300,000 to 3 000 000
Medium enterprises	31 to 100	And/or	3 000 000 to 10 000 000

Source: Ngatjizeko (2016:7)

Thus, the findings depict that 94% of SMEs are still micro-enterprises, whilst, 6% are small businesses and none of them are medium enterprises. This result conforms with the notion raised by Shilinge (2016:3) that SMEs struggle to grow within the first five years of their commencement, mainly due to funding constraints. Evidently, SMEs that were initially incubated at Katutura SMEs Incubation Centre since 2002 are still unable to expand due to funding constraints.

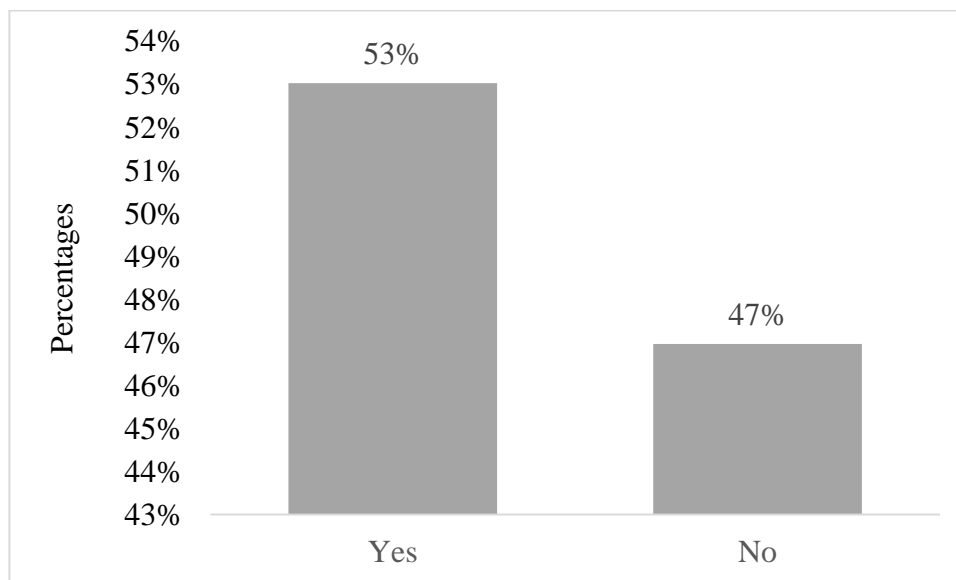
Figure 5.5: Turnover



Source: Field survey

The above figure confirms the classification and the growth status of the SMEs that participated in the study. The outcomes revealed that 86% of SMEs generated revenue between N\$ 0 to N\$ 300 000, while 14% earned revenue between N\$ 300 000 and N\$ 3 000 000, whereas none generated revenue greater than N\$ 3 million. The results agree with Figure 5.5 that most of the SMEs are still microenterprises, whilst a few are small business and none of them are medium enterprises. The growth of SMEs therefore seems to be a great concern.

Figure 5.6 Access to microloans



Source: Field survey

Figure 5.6 sought to determine whether access to microloans is easy for SMEs. A total of 53% of the respondents expressed that access to microloans is easy, 47% indicated that microloans are not easily accessible. The results drive to the theoretical framework that adopted the access to credit theory of change (United States Agency for International

Development, 2019:14-19). This theory indicates that when more SMEs are granted credit, they purchase the required services and equipment to enhance their business practices and or enhance productivity, improve product quality or product offerings in order to enhance cost efficiency and revenue. This ultimately increases profits and employment possibilities. This notion has been acknowledged by Ndungu (2016:2-4) who provided that access to credit is critical for SMEs' growth and employment creation in Kenya. Similarly, a study piloted in Namibia on funding activities revealed that access to credit is key to poverty eradication in terms of job creation and drives the growth and development of SMEs. On the same note, a study conducted by Djath (2019:187) on the role of MFIs in funding micro and small enterprises in Lome remarked that microcredits provided by MFIs impacted the growth of SMEs positively. The aforementioned sentiments were also echoed by Aladejebi (2019:261). However, the MFIs do not impact the employment created by the same SMEs that have acquired the microcredits.

Momba (2013:50) investigated the impact of microfinance on the growth of small and medium enterprises in Moronogo and found that accessing microfinance products impacts positively the growth of SMEs' sales. However, Wang (2013:10-16) discovered that microfinancing is required when SMEs are in financial distress, have a low level of output and seek for greater investments. Moreover, microfinancing is assumed to be provided based on the innovative and entrepreneurship expertise of SMEs. Worth noting is that the study highlighted that microfinancing will be beneficial in the long run to the SMEs that are borrowing under unhealthy economic conditions. This study was not able to arrive at the conclusion on the long run effects of microfinance on the development of SMEs due to unavailability of data.

SECTION B: The impact of microfinance institutions' products on the growth of SMEs.

5.4 Testing

This section analyses the data obtained from the survey using statistical tools. The first testing is aimed at testing the first hypothesis which sought to ascertain the impact of the microfinance loans on the growth of SMEs. Whilst, the second testing is aimed at assessing the impact of microfinance savings on the growth of SMEs.

5.4.1 Testing Hypothesis One: The impact of microloans on the growth of SMEs

The data for testing this hypothesis were obtained from the responses that addressed question 7 to question 10. The data represents the number of SMEs that have indicated Yes or No. Chi-square was used to test the data as illustrated below.

