AN INVESTIGATION INTO THE IMPACT OF ACCESSIBILITY TO MICRO-FINANCE ON THE PERFORMANCE OF SMALL-SCALE ENTERPRISES IN WINDHOEK HAVANA INFORMAL SETTLEMENT

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ABSTRACT

Business development has emerged as a driver of economic development, and in the quest to drive job creation and food security, among others, goverments have explored measures aimed to facilitate SME development. One of the key challenges affecting successful progression of SMEs is funding and even though governments in conjunction with the private sector, the issue has peristed and Namibia is not an exception. In view of this, the study sought to determine whether the existence of microfinance institutions in Namibia has an impact on SMEs in Windhoek, in terms of performance, using the case of Havana informal settlement.. The study employed a mixed research approach, which enabled the researcher to staticatically conclude empirical findings aimed to assess the extent to which micro funding is accessible to SMEs in an in-depth and objective manner. To fulfil this, an explanatory research design was used and rationale was to obtain answers pertaining to the status of micro financing in Namibia. A survey questionnaire was used to collect primary data from the sampled population in the Havana informal settlement, Windhoek. Secondary data was obtained from annual reports of financial institutitions. The informants of the study consisted of 50 business owners residing in Havana and were selected using a non-probability method, namely random sampling method. The findings suggest that there is evidence to justify lack of micro financing opportunities and surprisingly, most of the participants have never benefitted from such schemes. Overall, accessibility to micro financing was deemed less useful and there is bad perception about this as existing funding schemes were not considered to be effective. The study recommended revision of policies governing micro financing, stimulating joint projects, establishment of public private partnerships, investing in research and development and benchmarking Namibias' efforts with

international successful micro funding opportunities available for SMEs. The outcomes of the study reveal a need to review SME funding schemes, so that concrete measures could be adopted to address challenges thereof.

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LIST OF ABBREVIATIONS AND ACCRONYMS

BON: Bank of Namibia

FNB: First National Bank

GDP: Gross Domestic Product

IUMP: Industrial upgrading and Modernization Programme

K-REP: Kenya Rural Enterprises Program

KWFT: Kenya Women Finance Trust

MFIs: Microfinance Institutions

MSE: Medium Scaled Enterprises

MYSC: Ministry of Youth, Sport and Culture

NAMFISA: Namibian Financial Institutions Supervisory Authority

NDP4: Fourth National Development Plan

NGOs: Non-governmental Organisations

NSA: Namibia Statistics Agency

NYCS: National Youth Council Scheme

ROI: Return on Investment

ROSCAs: Rotating Savings and Credit Associations

SADC: Southern African Development Corporation

SACCOs: Savings and Credit Cooperatives

SME: Small and Medium Enterprises

SMMEs: Small, Medium and Micro Enterprises

UN: United Nations

USAID: United States Agency for International Development

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DEDICATION

I dedicate this achievement to my family. My husband Jason and my children Jason Jnr and Ida Iiyambo, thank you for your patience, encouragement and prayers. Thank you for helping me to remain focused and dedicated to my academic work. To my parents and siblings, I would like to extent my sincere appreciation for your constant support through this journey. Your prayers for me are what sustained me this far.

DECLARATION

I, Ellieputse Niita Iiyambo do hereby declare that this research report is the result of my own work, except to the extent indicated in the acknowledgements, references and by comments included in the body of the report, and that it has not been submitted in part or in full for any other degree to any other university.

Signature ……  …… **Date** 06/04/2023

CHAPTER ONE: INTRODUCTION

1.1 BACKGROUND OF THE STUDY

As per Bank of Namibia (2020) approximately 25% of SMEs were not registered in the year 2006 and even though many years have passed, registration of SMES remains extremely high. SME registration in 1990 stood at 22 432, while it came close to 81 000 in 2019. Since unregistered businesses do not operate legally, financial institutions in Namibia are reluctant to provide funding to the informal SMEs in fear of losing their money. Bank of Namibia (2020) confirmed that there are almost no concrete funding opportunities for micro-businesses, apart from grants and other schemes, which are not sustainable. Several SMEs, totalling approximately 63 have benefited from various forms such as grants, loans and other schemes (Bank of Namibia, 2020). Some of the beneficiaries possessed some collateral, while others do not have assets and or any other elements that can be used as collateral.

The existing schemes do not cater for all SMEs as most lack the basic capacity and resources to run their businesses effectively. Most of these businesses are based in informal settlements such as Havana and do not qualify for funding opportunities. Even though there is a substantial number of microfinance institutions in Namibia, there is low impact on SMEs resulting from low outreach and lack of sustainability among micro lenders (National Planning Commission, 2020).

Access to microfinance is not equally distributed between rural and urban areas (Byamuhaya & Francis, 2014). Although microfinance is meant to help those who cannot qualify for lending at commercial bank some microlenders seek security in the form of collateral,

thus making it difficult to encourage the development of SMEs (Kambwale, Chisoro & Karodia, 2015). A study by Bank of Namibia (2004) concludes that the concept of micro-finance is relatively new in the context of Namibia, hence low accessibility to micro-finance. The purpose of this study, is to determine whether the existence of microfinance institutions in Namibia has an impact on SMEs in Windhoek, in terms of performance, using the case of Havana informal settlement in Windhoek.

1.2 STATEMENT OF THE PROBLEM

SMEs have contributed at least 12% towards GDP in Namibia and there is potential for growth. To substantiate challenges facing SMEs, 1719 businesses closed down in 2015 and 2016, thus indicating that business failure is high and this is mostly attributed to lack of access to finance and markets among others. Furthermore, COVID-19 brought significant challenges for SMEs as supported by a study conducted by the Namibia Statistics Agency in 2020. The study established that many SMEs have closed down and more are expected to shut down if the pandemic persists.

In other instances, at least 50% of the businesses ceased or slowed their operations because of COVID-19. In Havana, many small-scale businesses have been established, which to a considerable degree resulted in favourable results such as self-employment and job opportunities. However, a preliminary scrutiny by the researcher revealed that enormously low number of SMEs, especially in the Havana resettlement have not been able to benefit from available micro-finance schemes and this continues to occur despite government efforts to improve accessibility to micro-financing. It was against this background that this

study sought to determine the impact of the existence of microfinance institutions on the performance of small-scale firms in Havana Informal settlement, Windhoek.

1.3 OBJECTIVES OF THE STUDY

The purpose of this study was to determine whether the existence of microfinance institutions in Namibia has an impact on SMEs in Windhoek, in terms of performance, using the case of Havana informal settlement in Windhoek.

1. To investigate the status of accessibility to microfinance opportunities in Havana, Windhoek

2. To assess the impact of bank loans on small scale firms' performance in Havana, Windhoek

3. To determine the effectiveness and appropriateness of the available micro-financing options for small-scale farmers in Havana, Windhoek

1.4 HYPOTHESES OF THE STUDY

H_0 Micro financing institutions in Windhoek do not positively affect small scale firms' financial performance

H_1 Micro financing institutions in Windhoek positively affect small scale firms' financial performance

1.5 SIGNIFICANCE OF THE STUDY

The outcomes of the study enabled the government and other stakeholders such as regional councils and local authorities to determine the extent to which the existing micro-financing institutions contribute towards the development of small-scale firms, thus enhancing knowledge capacity. This is because it has been alleged that existing platforms do not adequately address lack of financing issues faced by small firms, thus implying that an unsupportive financial environment exists. The outcomes were helpful for SMEs to understand what financing opportunities have been availed to them and how they can benefit from it. The findings generated new knowledge with regards to the relationship between accessibility to microfinance and small-scale firms' performance in Namibia, as there is little information available on the topic. Similarly, the findings played a significant role towards enhancing economic activities, which has a direct impact on socioeconomic conditions of households. In fact, enhanced access to microfinance by small firms is crucial to creating enhanced employment, thus reducing poverty and improving the sustainability of businesses in the country.