Table 5.1: Testing Hypothesis One

RESPONSE	Q7	Q8	Q9	Q10	TOTAL
YES	15	14	55	25	109
NO	51	52	11	41	155
TOTAL	66	66	66	66	264

Source: Field survey

Computation of degree of freedom and expected frequency

Degree of freedom (df) = (r-1) (c-1)

Where: r = Number of observations in a row

c = Number of observations in a column

df = (2-1) (4-1)

$$df = 3$$

$$\alpha = 0.05$$

Computation of expected frequency

$$E(\text{Yes}) = \frac{66 \times 109}{264} = 27.25$$

$$E(\text{No}) = \frac{66 \times 155}{264} = 38.75$$

Calculation of the chi-square

$$X^2 = \sum \frac{(F_o - F_e)^2}{F_e} . \text{ Where: } X^2 = \text{Calculated the value of chi-square, } \sum = \text{summation, } F_o =$$

Observed frequency , F_e = Expected frequency.

$X^2 (\alpha= 0.05) (df = 3) = 7.815$. Thus, the region of acceptance is ≤ 7.815

The decision rule is as follows;

Accept H_0 if X^2 stat lies at or below the upper limit of 7.815

Reject H_0 if X^2 stat lies above 7.815

f_o	f_e	$(f_o - f_e)^2$	$\frac{(f_o - f_e)^2}{f_e}$
15	27.25	150.06	5.51
14	27.25	175.56	6.44
55	27.25	770.06	28.26
25	27.25	5.06	0.19
51	38.75	150.06	3.87
52	38.75	175.56	4.53
11	38.75	770.06	19.87
41	38.75	5.06	0.13

$$X^2 = 68.80$$

Decision

The sample test statistic, X^2 stat = 68.80 lies above the region of acceptance of $X^2 \leq 7.815$. Thus, in this case we have to reject H_0 at the 5% level of significance as there is no solid evidence to accept H_0 in favour of H_1 at $\alpha = 0.05$. The null hypothesis is therefore untrue. It can be concluded with 95% confidence that there is a significant relationship between microfinance loans and SMEs growth.

The above results can be traced to the study conducted by Bagudu, Khan and Hakim (2016:81) on the impact of microfinance institutions on SMEs in Nigeria, which found that there is a strong relationship between MFIs and SMEs as the development of SMEs positively impacted MFIs or either way. Similarly, Gyimah and Boachie (2018:59) studied the impact of microfinance products on small business growth and established that there

is a correlation between microfinance products and business growth. Micro loans were found to be the major contributing factors to growth. Bangudu et al.'s (2016:81) finding is cemented by the fact that the Nigerian government accelerated interventions through the central bank by providing a governing and supervisory framework for the microfinance policy.

5.4.2 Testing Hypothesis Two: The impact of micro savings on the growth of SMEs

The data for testing this hypothesis were obtained from the responses that addressed question 11 to question 14. The data represents the number of SMEs that indicated Yes or No. Chi-square was used to test the data as illustrated below.

Table 5.2: Testing Hypothesis Two

RESPONSE	Q11	Q12	Q13	Q14	TOTAL
YES	65	66	56	59	246
NO	1	0	10	7	18
TOTAL	66	66	66	66	264

Source: Field survey

Computation of degree of freedom and expected frequency

Degree of freedom (df) = (r-1) (c-1)

Where: r = Number of observations in a row

c = Number of observations in a column

df = (2-1) (4-1)

$$df = 3$$

$$\alpha = 0.05$$

Computation of expected frequency

$$E(\text{Yes}) = \frac{66 \times 246}{264} = 61.50$$

$$E(\text{No}) = \frac{66 \times 18}{264} = 4.50$$

Calculation of the chi-square

$$X^2 = \sum \frac{(F_0 - F_e)^2}{F_e} . \text{ Where: } X^2 = \text{Calculated value of chi-square, } \sum = \text{summation, } F_0 =$$

Observed frequency , F_e = Expected frequency.

$X^2 (\alpha= 0.05) (df = 3) = 7.815$. Thus, the region of acceptance is ≤ 7.815

The decision rule is as follows;

Accept H_0 if X^2 stat lies at or below the upper limit of 7.815

Reject H_0 if X^2 stat lies above 7.815

f_o	f_e	$(f_o - f_e)^2$	$\frac{(f_o - f_e)^2}{f_e}$
65	61.50	12.25	0.20
66	61.50	20.25	0.33
56	61.50	30.25	0.49
59	61.50	6.25	0.10
1	4.50	12.25	2.72
0	4.50	20.25	4.50
10	4.50	30.25	6.72
7	4.50	6.25	1.39

$$X^2 = 16.46$$

Decision

The sample test statistic, X^2 stat = 16.46 lies above the region of acceptance of $X^2 \leq 7.815$. Thus, in this case we have to reject H_0 at the 5% level of significance as there is no solid evidence to accept H_0 in favour of H_1 at $\alpha = 0.05$. The null hypothesis is therefore untrue. It can be concluded with 95% confidence that there is a significant relationship between microfinance savings and SMEs' growth.