1.6 LIMITATION OF THE STUDY

The findings of the study were not sufficiently generalisable to other towns and other constituencies in Windhoek, thus limiting the usefulness of the data in correctly questions on the phenomenon being studied. In the same way, the sampled population may have not benen subtstantially representative of the population, thus limiting the usefulness of the data. The researcher made references to cases existing in other regions so as to establish if there is homogeneity in the challenges faced, thus making the study more inclusive.

1.7 DELIMITATION OF THE STUDY

This study only focused on assessing the link between the existence of micro-financing institutions and the performance of small-scale businesses situated in Havana, Windhoek between the years 2015 to date. Other towns and constituencies in Windhoek were considered for this study. In like manner, other financing options other than micro-financing were included in this study.

CHAPTER TWO: LITERATURE REVIEW

2. INTRODUCTION

This chapter presents theory and concepts related to micro financing for SMEs settings including theoretical framework applicable financing options available for SMEs, it begins with explaining the key concepts of the study including other relevant constructs that are necessary in order to correctly satisfy research questions.

2.1 WHAT MICRO FINANCE ENTAILS

Microfinance institutions are organisations that provide loans to low-income clients, including micro-companies and the self-employed, who traditionally lack access to mainstream sources of finance from Banking Institutions. Due to the increasing pressure of socio-economic issues experienced by countries like Namibia, governments have begun to recognize the development of micro financing opportunities to stimulate SME development (Mukata & Swanepoel, 2015).

According to Schwartz (2013) microfinance is an economic development strategy that entails providing financial services to low-income clients through institutions when the market fails to supply adequate services. Microfinance Institutions (MFIs) provide credit saving and insurance services, among other things. In order to achieve their development goals, many microfinance banks also provide social intermediation services such as training and education, organisational assistance, health, and skills.

2.2 OVERVIEW OF THE NAMIBIAN ECONOMY: ACHIEVEMENTS, CHALLENGES AND OPPORTUNITIES

Namibia celebrated its 24th birthday on March 21, 2014. The country's fourth National Development Plan (NDP4) 8, announced in 2012, refers to the government inheriting a dual economy with four interrelated challenges: sluggish economic growth, unequal wealth and income distribution, high unemployment, and a high poverty rate (Republic of Namibia, 2012). While the country has had good economic growth of around 4.2 percent on average since independence, this has not been enough to meet the country's needs for job creation, poverty reduction, and better income equality. On the contrary, Namibia has been one of the states to be a hub for increasing Foreign Direct Investment and this has aided the development of the economy and has to a greater extended yielded considerable impacts such as contributing to job creation and enhancing food security.

Indeed, the country's gross domestic product (GDP) has expanded at a faster rate than its population (by about 2% on average), resulting in a high per capita income that has earned it categorization as an upper-middle income country since 2009. (Republic of Namibia, 2012). This situation does not bode well in light of the country's substantial income disparity. Namibia is predicted to have one of the highest income inequality countries in the world, with a Gini coefficient of 0.59 (NSA, 2020). However, this is an improvement from 0.74 in 1993 (UNU-WIDER, 2011), when the country was designated a developing country. Namibia's fourth National Development Plan is known as NDP4. The plan's implementation phase ranfrom 2012/13 to 2016/17 fiscal years. When compared to the Gini coefficients of certain other selected countriesin the region, the level of inequality remains

higher. Regardless of the above, Namibia has witnessed increasing widening markets, which may be deemed to be a great opportunity to drive economic developmental agendas.

2.3 OVERVIEW OF THE NAMIBIAN FINANCIAL SECTOR

This section of the chapter examines the strengths and weaknesses of the Namibian financial sector, as well as the gaps and limits that have been found in the process of the sector performing its intermediation function in the economy. Bank of Namibia (2020) asserts that this is not only essential for contextualizing the subject matter of this study, but also vital, given the existence of an economic theory-supported link between financial development and economic growth. The Namibian financial sector is fairly stable and it is significantly influenced by the South African markets (Iitondoka, 2018).

2.4 THE STRUCTURE OF THE FINANCIAL SYSTEM IN NAMIBIA

Commercial banking institutions and a variety of non-bank financial institutions (such as pension funds, insurance companies, asset managers, unit trusts, micro-lending institutions, a stock exchange, and stockbrokers) make up Namibia's formal financial system (Republic of Namibia,1995). Two regulators, one for the banking industry and the other for the nonbank financial business, oversee and supervise the actions of these institutions. In addition to specialised and development finance institutions, the country has seen the growth of private equity and venture capitalist funds in recent years, albeit this portion of the market is still relatively modest (Namibia Statistic Agency, 2011). While a few government-owned financial institutions arose after independence, the majority of financial institutions are privately owned and have close ties to South African institutions.

2.5 THE STRUCTURE OF THE BANKING SECTOR

The banking sector consisted of six commercial banks at the time of this research, four of which are traditional commercial banks (namely First National Bank [FNB] Namibia, Standard Bank of Namibia, NedBank of Namibia, and Bank Windhoek), and two of which were specialized banking institutions that entered the market three and one year prior to the start of this research in 2013, namely FIDES (International Finance for Social and Economic Development). Three of the traditional banks, with the exception of one commercial bank, have close ties to South African banks because they were previously branches of South African banks before their recent incorporation as fully fledged Namibian banks. According to the BoN (2020) Annual Report, there is additionally one representative branch of a South African bank (Absa Bank) that mostly handles bank inquiries and administrative difficulties. An e-bank (also known as EBank Namibia), which was licensed in 2014, is the most recent entry into the banking business (BoN, 2020).

The Bank's structure and operations are entirely electronic. Although its operations have yet to fully take effect, it is expected that this bank will contribute to Namibia's rapidly changing banking landscape. There are 17 of them. At the time of performing this research, this information was available on the BoN's corporate website, and there were 20 indications of interest in the industry through applications for licenses submitted to the Central Bank in recent years. The Namibian banking system was likewise adequately capitalized, liquid, and lucrative, according to the 2014 annual report (BoN, 2020). According to data acquired from the BoN's annual reports for the years 2004–2013, the sector's total assets increased by 229 percent over a ten-year period (2004–2013). They accounted for 63.4 percent of GDP in 2013, an increase from 54.8 percent in 2004. Figure 2.3, on the

other hand, illustrates that the rate of growth has slowed in recent years compared to the beginning of the decade.

2.6 ACCESSIBILITY OF MICRO-FINANCING

MFIs have the following features, according to Epstein and Buhavoc (2009) MFIs go to clients rather than people going to MFIs, and most of the time there is no collateral. Small amount of loans and savings repeat loans, interest rate is usually between money lenders and formal banks, free use of loans (no limits on defined purpose), repayment considers incomes from business as well as other sources, loan and savings products within reasonable numbers. Accessibility of funds has remained difficult for firms and this has been assumed to be a loophole leading to the increasing number of failed businesses. In fact, it has been noted that available funds are usually preserved to well-established firms and this reduces the chances of an average business to be selected for funding.

Amentie, *et al.* (2016) writing on the factors affecting accessibility of microfinance, stated that, the barriers of medium and small enterprises in Ethiopia, recognised that, high market completion, unaffordable loan interest, insufficient infrastructures, a short period of loan repayment, absence of suitable resources, the nation's economic status, low demand for outputs, competitors pricing, limited supply of inputs perception of banks and liquidity shortage from lenders are described as the core constraints of growth of SMEs. Thus, the main hindrances for SMEs growth where lack of finance limited managerial and entrepreneurship skills limited or less support from government, lack of market linkages and access to technology.

2.7 THEORETICAL FRAMEWORK

2.7.1 Models of Micro Finance

According to the United Nations Capital Development Fund, there are roughly 10,000 micro financial institutions in the globe, but only 44 percent of prospective clients, or about 30 million individuals, get reached. Grameen Bank, on the other hand, said that as of December 31, 2003, 2,910 microcredit institutions had reached 80, 868 343 clients, with 54, 785 433 of them being the poorest when they received their first loan. They explained that micro credit institutions contain programs that give credit for self-employment and other financial services, despite the fact that they refer to them as such.

The Grameen Bank listed fourteen different microfinance schemes in its 2000 report. Associations, Bank Guarantees, Community Banking, Cooperatives, Credit Unions, Grameen, Group, Individual, Intermediaries, NGOs, Peer Pressure, Rotating Savings and Credit Associations (ROSCAs), Small Business, and Village Banking Models are just a few of the models available. According to Schwartz (2013) the models are only loosely related, and best and sustainable microfinance institutions have elements of two or more models in their operations. The models were created based on substantial research, observations, and interviews conducted in India, Thailand, the Philippines, Indonesia, and Sri Lanka, as well as material from the literature.

2.7.2 Associations Model

The target community forms an 'association' through which microfinance and other operations are launched. Savings associations or youth and women's clubs founded around

political, religious, and cultural themes are examples of such activities (Jennings, 2011). Micro-enterprise support structures and other work-related concerns are established. In some countries, an 'association' can be a legal entity with benefits such as fee collecting, insurance, tax exemptions, and other safeguards. There is a distinction drawn between associations, community groups, and people's organisations, among other things.

2.7.3 Bank Guarantees Model

A bank guarantee is used to acquire a loan from a commercial bank, according to Jegatheesan, Ganesh and Kumar (2011) this assurance can be obtained outside through a donor, a government agency, or internally and or using member savings. The loans that are obtained can be granted to an individual, a self-formed group, or a bank. A capital guarantee program is known as a guarantee. Guaranteed funds can be utilized for a variety of things, such as loan repayment and insurance claims. Several international and UN organisations have been working to establish international guarantee funds that banks and NGOs can use to lend money or start microcredit initiatives.

2.7.4 Community Banking Model

A community-banking model sees the entire community as a single unit and builds semi-formal or formal organisations to disburse microfinance. NGOs and other groups often assist in the formation of such institutions, as well as training community members in the many financial activities of the community bank (Swartz, 2013). Savings components and other revenue-generating projects may be included in the structure of these 22 institutions. Community banks are frequently part of larger community development projects that employ financial incentives to motivate people to act.

2.7.5 Cooperatives Model

A co-operative is an autonomous group of people who have come together voluntarily to achieve their economic, social, and cultural needs and ambitions through a jointly owned and democratically run business. The mandate of certain cooperatives includes member-financing and savings operations (Grameen Bank, 2000). 2.4.5 Credit Unions as a Business Model A credit union, according to Grameen Bank (2000), is a unique member-driven, self-help financial entity. It is formed by and consists of members of a certain group or organisation who agree to pool their funds and offer loans to one another at fair interest rates. Members share a shared link, such as working for the same employer, belonging to the same church, labour union, social fraternity, or living/working in the same neighbourhood. A credit union's membership is open to everyone who wants to be a part of the organisation, regardless of race, religion, colour, or creed.

2.8 THE IMPORTANCE OF MICRO-FINANCING

Microfinance is an effective tool for overcoming poverty. The poor can grow their earnings, create assets, and lessen their vulnerability to external shocks by having access to sustainable financial services (Iitondoka, 2018). Microfinance enables underprivileged kids to progress from day-to-day survival to long-term planning and investment in better living situations (Bayai, I & Ikhide, 2018]). In order to realize their full potential of reaching a large number of the poor, microfinance is a marginal sector and largely a development concern for funders, governments, and socially conscious investors. Microfinance should be incorporated into the larger financial system.

According to Mukata and Swanepoel (2015) microfinance provides low-income persons with access to financial and non-financial services in order to establish or expand an income-generating activity. The poor clients' individual loans and savings are minimal. Microfinance arose from the recognition that microbusinesses and some impoverished clientele can be 'bankable,' that is, they can repay both the principal and interest on time and save money if financial services are tailored to their requirements. Microfinance as a discipline has resulted in the development of financial products and services that have enabled low-income persons to become banking customers (Jegatheesan, *et al.*, 2011).

In a country with a high rate of youth unemployment, such as Namibia, where formal/commercial lending institutions frequently require collateral, microfinance is becoming an increasingly significant instrument for the youth. Amadhila and Ikhide (2016) ‘verified that a lack of collateral is one of the main reasons why impoverished women and youth are unable to obtain loans through the conventional banking system.

2.9 THE IMPACT OF MICRO-FINANCING ON SMALL-SCALE BUSINESSES IN NAMIBIA

The impact of funding can be considered at both micro and macro and it is important to note bott equally play an important role. For example, lack of funding opportunities may limit a household from being able to cater for their basic needs and at the same time, this may also lead to poverty and low living standards on a national level (Bank of Namibia, 2020).

Furthermore, it is important to acknowledge that several micro finance institutions have emerged and there is little impact on the profitability and growth of small-scale businesses

in the country. Accessing finance is one of the key issues experienced by small scale businesses. Findings of a study by Iitondoka (2018) asserts that National Youth Council Services is an effective tool to alleviate poverty, unemployment among youth and financially empower them. The fundamental purpose of empowering small businesses started by the poor and youth is to provide a source of funding that will allow micro-enterprises to expand and create jobs, contributing to economic and national development.

Youth in Rwanda have little or no access to formal financing to start or expand micro-businesses, empowering youth through savings-led microfinance in Rwanda. This is frequently owing to their youth, as well as a lack of tangible assets, collateral, and/or social ties. Epstein and Buhavoc (2009) states that the presumed purpose of microcredit is to increase the welfare of disadvantaged households by providing easier access to small loans. Improved access to financial services, according to Swartz (2013) can have two main implications on households. For starters, it has the potential to increase the projected value of income, consumption, future investment, and asset accumulation. This is the traditional, and often sole, justification for Microfinance Institutions providing services. Second, it can reduce the danger of having insufficient revenue to meet basic consumption demands. Credit and savings facilities can assist disadvantaged rural households in managing and supplementing their resources, as well as acquiring appropriate food and other essential necessities for their family.

They can use credit facilities to access financial resources beyond their own and take advantage of potentially lucrative investment possibilities. Similarly, Schwartz (2013) asserted that microfinance institutions have proved that serving disadvantaged clients, operating in a financially sound manner, and reaching a big size is conceivable. According

to Susan (2012) providing microfinance to the underprivileged has been viewed as an innovative and sustainable way in which youngsters can engage in microenterprise operations to produce money and contribute to economic growth. Microcredit has had great success in decreasing poverty on a global basis. Microcredit, as an efficient financial vehicle, enables various governmental and non-profit players to achieve the millennium development goals (Susan, 2012).

Overall, it is imperative to note that the impact of microfinancing on small-scale firms may take two ways which are on a micro and macro level and both need to be examined in terms of the impact created, thus being able to adopt appropriate measures to address issues that might be affecting the desired outcomes.

2.10 MICROFINANCE IN AFRICA

Jegatheesan, *et al.* (2011) discovered that many institutional types of microfinance exist in Africa, but that the majority of credit union and cooperative consumers are located in west and central Africa (especially in East Africa). Savings and credit cooperatives, on the other hand, tend to be more community-based. In contrast to Asia, the lack of population density makes rural and agricultural finance extremely difficult, and as a result, many MFIs are situated in and focused on urban areas. As a result, the Micro Banking Bulletin published in July 2003 found only eight viable institutions and projected that only about 25 million people are served across the continent. International and domestic banks are becoming increasingly interested in Africa's low-income sector.