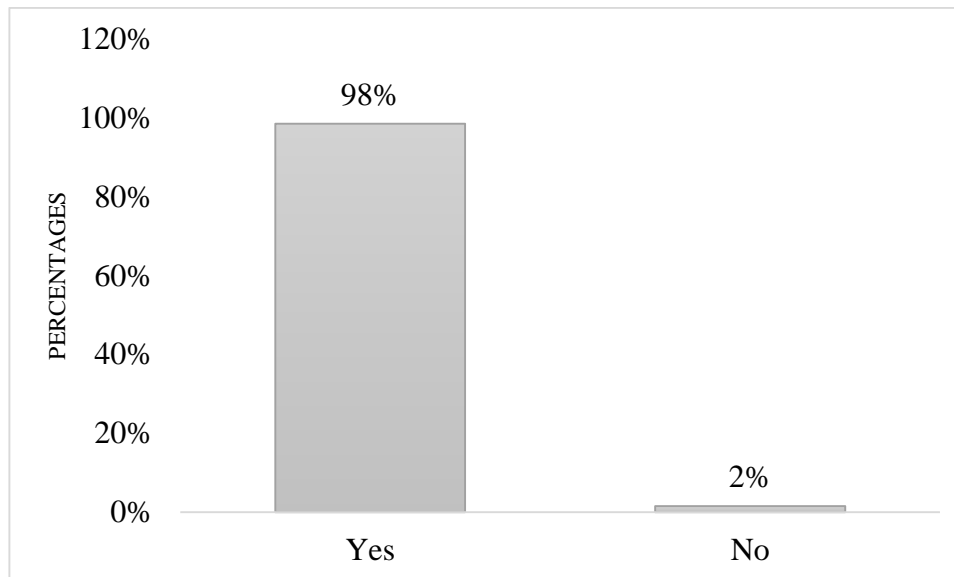
The above results are in line with the study carried out by Aladejebi (2019:261-274) on the effect of Microfinance Banks (MFBs) on the growth of SMEs in Lagos Metropolis. The study's aim was to establish whether micro savings, micro loans and training offered by microfinance banks impact the financial performance of the SMEs. The findings showed that micro savings had a huge impact on financial performance due to higher

interest rates offered by microfinance banks as opposed to conventional banks. This helped business owners to overcome unanticipated expenditures and propelled continuity. Moreover, microloans were provided to SMEs much faster in comparison to commercial banks. Conversely, most SMEs were not provided with training by the MFBs. Even though, a significant number of SMEs did not receive any training, the minority that had received the training acknowledged the importance of training on managerial skills for micro entrepreneurs. In a nutshell, the study found that most of the SMEs experienced financial growth. This reveals that the MFBs impacted the SMEs positively. The study then suggested MFBs to employ training methods in order to upskill their clients accordingly. Overall, microfinance loans and savings have a positive impact on the growth of SMEs. These sentiments agree with the views of Wang (2013:10-16), who conducted a study on the influence of microfinance on the development of small and medium enterprises in Taizhou, China. The study revealed that microfinance contributed greatly to the growth of income and returns of SMEs in 2010 to 2011. However, the study discovered that microfinancing is required when SMEs are in financial distress, have a low level of output and seek for greater investments. Moreover, microfinancing is assumed to be provided based on the innovative and entrepreneurship expertise of SMEs. Noteworthy is that the study highlighted that microfinancing will be beneficial in the long run to the SMEs that are borrowing under unhealthy economic conditions. Furthermore, SMEs that borrowed in 2010 would be able to apply and be funded in the future. This study was not able to arrive at the conclusion on the long run effects of microfinance on the development of SMEs due to inaccessibility of data.

On the other hand, Khan (2020:115-128) studied the impacts of microfinance banks on small and medium scale enterprises in Nigeria and argued that stringent requirements on obtaining funds from the microfinance bank have a major impact on the development of the SMEs as the strict requirements such as the high interest rate discouraged SMEs to acquire loans and rather they raised capital from other sources. However, the research discovered that most SMEs had knowledge about the services offered by the banks and the existence of the microfinance bank but the majority of SMEs did not borrow from the bank in Damataru due to high finance costs and spiritual faith played a significant role as the locals are from the Islam religion. This religion forbids interest on lending. In the final analysis, the study revealed that the microfinance banks indeed assisted in funding and the enhancement of the SMEs. However, the significant number of respondents did not find the services of microfinance institutions as more exceptionally in comparison with the services offered by traditional financial institutions. The study then recommended the state to implement a policy for the advancement of the SMEs.