Microfinance has improved significantly over the previous two decades as a result of advances in understanding and delivering finance services to help people promote 32 development and reduce poverty (Kambwale, Chisoro & Karodia, 2015). This includes giving people the financial means to save money, get credit, and start small enterprises, all of which have the potential to improve community development and local and national policymaking. Microfinance can scale out beyond the micro level as a sustainable part of the process of financial empowerment by which the poor can lift themselves out of poverty when properly harnessed and supported.

The microfinance revolution, according to Wright (2005), clearly proves that when impoverished households have access to financial services, they not only save, but also have high repayment rates when they borrow. Although microfinance organisations have provided financial services to millions of impoverished households around the world, this still only represents a small percentage of the population in developing nations, where the bulk of people lack access to formal financial services. In Kenya, youth are defined as those between the ages of 15 and 35, accounting for around 1 million people, or 56 percent of the population. Less than half of the 1 million young people are working in the formal and informal public sectors of the economy, while the majority are unemployed (Kenya Min. of Youth and Sport report, 2008).

According to Kambwale, *et al.* (2015) in order to bring the youth on board, the Kenyan government established a youth enterprises development fund in 2006 with the help of development partners, which is channelled to microfinance institutions and other financial intermediaries for onward lending to the youth without collateral. As a strategy to make the fund accessible to the youth who, in any case, do not have collateral, such a fund

attracts a considerably reduced cost of capital, which sits at 8% per year. This is suitable for start-ups. Given that the vision of micro finance is to promote the growth of micro-enterprises, MFIs and other financial intermediaries have seen rapid growth to meet the financial needs of the youth.

Microfinance institutions such as the Kenya Rural Enterprises Program (K-REP), a non-governmental organisation founded in 1984 with USAID funding, are examples. K-REP is now a fully regulated bank that provides a full range of banking services in addition to its microfinance expertise Since then, a number of microfinance institutions and financial intermediaries have emerged, including K-REP, equity bank, Kenya Women Finance Trust (KWFT), Faulu and others, to provide microfinance services to low-income populations in order to start or expand income-generating activities. This is supported by evidence indicating MSE credit availability has expanded dramatically from 7.5 percent in 2006 to 17.9 percent in 2009.

A number of studies have been carried out to determine the influence of microfinance on poverty alleviation in various nations. As a result, although some studies concluded that microcredit had a favourable influence on poverty (Susan, 2012) others found no such effect. According to Mukata, and Swanepoel (2015) microfinance has a favourable influence on the disadvantaged. Microfinance leads to greater income for the poor, according to the findings. Furthermore, it aided in improving underprivileged people's access to improved educational and medical facilities.

Epstein and Buhavoc (2009) found that microfinance has an impact on poverty reduction, women empowerment, and environmental protection in India. Microfinance enabled poor

people to safeguard, diversify, and increase their sources of income, which is the key to escaping poverty. Microfinance has been demonstrated to have a good influence on poverty in Nigeria, according to recent studies. Similarly, microfinance is an excellent tool for raising the poor out of poverty by increasing self-employment prospects and improving creditworthiness (Susan, 2012).

Tanor, IFC Vice President, for Sub-Saharan Africa (2012) on micro finance in Africa, said that, improved financial services are needed most in Africa's poorest economies and countries emerging from conflict. Microfinance is a critical tool in the fight against poverty and an important part of IFC's efforts to support the development of a Vibrant Private Sector in the region.

Again, the International Finance Co-operation (IFC) report (2012), mentioned that, working with development partners, IFC aims to establish 15 new microfinance institutions by 2011, reaching approximately 400 000 new borrowers. The program focuses on countries affected by conflict and where the private sector is at very early stages of development. IFC helps establish new institutions and develop their capacity through;

- Equity investments
- Debt instruments
- Credit guarantees
- Fund structuring
- Advisory services

IFC also considers other options to promote microfinance on a case-by-case basis. These include working with commercial banks that want to move into microfinance and supporting local non-profit organisations that want to transform into licensed financial institutions.

2.11 MICRO FINANCE SERVICE IN NAMIBIA

With an efficient banking system and a well-established stock exchange, Namibia's financial system is well-established. Since, the environment in which a microfinance program operates can influence the efficiency of microfinance interventions, a robust financial sector is critical to the creation of a thriving microfinance sector. To begin with, clients' socioeconomic circumstances may have an impact on both the potential benefits of their loans and their ability to repay them. Secondly, the program's operations are directly influenced by the surroundings (Mushendami, Kaakunga, Amuthenu-Iyambo, Ndalikokule & Steytler, 2004).

With an efficient banking system and a well-established stock exchange, Namibia's financial system is well-established. Since, the environment in which a microfinance program operates can influence the efficiency of microfinance interventions, a robust financial sector is critical to the creation of a thriving microfinance sector. To begin with, clients' socioeconomic circumstances may have an impact on both the potential benefits of their loans and their ability to repay them. Secondly, the program's operations are directly influenced by the surroundings (Mushendami, *et al.*, 2004). Only a limited number of microfinance institutions have seen growth so far, with the bulk of MFIs either struggling to stay afloat or closing due to insurmountable challenges. In order to have a widespread

influence on the lives of the impoverished, microfinance providers should make achieving efficiency and sustainability a priority (Swart, 2013).

According to a report published by the Namibian Financial Institution Supervisory Authority in 2014, the Namibian government recognizes that access to finance is a barrier to the growth of small businesses and emerging firms, the majority of which are held by young and the poor. It can then be quantified that the Namibian economy will only see true growth if the small-scale enterprise sector is fully grown.

Finally, the youth's microfinance program has enhanced their livelihood at several stages of their lives that are directly tied to economic prospects and the labour market. Individual wealth: Beneficiaries received business management skills that will help them to run their firms successfully and potentially boost their self-esteem by 76 percent. The initiative also gave the youth access to financial services, encouraged them to save, and taught them how to make sound financial decisions in their day-to-day business operations. Namibia has yet to develop or create a microfinance policy to guide the country's microfinance sector. Because most microfinance institutions in the country charge varying interest rates, there is no single uniform rate in the country. As a result, the interest rate charged by the NYCS program is relatively high; its ceiling is hurting some younger entrepreneurs who are striving to succeed in the business world; however, the literature reviewed revealed that one of the characteristics of micro credit is that its rates on credit are higher than those charged by commercial banks. However, some of them may find it difficult to repay a principal loan plus 20% interest, resulting in default on instalment payments. As a result, the NYCS's funding may become unsustainable due to a poor payment history. As a result, Namibia must learn a successful implementation approach from nations that have already

done so, such as Kenya and Nigeria. The majority of respondents agreed that the program's transparency must improve, and that the management advisory board must take additional actions for the beneficiaries' benefit (NSA, 2020).

2.11.1 Micro Financing and Small and Medium Enterprises (SMEs) in Namibia

Ministry of Trade and Industry: industrial upgrading and modernization programme [IVMP], report (2012), stipulate that, micro finance in Namibia as an industry whose structure is still developing and provider of micro finance and diverse entities with different goals. They include micro-lenders and other institutions such as non-governmental organisations (NGOs), private commercial banks, state owned and financial institutions and insurance companies, credit unions and credit and savings co-operatives. The micro-finance institutions in Namibia contribute towards the country's sustainable economic development by improving access to financial services for those ordinary Namibians and micro and small enterprises in the rural, semi-urban areas of Namibia, who have been mostly excluded from the formal banking system.

Again, Industrial upgrading and Modernization Programme (IUMP) report (2012), emphasized that, in Namibia financing for SMEs is available through [i] government SMEs support schemes under the Ministry of Trade and Industry, [ii] Development financial institutions, commercial bank – Bank Windhoek has an SMES Bank and other commercial bank also provide financing to SMEs. Also, the establishment of the Namibian Financial Institutions Supervisory Authority (NAMFISA) in 2002 as a regulatory and supervisory body legitimised the micro-lending industry.

Bank of Namibia - Research Department Report (2008), expressed that, the character for good practice in Micro-Finance aims to address the issue in the outline below:

- To address the plight of people who do not have conventional collateral.
- To use a bottom-up approach so that the beneficiaries become the owner and managers of Small medium enterprises (SMES).
- Self-help organisations shall be addressed. These Self-help organisations should be formed voluntarily and take responsibility of their development.

2.11.2 Financial Management and SMEs

In addition, Namibia Youth Credit Scheme (NYCS) (2017) on the need for SMEs development through governance is essential, the NYCS board assesses potential implementing agencies, supervises the strategic direction of the programme. The programme supervision is curried but through a number of instruments:

- Assessment of capacities of potential implementing agencies
- Release of funds to implementing agencies on quarterly basis.
- Review quarterly reports.
- Programme review meetings to assess the overall direction of the SMEs governance programme.
- Co-ordination of the National Youth Revolving Loan Fund and its affiliates in the regions.
- Co-ordination of the training fund.

In addition, National Youth Credit Scheme (NYCS) (2008) states that, financial management and Micro-funding for small and Medium Scaled Enterprises (SMEs) entail the following:

- Provision of loan funds for start-up costs
- Provision of training funds
- Provision of financial programme, technical expertise where appropriate
- Participation in management meetings

Besides, (NACSO, 2008) as cited in Industrial Upgrading and Modernisation Programme (IUMP) report (2010), indicated that, financial management is a major responsibility of the board and non-profit chief founders and chief executives at first to have very limited skills in financial management. However, they should quickly develop at least basic skills in financial management, including in the critical areas of managing operating and programs on budgets, books keeping, financial controls, cash management, financial statement generation and analysis.

Again, Schoneburg-Schultz and Schultz (2006) writing on financial management and governance of SMEs in Namibia on the need for external services, mentioned that, the supporting and constraining factors of the overall framework, i.e., economic and political environment, market failure, high competition, globalization and lack of access to infrastructures, resources and information, within which small businesses have to operate are widely discussed. Nevertheless, the business environment does frame and constrain SME performance, but to large degree this influence can be altered by the right decisions and strate-

gies of the business owners. Although a favourable business environment generally supports overall economic growth, even in difficult business environment, the right management decisions can at least reduce the risk of failure and improve the business performance.

2.12 ELIGIBILITY FOR MICRO FINANCING

Microfinance entails the establishment of long-term local financial institutions capable of providing financial services to the underprivileged on an ongoing basis. As local financial institutions and private capital markets develop, they should be able to mobilize resources, recycle domestic savings and foreign credit, and provide a range of services, reducing reliance on donor and government financing (Epstein & Buhavoc, 2009). This could indicate that the study determined NYCS to be suitable for MFI accreditation, making it simpler for young entrepreneurs to borrow money that is sufficient to support the weight or volume of their business, and at a lower interest rate.

Susan (2012) discovered that, while each microfinance institution has its own way of determining beneficiary eligibility, there are a few general requirements that must be met. These include permanent residency in the city in which they have applied for a loan, participation in micro and small business activities, unemployed youth and women with strong commitment and potential for self-employment. Also, willingness to be organised into a credit group. Furthermore, credit worthiness, a good reputation among the community that can be confirmed by the local credit and savings committee, possession of a business plan that also confirms the availability of a market for the product/service loan is requested. In addition, also required is willingness to save a portion of one's business

income at the microfinance institution through which they have accessed the loan. Agreeing to pay into Microfinance entails the establishment of long-term local financial institutions that may provide financial services to the poor on an ongoing basis.

As local financial institutions and private capital markets develop, they should be able to mobilise resources, recycle domestic savings and foreign credit, and provide a range of services, reducing reliance on donor and government financing. According to Jennings (2011) the consultative group to assist the poor, which consists of 31 public and private development agencies, private foundations, and international financial services for the poor, developed the following set of key microfinance principles. These principles were endorsed by the G8 summit on June 10, 2004. Poor people, particularly youth and women, require a wide range of financial services. The impoverished, like everyone else, require a variety of convenient, flexible, and affordable financial services. As a result, people may require not just loans, but also savings, insurance, and cash transfer services, depending on their circumstances.

Microfinancing is a significant tool in the fight against poverty. As a result, poor households use microfinance to transition from day-to-day survival to long-term planning. They invest in improved nutrition, housing, health, and education for their children and dependents, and microfinance is defined as the development of financial institutions that benefit the poor and youth. Although impoverished people, such as youth and women, make up the majority of the population in most developing nations, they are the least likely to be served by banks. Microfinance is frequently regarded as a fringe industry, a development activity that donors, governments, and social investors may be interested in, but which is not integrated into the country's mainstream financial system.

Microfinance, on the other hand, will reach the greatest number of poor clients once it has been integrated into the financial sector; interest rate limitations, on the other hand, affect impoverished young people 13 by making it more difficult for them to obtain credit. Making several little loans is substantially more expensive than making a few large loans. The scarcity and unpredictability of soft money from donors or governments will limit their expansion.

Interest rates are generally set at such low levels by governments that microfinance cannot sustain its costs, hence such regulation should be avoided. At the same time, a micro lender should not utilize excessive interest rates to force borrowers to cover the cost of its own inefficiencies; the purpose of government, for example, is to facilitate financial services, not to provide microcredit directly to the poor and youth. The national government should implement measures that promote financial services for the disadvantaged and youth while also safeguarding deposits. Governments must ensure macroeconomic stability, avoid interest rate limits, and avoid distorting markets with unsustainable subsidized, high-default credit schemes. They should also combat corruption and enhance the climate for small enterprises, including market access and infrastructure (Jennings, 2011).

Furthermore, government assistance for sound and independent microfinance organisations may be acceptable in circumstances where other funds are unavailable (Swartz, 2013). Donor monies should complement private capital rather than compete with it. Donors fund microfinance with grants, loans, and equity. The bottleneck is a lack of strong institutions and management; thus, such support should be used temporarily to enhance the ability of microfinance providers, construct and support infrastructures such as rating agencies, credit bureaus, and audit capabilities, and to promote experimentation.

Microfinance is a specialist sector that brings together banking and social objectives. At all levels, skills and systems must be developed. Microfinance institution managers and information systems, as well as central banks that govern microfinance and other microfinance, should focus on growing this competence rather than just moving money, and 14 Microfinance is most effective when it measures and reports its results. Accurate, standardized performance data - both financial (e.g., interest rate, loan payment, and cost recovery) and social (e.g., number of customers reached and poverty level) - is essential. Donors, investors, banks supervisors, and customers all want this information in order to assess the cost, risk, and return of their investments.

2.13 THE ROLE OF THE NAMIBIAN GOVERNMENT TOWARDS ASSISTING THE DEVELOPMENT AND SMMEs

Namibia has invested in several initiatives intended to support the establishment of SMMEs and this is to improvement food security, employment creation and improving living standards. In pursuit of this, the Namibian government has embarked on several projects aimed to help facilitate access to funding and other much needed resources to assist SMMEs (Schwartz, 2013). Governments might help in a variety of ways, including providing collateral, developing and backing particular loans for SMEs, and awarding grants to those who meet particular criteria, such as increasing productivity or hiring more people.