SECTION C: Other factors that drives SMEs' growth

Figure 5.7: Individual factors

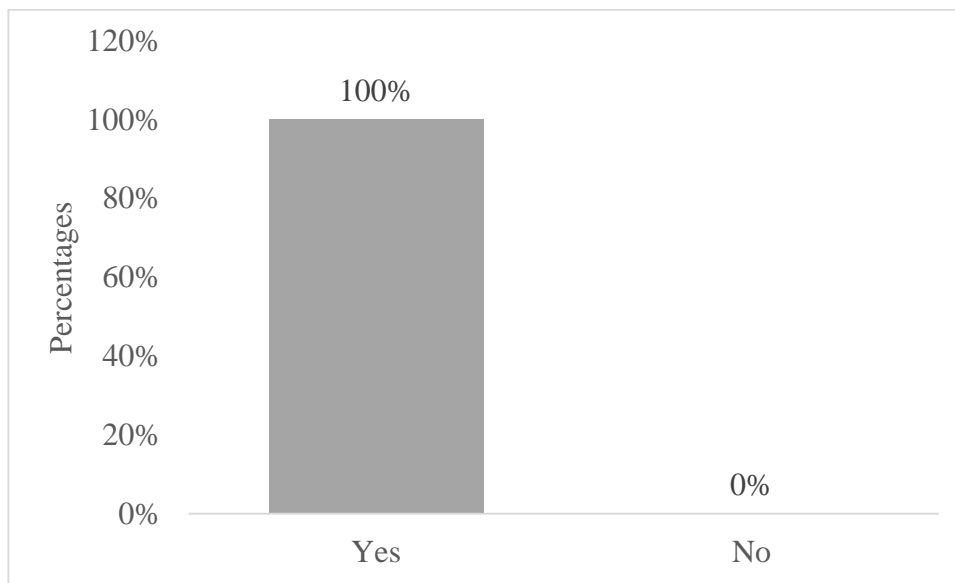


Source: Field survey

Figure 5.7 aims to determine whether the business owner's characteristics contribute or have an influence on the growth of the business. Overwhelmingly, the respondents viewed that the owner's characteristics such as the experience, education and background play a major role in determining the growth of the business. This is represented by 98% of the respondents, followed by 2% who rejected the aforementioned notion. This is also in agreement with the sentiments raised by Sarwoko and Frisdiantara (2016: 36-38), that the individual characteristics of the firm's owner such as the expertise and the background are factors that are crucial in enhancing or determining the growth of SMEs. Kedogo (2013:12) pointed that most business owners lack the requisite educational background which is key to success. Consequently, they spend a considerable time on their entities' day to day operational matters and neglect the long term pertinent issues and opportunities.

Moreover, they tend to be instinctive rather than analytical in their leadership. Evidently, this is in support with the results revealed by Figure 5.3, which depicts that 47% of SMEs only have secondary education. This should have a bearing on the stagnant growth of SMEs as depicted by Figure 5.4 and 5.5 respectively.

Figure 5.8: Organisational factors

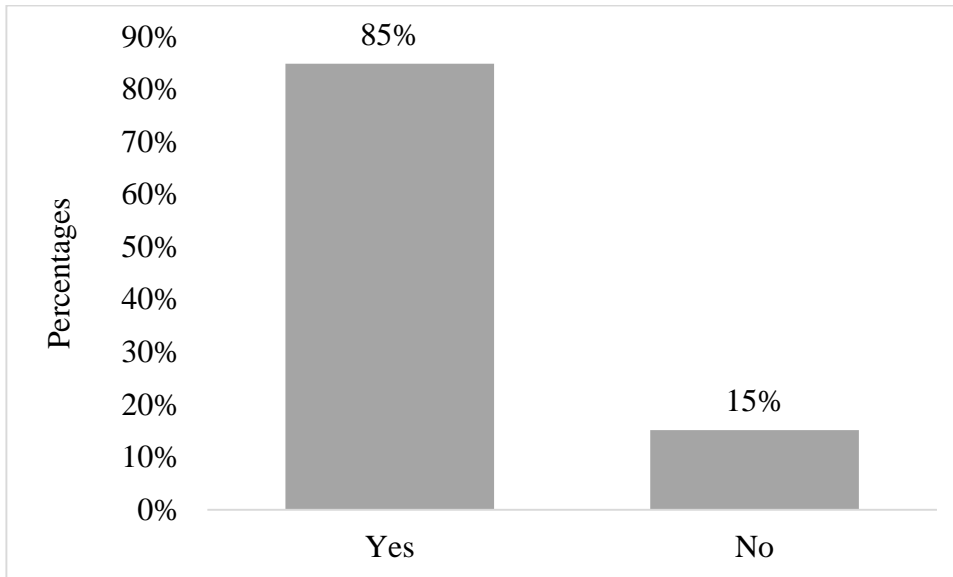


Source: Field survey

Figure 5.8 is aimed at establishing if the organisation's characteristics or factors contribute to the growth of SMEs. All the respondents indicated that the organisation's structure, strategy, practice, deployed labour and expertise contribute to the growth of SMEs. This is represented by 100% of the respondents as revealed by the aforementioned figure. Concurring, Sarwoko and Frisdiantara (2016:36-38) expressed that the growth of the SMEs is also defined by the effective deployment and utilisation of the organisation's

resources at disposal such as labour, capital and the expertise acquired. The capacity, strategy, structure and practices of the SMEs are also essential.

Figure 5.9: Competition

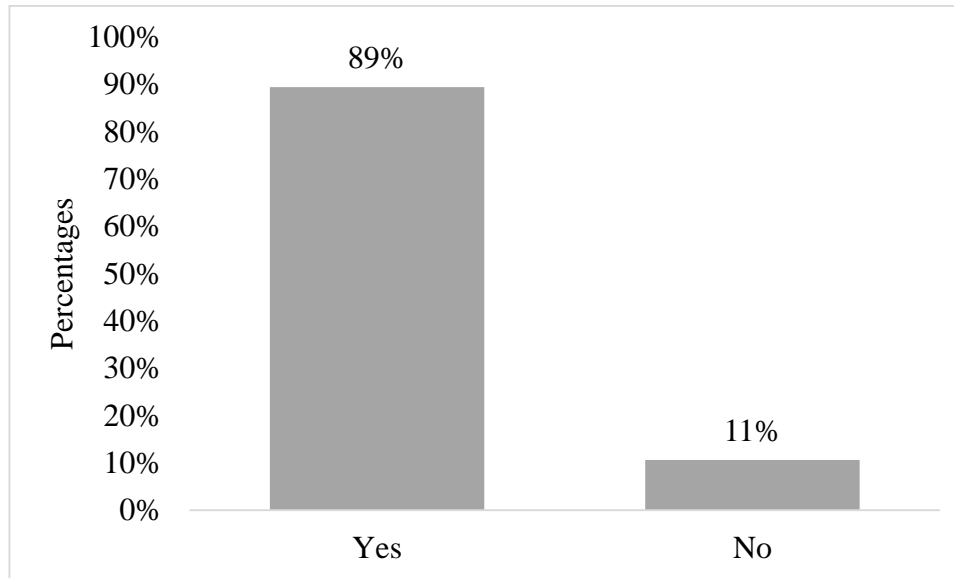


Source: Field survey

Respondents were asked to indicate if competition contributes to the growth of the SMEs, and 85% of the respondents specified that competition drives the growth of SMEs, whilst 15% expressed that competition does not drive the growth of SMEs. The 85% results concede with the observation made by Sarwoko and Frisdiantara (2016:36-38), who alluded that competition propels especially the new entrants, to grow or easily fall. Of note is that competition in this case is the factor that defines the growth of the SMEs.