Furthermore, although there are funding opportunities internationally, SMMEs do not always benefit from these schemes since they are less informed and lack access to such

opportunities. For instance, some SMMEs are illiterate and this is one of the major obstacles to accessing business funding both locally and internationally.

2.14 CRITICAL ANALYSIS OF THE EXISTING MEASURES TO SUPPORT SMMES IN NAMIBIA

Although significant developments have been observed in the delivery of incubation services and other supporting services for SMMEs, there are critical challenges affecting the stability and profitability of SMMEs in Namibia. Namibia does not have substantial infrastructure that is able to support adequate business development and entrepreneurship. Havana informal settlement has limited resources to grow and expand businesses and this has kept many businesses dormant.

2.15 FACTORS INHIBITING THE DEVELOPMENT OF SMALL-SCALE BUSINESSES

Studies such as Namibia Statistics Agency (2013); Amadhila and Ikhide (2016) have suggested the need of Microfinance in Africa. Despite the availability of credit, according to a Jegatheesan 2011 survey, just 6% of Africans borrow money to establish a business, whereas 13% borrow to buy food. This practice may have hampered the development of small businesses (Kambwale, *et al.,* 2015). High costs, a scarcity of MFIs, and a lack of funding for both start-up and growth are some of the significant roadblocks in other cases (Jegatheesan, et., al, 2011).

2.16 CHALLENGES FACED BY SMES RELATED TO MICRO-FINANCING

Inadequate access to credit has been recognized as one of the primary barriers that impedes the process of enabling kids to break free from the poverty cycle in a number of studies. Commercial banks are hesitant to lend to youth-run SMEs, particularly those in rural areas, for a variety of reasons, including: adolescents are high-risk borrowers due to limited assets and low capitalization, market volatility and high mortality rates, and a lack of accounting records. Similarly, insufficient financial statements, a lack of accounting records, and insufficient financial statements or business plans make it difficult for creditors and investors to assess the creditworthiness of potential SME proposals, and high administrative/transaction costs of lending or investing small amounts do not make SME financing profitable. Most governments around the world, including Namibia's, have substantial hurdles in reducing youth unemployment (NAMFISA, 2014).

2.17 MANAGEMENT AND GOVERNANCE OF SMALL AND MEDIUM SCALE ENTERPRISES [IN NAMIBIA] [SMES]

Ates, Gavengo, Coca and Bititci (2013) in their study on (SME) managerial practices, mentioned that Small and Medium sized Enterprises (SMES) are undoubtedly important to maintain strong economic growth, however, how to sustain their performance in the long term is a big challenge. Sustainable and consistent high performance is depicted by healthy management practices.

Schoneburg-Schultz (2006) writing on the management of (SME) in Namibia, indicated that, the attitude in drawing managerial decisions is another important factor for business success. Beside that the fact, that some businesses lack resources and expertise to drive

their business further, it seems that some do not have desire to expand. What is needed is a proactive approach to drive the business forward. The owner's personal motivation and will progress is needed, coupled with a clear vision for the long term. Flexibility and the ability, to adapt quickly to new situations and to seize opportunities are crucial elements of successful management. Studies have shown that a purely reactive management strategy, meaning simply reacting to changing conditions, negatively affects business success.

Also, Bennett and Robson (2005) stressed that, most small and medium sized enterprises (SMEs) on managerial practices, draw on external support that their main advisors are external accountants. While small and medium sized enterprises (SMEs) primarily use their external accountants to help fulfil regulatory requirements or satisfy contractual constrains [e.g., taxation, compilation and audit), there is evidence that most small and medium sized enterprises [SMEs] also purchase advisory services from their accountant.

According to Namibia Youth Credit Scheme report (2012), define governance as a system of structuring operating and controlling a company or organisation with a view to attain long term strategic goals to satisfy stakeholders while complying with the regal and regulatory requirements.

2.18 THE IMPLICATIONS AND LIMIATIONS OF MICRO- FINANCE ON SMALL-SCALE BUSINESS FINANCES AND PERFORMANCE

According to Christopher (2010) in a study on the impact of micro finance on small and medium-sized enterprises in Nigeria, revealed that, significant number of the small and Medium sized Enterprises (SMEs) benefitted from the MFIs loans even though only few of them were capable enough to serve the required amount needed. Interestingly, majority

of the SMEs acknowledge positive contributions of MFIs loans towards promoting their market share, product innovation achieving market excellence and the overall economic company competitive advantage.

Quamsah, Amankusah, and Aikius (2012) writing on the impact of microfinance and small loan centers on the development and performance of small-scale enterprises, stated that, small scale enterprises (SMEs) in WA Municipality in Ghana mostly have limited access to credit facilities, deposits and other financial services provided by formal financial institutions such as commercial banks. For this reason, banks find it difficult in dealing with small scale Enterprises thinking they might default in payment. This is because most SMEs are not able to provide the necessary collateral securities demanded by the formal final institutions. SMEs turnout to secure loans from private micro finance institutions whose micro finance schemes are instrumental in transforming lives of the poor.

Similarly, Moussa (2020) in a study in Mount Lebanon, impact of micro finance loans on the performance of SMEs, emphasized that, micro-finance is the arrangement of budgetary administration to low-income individuals and to SMEs. The study was undertaken to identify the relationship between micro credits from MFls and the SMEs financial performance. The results showed that notable relationship between amount of micro loan and the dependent variables, the number of women recipients of credit remains little in Lebanon, the categories of business mostly profiting from the MFIs in Lebanon are commerce, service, and trade sectors and beneficiaries are primarily situated at Mount Lebanon at the Northern.

FinMark (2011) on impact of micro-finance performance on small and medium scale enterprises (SMEs) in Namibia estimated the financial exclusion rate in Namibia at 31 per cent. This is a potential market for MFIs to serve given the reluctance of commercial banks to serve them. At the same time, there is currently a limited number of true micro finance services providers in Namibia market that can provide micro enterprise lending micro savings and other financial services specifically targeted at the lower end of the market. In this situation, the Namibian sector cannot expand to create the much-needed jobs to reduce unemployment and poverty, while the majority of low-income earners of the population will continue to live in poverty.

According to Mbugua (2010) in a study in Kenya, established that small and medium Enterprises (SMEs) borrow investment capital and they use it for the purpose in which they were borrowed most of them do not have other source of financing other than from micro finance institutions and they did not have other form of financing before they started receiving financing from microfinance institutions. The SMEs mostly borrow investment capital and use the loan for the purpose which they were taken and it shows that the return on investment (ROI) increased with each consecutive loan showing that microfinance services enhanced financial performance of SMEs in Kenya.

Reed (2014) as cited by Moussa (2020) expressed that microfinance is dependably the focal point of focus for financial establishment and non-governmental organisations (NGOs) around the world in terms of financial impact and performance. A major survey revealed customers who benefited from micro financing, included 116 million who are considered in the strata of the most miserable people. The UNCDF has amassed basic comprehension on the impact of SMEs microfinance and performance and estimations

about the status of micro finance worldwide. A part of the basic experiences is presented as follows:

- Appraisals of the overall enthusiasm for microfinance organisations goes from 400 and 500 million families of which just around 30 million were represented to approach viable microfinance benefits in 2002.
- The current 10 000 microfinance foundations (MFIs) accomplish only 4 for each dollar of the potential market
- No under 90 for every penny of qualified autonomously utilised need access to micro credit programs which aid their business performance. Disregarded solicitation is around 270,000.000 (units).