SECTION D: Generic questions

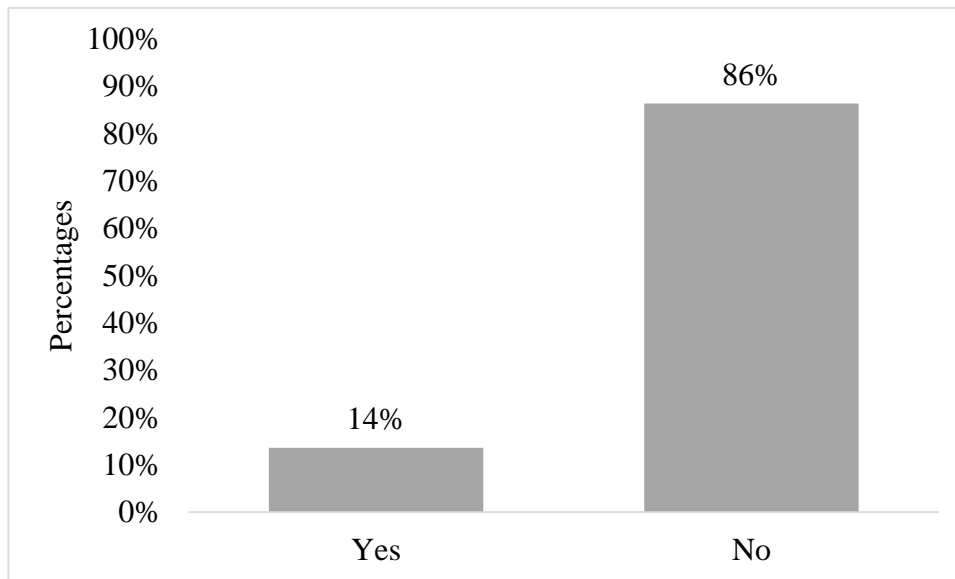
Figure 5.10: Number of employees



Source: Field survey

Figure 5.10 is intended to determine if the number of employees boosts the firm's revenue and 89% of respondents posited that the number of employees plays a crucial role in boosting the firm's revenue, whilst 11% of the respondents indicated that the number of employees does not have any effect on the growth of the firm's revenue. Nendakulola (2015:10) implied that there are several techniques of measuring the growth of SMEs. However, there are key techniques which are found suitable to measure the growth of SMEs, namely, the sales and the number of those in employment. These indicators measure the firm's size and growth. Notably, other studies have revealed that the growth in sales and the growth in the amount of employees are extremely interrelated. Thus, the study concluded that the number of employees drive the growth of the firm's revenue.

Figure 5.11: Micro lending regulations



Source: Field survey

Respondents were asked to state if Namibia has good micro lending regulations that protect the SMEs from the lender's exploitation. About 86% of the participants indicated that Namibia has no good micro lending regulations that protect consumers from lenders' exploitation. On the contrary, 14% indicated that Namibia has good micro lending regulations in place that protect consumers from MFIs exploitation. The 86% results agree with the views expressed by Brouwers et al. (2014:38) and Kavari (2020:25-26) as they opined that there was no explicit regulatory framework that governed the operations of micro lending in Namibia. These lending activities were administered through the requirements of the Usury Act of 1968 and "the Exemption Notices issued thereunder, Notices Nos. 189 and 196 of 25 August 2004. Under Section 15(a) of the Usury Act", provision was made for Exemption Notices to be issued by the Minister of Finance, detailing the duties and obligations of micro lenders. These exemptions, which could be

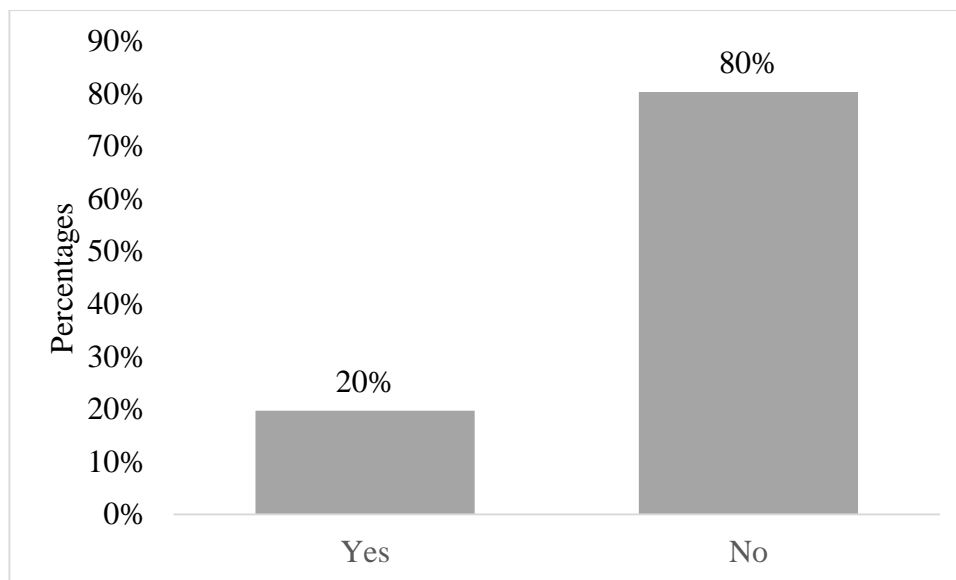
revoked or amended as the Minister sees fit, exempt certain categories of money laundering transactions, credit transactions or leasing transactions from any or all of the provisions of the Usury Act. In addition, there was no legal obligation for micro lenders to register with NAMFISA and thus be subject to the limits set out in the Usury Act. The deficiency of the stern regulations made the micro lending customers to be vulnerable as they were not duly protected from unethical practices of the lenders.