2.19 EFFECTS OF MICRO-FINANCE ON SMES SPECIFIC BUSINESS IN AFRICA

According to Boateng *et al.* (2015) on their examination on the effects of micro finance on specific small and medium scale businesses such as kiosk with groceries, fruits sellers in vending scales, bed and breakfast in Ghana, found that the effect of microfinance on neediness decrease in Ghana. The examination primarily utilized monetary and social factors, for example singular salary, family development, access to training, lodging and interest in social and religious exercises as benchmarks for estimating the effect. The surveys were managed to 60 clients and recipients of microfinance results of two noteworthy microfinance establishments in Ghana. Opportunity International Savings and Loans limited and Sinapi Aba savings and company Limited established a positive connection among microfinance and the benchmark factors and prescribed preparing for recipients to

guarantee proficient utilisation of assets and formation of sound political and monetary conditions so microenterprises can flourish as effects on micro financing on specific business.

Also, Geoffrey and Emenike (2017) in a study in Nimule South Sudan on micro finance effects on specific small-scale businesses noted that, the connection between microfinance establishments (MFIs) backing and development of little and medium size undertakings (SMEs) in Nimule, South Sudan. These discoveries demonstrate, among others that MFIs support contributes fundamentally to development of SMEs in different sectors in the informal sector and markets in Nimule South Sudan.

Similarly, in Namibia, the Ministry of Urban and Rural Development (2012) provides funds from the Government's capital to finance rural projects through the Regional councils. The aim is to reduce financial constraints by making funds accessible and available to those who want to grow their businesses first into micro then small, medium until they grow into major industries and this is pertaining to effects of micro financing on SMEs.

In addition, Ngugi and Kerongi (2014) writing on the effects of micro financing on small and medium scale businesses, stipulates that, the financial intervention requires an addition of social intermediation like the formation of groups, development of self-confidence and training of members in that group, for it to be successful. These non-financial services define the specific character of micro finance and thus make micro finance programmes so valuable. Furthermore, microfinance has been praised as a toll used to promote economic development in predominantly difficult economic conditions.

According to Kereta (2007) as cited in Mulunga (2010) writing on effects of micro finance on SMEs grant schemes expressed that, outreach refers to the number of clients served, outreach is important aspect of microfinance in view of the fact that the fundamental aim of micro finance is to reach the largest number of unserved poor people who do not have access to financial services. Limited outreach can impact on the sustainability in terms of benefits linked to economies of scale. It is possible to reach many of the economically active poor profitably, there by empowering them to partake in the mainstream of the economy as a means to poverty alleviation.

National Youth Credit Scheme (NYCS) report (2009) on effectiveness of youth micro-finance programmes in Namibia, indicated that, Namibia Youth Credit initiative established in 2005 by the Ministry of Youth, Sport and Culture (MYNSC) was in collaboration with the common wealth secretariat. The prime objective was to help Namibian youth to access capital and participate significantly in the socio-economic development of the country through (NYCS) initiatives.

Also, NEPRV Research report (2005) as cited in (IVMP) (2010) on microfinance gap issues on the effects on SMEs, states that, on financial sustainability due to the features of the microfinance environment the operating costs of microfinance institutions are high. This results in their ability to easily achieve profitability and even if they do, their margins are relatively lower than other formal financial institutions that do not cater to this segment. To boost their position, microfinance practitioners argues that the higher interest rates required for financial sustainability should not put off their clients small and medium scale enterprises (SMEs). This is because microfinance institutions are in competition with

informal money lenders (as opposed to the commercial banks) who typically charge higher interest rates despite the type of business carried out by the informal sector SMEs.

Again, Semegn and Bishnoi (2021) in their study on analysis of effect of microfinance on the performance of micro and small enterprises in Amhara region Ethiopia, found that, the majority of MSEs in Ethiopia were engaged in manufacturing an urban agriculture sectors with a share of 48.53% and 26.76% of the total, respectively. There was a significant difference between the sales, total asset, employment and net profit performance of MSEs often microcredit loan. The effect is the result of loan size, savings and entrepreneurship training had significant positive effect on the performance of MSEs. The same authors suggested that, micro financial institutions should strengthen their existing policies and strategies to increase credit to MSEs, enhancing the modalities of entrepreneurship.

Oleka, *et al.* (2016) as cited in Semegn and Bishnoi, (2021) writing on the effects of microfinance on MSEs opined that, the achievement of MFIs as a development intervention through the provision of financial and non-financial services to the poor and SMEs across countries has become exciting. The MSEs in Ethiopia get finances from formal and informal sources, including family, friends, local money lenders and MFIs. However, the main sources of funding are MFIs. MFIs have been playing a great role in promoting financial services to the poor. They stimulate the growth of MSEs by developing new markets, technologies and encouraging entrepreneurship culture. The degree to which SMEs could access finance determines the level at which firms could save and accumulate capital for reinvestment.

Similarly, Asma *et al.* (2015) investigated the features that has effects of influencing small and medium scale enterprises (SMEs) in Algeria. Their study revealed that, external factors including loanable funds, policies, rules and directives, workforce capacities business and environment related conditions were the bottlenecks for firm development. On the other hand, internal factors such as entrepreneurial characteristics, management capacities, marketing skills and technological capacities are also hindrances that hamper the performance of SMEs.

2.20 SELECTION CRITERIA FOR SMALL AND MEDIUM SCALED ENTERPRISES [SMES] FUNDING IN GIVEN AREA BY FINANCIAL INSTITUTION

According to Semegn and Bishnoi (2012) writing on the objectives of the national MSE strategy of Ethiopia on the selection criteria to support MSEs, stated that, MSEs development in Ethiopia is the vital industrial policy path paying to the envisioned structural transformation of the economy from agriculture to industry. The national MSE strategy stressed the imperative roles that the sector could play in employment creation, and different support systems designed to improve the performances of enterprises. The primary objective of the national MSE strategic framework is to create an enabling environment for MSEs selection criteria such that they are responsible for the operation, growth and progress of their enterprises. These strategic objectives are focusing on promoting equitable and fast economic growth, creating permanent job opportunities, reinforce collaboration between MSEs, serve as a foundation for medium and Large scaled enterprises, export promotion and balance preferential treatment between MSEs and bigger enterprises.

Similarly, Bayai and Ikhide (2018) on financing structure and financial sustainability of selected Southern African Development Corporation (SADC) micro finance institutions, reiterated that, many of the newly emerging MFIs adopt a more economically-oriented approach that include sourcing finance by making and retaining earnings, attracting deposits, increasingly borrowing from commercial sources at market rates and tightening loan recovery procedures to minimize bad debt. The future of micro finance as a commercial industry has become the dominant strand of thought behind several international development organisations. The basic criteria advocates of the financial mission of micro finance which values financial sustainability as a means to serve the poor. Micro finance practitioners who tend towards the social mission of reaching the primarily the 'core' poor.

Boateng and Bampe as cited in Bayai and Ikhide (2018) emphasizes that, deposit/ savings of SMEs are not strong criteria for financing SMEs. In micro finance, deposit are tiny savings made by the poor or the marginalized. Meeting regulatory requirements before deposits can be attracted is a cost to MFLs. This partly explains why deposits are not popular with MFLs across the world. However, the effect of regulation on deposit attraction remains controversial since the evidence points to both directions. Organisations acknowledge that deposit are stable and can fund MFIs over a long period, thereby ensuring sustainability and solid growth, it is still a reality that not all MFIs are allowed to attract deposits. Legislation in most countries outlaws the attraction of savings by MFIs. This limits the financing options of MFIs to equity and debt where donation might limited.

Besides, Paul (2010) mentions that, financial sustainability of MFIs is primarily to support poverty alleviation through SMEs financing. An analysis of unsuccessful rural credit programs in developing countries done by the Ohio state university (2004) concluded that, [i]

institutional sustainability was key to successful provision of financial services to the poor and [ii] financial self- sufficiency was necessary condition for institutional sustainability. Though sustainability can be considered at various degrees, financial sustainability has earned researchers' interest given its relevancy in poverty alleviation. Sustainability is permanence, implying that financially sustainable MFIs are able to exist definitely and serve the poor, hence an endless fight against poverty.