However, the trades of microfinance institutions are currently being governed by the Micro Lending Act of 2018. This Act was brought into use on the 15th of October in 2018 (Office of the President, 2018:1). The Act compels all micro lenders to register with NAMFISA, and empowers NAMFISA to standardise and supervise the market dealings of the micro lenders. Of note is that micro lenders are required to renew their licence on a yearly basis and those that do not comply to the governing market regulations will be subjected to the forfeiture of their membership (Kavari, 2020:25-26; Office of the President, 2018:1).

Noteworthy is that Brouwers et al. (2014:38-41) expressed that NAMFISA has started a process of enhancing the prevailing governing structure of the non-banking monetary sector by developing a new Financial Institution and Market Bill. Part of this bill is to regulate the finance costs and all the lending activities in the country by setting the limits of the finance costs and the cost of borrowing. Microfinancing is known for its greater operative costs and it is anticipated to attain an advantage from this limitation. Equally important, the Bank of Namibia (BON) has also commenced with the implementation of a governing structure for deposit-taking institutions. This regulation will permit microfinance institutions to collect deposits from the public as there is no current

regulatory framework that permits microfinance institutions that fall under the auspices of NAMFISA to collect deposits from the public. All in all, the bill is intended to pull new participants into the microfinance sector to establish greenfield microfinance banks. The new bills are expected to be beneficial if they could include the definitions of the micro lender and microfinance. Of note is that Namibwide Financial Services (2019:1) expressed that the new Financial Institution and Market Bill has been introduced by the Ministry of Finance. Thus, the present study concludes that good micro lending regulations are currently in place which remedied the previous lenders' exploitative tendencies.

Figure 5.12: Training

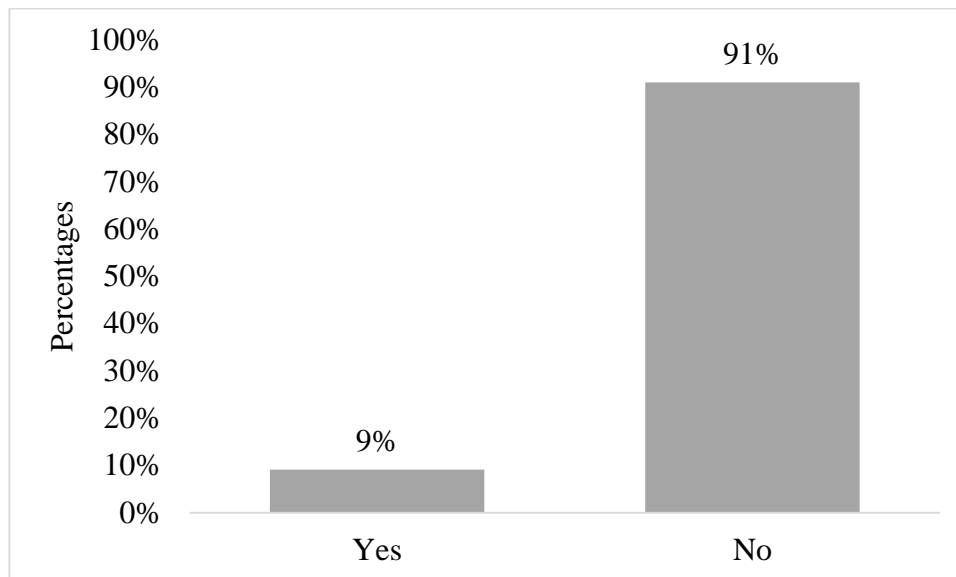


Source: Field survey

Figure 5.12 strived to ascertain if MFIs offer training to SMEs on how to successfully utilise loans to grow their entities and other trainings such as on book keeping, business plans, etc.? Around 80% of the respondents stressed that MFIs are not offering training to SMEs, whereas, 20% of the respondents implied that MFIs are offering training to SMEs.

The 80% results coincide with figure 5.4 and figure 5.5 which revealed that most of the SMEs have not grown. One of the contributing factors to the stagnant growth is thus perceived to be inadequate training. Training is a key element that propels growth. Similarly, Aladejebi (2019:265-266), and Gyimah and Boachie (2018:63) postulated that trainings offered by MFIs enable SMEs to sustain and grow their entities. Unquestionably, MFIs offer remedies for entrepreneurial issues that are hampering the growth of the SMEs during the training and workshops sessions.

Figure 5.13: Insurance products

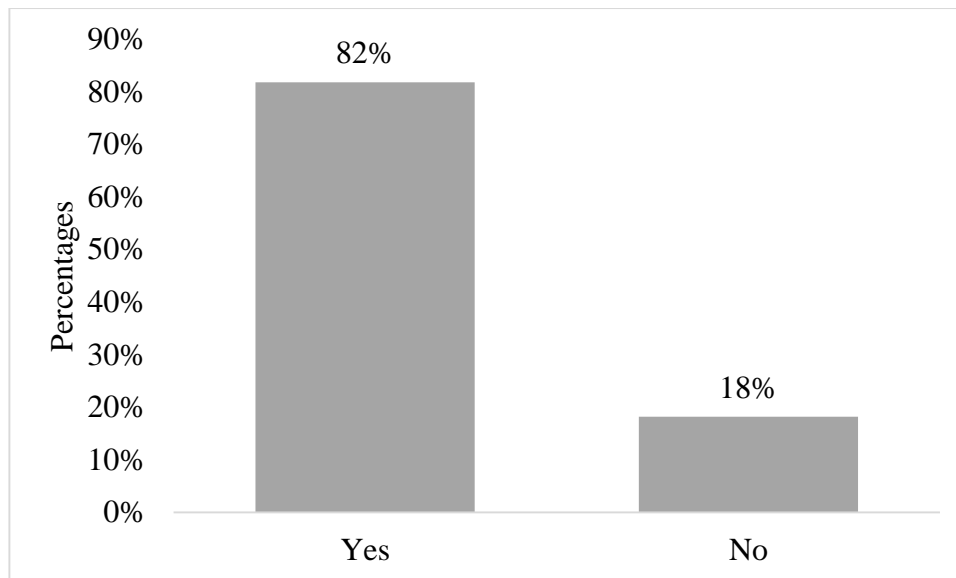


Source: Field survey

Participants were requested to specify whether the current MFIs are offering insurance products to their clients? Approximately 91% of the participants remarked that MFIs are not offering insurance products to their clients, while, 9% of the respondents indicated that MFIs are offering insurance products to their clients. The significant results implied that insurance products are not offered by the current microfinance sector. These findings

and the significant results depicted by figure 5.13 are in line with the notion narrated by Brouwers et al. (2014:34-36) and Kavari (2020:26) that there is a limitation of the diversification of microfinance products in Namibia.

Figure 5.14: Equity financing



Source: Field survey

Figure 5.14 is meant to determine if SMEs would prefer to seek for a potential investor in order to raise capital and develop their business rather than borrowing from MFIs? About 82% of the respondents indicated that they would prefer equity financing as opposed to debt financing from MFIs. In contrast, 18% of the participants expressed that they do not prefer equity financing than debts financing from MFIs. The findings demonstrate that SMEs are not growing significantly as they do not prefer debt funding but are rather opting for equity financing. Bangudu et al. (2016:81) and the United States Agency for International Development (2019:19) have suggested for future studies to focus on equity financing as most of the present studies have been concentrating on debts to SMEs.

CHAPTER SIX

CONCLUSIONS AND RECOMMENDATIONS

6.1 Conclusion

The objective of this study was to establish whether the MFIs loans and MFIs savings have an impact on the growth of SMEs as well as to identify other factors enhancing the growth of SMEs. The study gathered primary data from SMEs, which were analysed using Chi-Square and other data which were interpreted and presented through the use of bar graphs. In addition, the study successfully attained the objectives as the results as obtained and presented and also revealed that there is a significant relationship between MFIs' loans and SMEs' growth. Moreover, the study established that there is a significant relationship between MFIs savings and SMEs' growth.

Of concern is that there is a limitation of microfinance products diversification in Namibia as microcredit in Namibia is not merely offered together with other services such as insurance products and training. A significant number of SMEs indicated that insurance products are not offered. Moreover, training is not adequately offered to SMEs. Training is perceived as one of the powerful tools that will propel SMEs to sustain and grow their operative activities. This deficiency of training could be one of the contributing factors to the stagnant growth of SMEs as most of the SMEs are still at the infant stage. The study also learnt that some SMEs did not know anything about microfinance and how they could access such services. Consequently, this study has contributed positively to their knowledge.

Other findings of the study revealed that the firm owner's characteristics such as the education or expertise, business experience and other background factors determine the growth of SMEs. In addition, the effective deployment and utilisation of the organisation's

resources such as labour, capital and expertise as well as the capacity, strategy, structure and practice are organisational factors that are considered essential in determining the growth of SMEs. Lastly, the study found that competition drives SMEs' growth. Conversely, most SMEs are not into debt funding but opt for equity financing.

6.2 Recommendations

SMEs are globally viewed and rated as the crucial engine that drives economic growth, hence the development of SMEs is key and should be a priority by all global leaders and states in order to realise agenda 2030 which is aiming for sustainable development. With that narrated, SMEs in Katutura and the rest of the country need to be assisted in order to create more sustainable employment, eradicate poverty and promote prosperity for all. The following are the recommendations:

- The Ministry of Industrialisation, Trade and SME Development in collaboration with the Ministry of Finance, the City of Windhoek, Business and Intellectual Property Authority (BIPA) and other relevant stakeholders should establish a One-stop Centre for SMEs in Windhoek with the sole purpose of accelerating SME development. The centre should be aimed for business registration, educating SMEs in terms of business development coupled with microfinance products and services and other alternate funding models which are available in the market, educating SMEs in terms of bookkeeping, acceptable models of tax collection and many more. The centre should also be utilised for promoting investments and innovations. Particularly, the centre should be utilised by SMEs that want to pitch-up their innovative ideas and are seeking for potential investors. This should be the suitable place to meet and commence with viable investments. Of note is that

most of the SMEs that participated in this study indicated that they prefer equity funding than debt financing. The establishment of the centre will drive SMEs' growth as they will be able to gather all the necessary information from one place and make good use of it. Currently, offices are scattered and not everyone has the means to reach all the offices or knowing the appropriate offices to contact when a need arises. The centre will be an ecosystem on its own and it will definitely impact the lives of SMEs positively and enhance trade. This should be supported by a policy on SME development which should be implemented by the state.

- The Credit Guarantee Scheme for SMEs that has been rolled out by the Ministry of Finance should also be made available and accessed by SMEs that are borrowing from reputable MFIs in order to allow all SMEs to benefit as there would be SMEs at any category of businesses with good prospects for success and feasible business plans but are lacking the necessary securities to secure funds. This in the process will lower the costs of acquiring loans from MFIs.
- The MFIs should start diversifying their products offerings and also offer products that are tailored to meet the needs of the SMEs. Moreover, they should offer more training to SMEs on financial management before they lend to SMEs and extensively provide support on managerial skills. Furthermore, MFIs should design and offer insurance products that are aimed at mitigating vulnerabilities and preventing microfinance consumers from catastrophic burdens. This product should entail health, life and all assets in the possession of the business.

6.3 Area(s) for further study

- A similar study on the impact of microfinance institutions' products on the growth of SMEs can be conducted in other towns or areas in Namibia.

- A study on the long run effect of microfinance on the development of SMEs can be done.
- The available literature has mostly concentrated on debt funding to SMEs. However, most SMEs that have partaken in the study have indicated that they would prefer equity funding rather than debt financing. A study on equity financing can as well be done.
- The study has learnt that microfinance insurance and trainings are lacking. A study can be conducted to investigate the implications of the deficiency of microfinance insurance and education on the development of SMEs.
- The study has taken cognisance of the fact that more women are involved in trading as opposed to men. A study on the long term effects of gender disparity on microfinancing can be carried out.

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ANNEXURE – B: LETTER TO PARTICIPANTS

I, Sem Laudika Shipefi, presently pursuing a Master of Science in Development Finance at the University of Namibia. I am investigating the impact of Microfinance Institutions' (MFIs) products on the growth of SMEs in Katutura. This study is meant to fulfil the academic requirements and it is also expected to provide awareness on the products offered by MFIs to SMEs. Moreover, the study will propel MFIs to effectively enhance their products in order to address the prevailing impediments faced by SMEs in Katutura.

Kindly complete the attached questionnaire at your convenient time. Kindly note that you will remain anonymous and all gathered information will be treated confidential and shall be utilized for academic purposes only.

Kindly send the completed questionnaire to shipefisl@gmail.com or you can alert me by texting or make a call on the below mobile number to collect the questionnaire

Kind regards

Sem Laudika Shipefi

Cell: +26481 2923454

Email: shipefisl@gmail.com

ANNEXURE – C: QUESTIONNAIRE

Section A – Participants background and access to microloans

1. Kindly indicate your gender by ticking the appropriate box.

Gender	
Male	
Female	

2. Kindly indicate the industry that you are operating in?

Type of business	
Food	
Manufacturing	
Retailers	
Crafts	
Services	
Others	

3. What is your highest level of education?

Level of Education	
Tertiary	
Secondary	
Basic	
Did not go to school	

4. How many employees does your business has?

Number of employees	
1 to 10	
11 to 30	
31 to 100	

5. How much revenue have you been generating each year or expect to generate by your business's year end?

Turnover	
N\$ 0 to N\$ 300,000	
N\$ 300,000 to N\$ 3 000 000	
N\$ 3 000 000 to N\$ 10 000 000	

6. Is access to microloans easy?

Access to micro loans	
Yes	
NO	

Section B – The impact of microfinance institutions’ products on the growth of SMEs.

7. Have you obtained a business loan from any microfinance institution between 2011 to 2020?

Micro loan	
Yes	
NO	

8. Has the loan that your business obtained helped your business to grow?

Micro loan	
Yes	
NO	

9. Do you believe that microloans are helping SMEs to grow?

Micro loans	
Yes	
NO	

10. Do you often use the loan for the purpose of the business?

Microloans	
Yes	
NO	

11. Have you saved money with Nampost, Trustco Bank or with other microfinance institutions between 2011 to 2020?

Deposit and savings	
Yes	
NO	

12. Have you used the savings that you accumulated to grow your business such as buying equipment's or additional stock, opening other shops etc.?

Accumulated savings	
Yes	
NO	

13. Would you agree that micro savings products that are currently offered are useful in developing the business activities?

Micro savings products	
Yes	
NO	

14. Do you always use the savings for the purpose of the business?

Microloans	
Yes	
NO	

Section – C: Other factors that drives SMEs growth

15. Would you agree that the business owner’s experience, education and background plays a major role in determining the growth of the business?

Owner’s characteristics	
Yes	
NO	

16. Do you think that the effective deployment and utilisation of the organisation's such as labour, capital and expertise, structure, strategy and practice are other key factors that determine the growth of the business?

Organizations resources and capacity	
Yes	
NO	

17. Do you believe that competition contributes greatly to the growth of the business?

Competition	
Yes	
NO	

Section – D: Generic questions

18. Do you believe that the number people that you have employed helped your business's revenue to grow?

SMEs' growth	
Yes	
NO	

19. Does Namibia has a good micro lending regulation that protect the SMEs from the lenders' exploitation?

Micro lending regulations	
Yes	
NO	

20. Do microfinance institutions offer training on how to successfully use the loan to grow the business and other trainings such as on book keeping, business plans etc.?

Education	
Yes	
NO	

21. Are the current microfinance institutions offering insurance products to their clients?

Education	
Yes	
NO	

22. Would you prefer to seek for a potential investor in order to raise capital and develop your business rather than borrowing from microfinance institutions?

Equity financing	
Yes	
NO	

Thank you