Johnson (2015) noted that, the growing tendency by MFIs to commercially finance their operations. Policy makers, donors and institutionalists have endorsed the commercialization of MFIs financing despite the 'schism' on the exploits of donations in financing MFIs. Whilst welfarists are concerned that commercialization triggers mission drifts, using non-subsidized funds and leveraging MFIs arrest as well as operating of banks by MFIs has become trendy. MFIs have become more profit oriented, adopting debt and deposit financing whilst shunning donations, grants and subsides. Earlier sentiments that financial sustainability will give programs access to commercial financial markets and that subsidized programs are inefficient and thus bond to fail in a way redefined MFIs financing to finance SMEs all for employment creation purposes and poverty alleviation.

In addition, Karim *et al.* (2011) as cited in Johnson (2015) stipulates that, extension failure of MFIs in SADC prompted proposal of structuring financial reserve packages for ailing MFLs to finance small and medium-scaled enterprises. The weakness in the recommendation is the failure to name the financial structure capable of proffering financial sustainability. Assuming the commercialisation trend, querying the correct financing structure that can ascertain financial sustainability is unavoidable given the need for persistent reach-out to the poor.

Also, Karim *et al.* (2014) writing on SADC micro finance sector to finance SMEs in a selection criterion on services, states that, microfinance in SADC comprises an assortment of MFIs which are geographically spread with the intention of serving the diverse needs of the society to alleviate poverty. Commercial microfinance has trended in the region as evidenced by the sourcing of profit-oriented NGOs serving salaried clients. MFIs do lend to small enterprises too, though to limited extent based on criteria set up to aid the poor in entrepreneurship. Evidence shows that microfinance is a growing sector with respect to clients served and volume of loans and deposits attracted. MFIs provide loans, payment serviced, insurance and consultancy amongst the broadening product and services offered by microfinance.

Again, Karim *et al.* (2014) emphasised that, competition has also redefined the micro-finance sector as large player in the form of commercial banks down-scale in search of new business and new clients. Interestingly, deposits exceed the total loan book of MFIs, explaining the role of commercial banks, savings and credit cooperatives [SACCOs] new regulated MFIs in attracting savings. Financing challenges which limit the scope of operations of many SADC MFIs has led them to consider savings as alternative financing methodology given the recent statutory provisions allowing MFIs to collect deposit and intend fund the SMMEs.

2.21 INSTITUTIONS REGULATING MICROFINANCE IN SADC AND NAMIBIA

According to Bank of Namibia, research department (2004) on promoting microfinance activities in Namibia. A regulatory and supervisory perspective, indicated that, the charter

for good practice in microfinance forms the bases of legal framework for microfinance in Namibia. In the absence of a specific law that regulates microfinance, these services are regulated by the following legislations, the banking institutions Act, the Usury Act, the Agricultural Bank Act, the cooperative act, the NDC Act, post and telecommunications Act. Those institutions that fall outside the ambit of these laws are registered as non-governmental organisations (NGOs).

Again, Bank of Namibia, research department report (2004) states that, banking institution Act, No2 of 1998-spells out the foundation of modern commercial banking regulation in Namibia is found in the banking institution Act. The preamble of this Act provide the legal framework for the conduct of banking business in Namibia, based on international best practices, and comprises the principal types of regulatory measures of the establishment of a sound financial system. Part iii of the Act provides a minimum capital requirement of N$10 million for one to register as bank. This minimum capital requirement of N$10 million is considered to be big for the establishment of the institutions such as depository MFLs and community rural banks. The main weakness of this Act with regard to microfinance is the minimum capital requirement of N$10 million which is very high for the establishment of a microfinance institution.

Similarly, Laver and Staschen (2013) as cited in Siwale and Okoye, (2017) stressed that, generally speaking, financial sector regulation aims to avoid banking cries, protect depositors maintain payment system and encourage competition and efficacy. In many countries, microfinance regulation tends to fall under two forms of regulation; prudential and non-prudential. Prudential regulation and most relevant for deposit taking MFLs is about the safety and soundness of licensed financial institution and their conduct of businesses

in order to prevent financial system instability and losses to small depositors. With this approach, the financial authority assumes responsibility of soundness of financial institutions. From the perspective of microfinance, regulation can serve to create confidence by professionalising the sector, opening doors to multiple source of funding, including access to public deposits, thereby expanding their banking functions.

Again, Siwale and Okoye (2017) in their study of microfinance regulations in Zambia and Nigeria, mentioned that, the study examines the effect of regulations on microfinance institutions in Nigeria and Zambia by focusing on the post-regulation experiences and reflections of the microfinance institutions MFIs and their regulators. The study revealed that, central banks as regulators MFI managers, practitioners and apex microfinance associations. Regulations in both countries have managed to professionalize the sector, but their effectiveness in augmenting the centrality of social goals to microfinance and MFLs renew doubtful.

2.22 SUMMARY

This chapter summarised a review of related literature on micro financing for SMEs, especially from a Namibian viewpoint. It has been observed that Namibia has insufficient ecosystems necessary for stimulating entrepreneurial development and stabilising SMEs. The subsequent chapter will present the methodology and procedures to be adopted to achieve the aims of the study.

CHAPTER THREE: RESEARCH METHODS

3.1 RESEARCH DESIGN

The primary function of a research design is to detail out how one will find answers to the study's research questions (Kothari, 2004). The research design sets out the specific details of the enquiry. According to Bryman and Bell (2018) research design should include the following: the research approach, the measurement procedures, the sampling strategy, the frame of analysis and the timeframe amongst others. To accurately answer the research questions, an exploratory research design was used as this allowed comprehensive scrutiny of the phenomenon, thus being able to obtain thorough implications of small-scale firms in relation to existing micro-financing, including perceptions regarding the contribution by these institutions. The rationale for this design was to ensure that the researcher was able to gain an in-depth understanding of the accessibility to micro financing.

3.2 RESEARCH APPROACH

When conducting research, a qualitative or quantitative research approach could be used. Additionally, other studies can combine both methods when attributes sought for can be better achieved by adopting a mixed research approach (Bryman & Bell, 2018). The study was conducted using a mixed method approach and the reason for this was that the intention of the study aimed at investigating the impact of micro-financing, which can be quantified and obtained comprehensibly thus implying that this approach is the most appropriate.

3.3 POPULATION

Population defines as a target group of individuals that are believed to be the participants in any organisation (Kothari, 2004). It's also referred to as the number of all subjects that have to be involved in conducting a particular study. These are the people that may be involved in either giving answers by filling in questionnaires or being interviewed. The population size for this study was comprised of approximately 150 business owners whose businesses are situated and run in the Havana Informal settlement and the sampled popu-laton was selected using several criterias such as years of business operations and number of employees among others. This implies that a business should have been in operation for atleast three uninterrupted years and should consist of atleast two full-time employees.

3.4 SAMPLE

Sampling is a process of selecting a few (a sample) from a bigger group (the population) to become the basis for estimating or predicting the prevalence of an unknown piece of information, situation or outcome regarding the more significant group (Bryman & Bell, 2018). A sample is a subgroup of the population one is interested in (Kumar, 2011).

A sample of 50 participants was selected a non-probability sampling procedure called random sampling and the rationale for this choice is because most of the businesses were homogeneous in nature and therefore there would not be a need to group them otherwise. The selected sample size was sufficient to reflect the prevailing sentiments about micro financing for SMEs in Havana informational settlement, Windhoek.

3.5 RESEARCH INSTRUMENTS

For the purpose of achieving the objectives of the study, both primary and secondary data was used. To collect primary data, a questionnaire consisting of both open and closed-ended structures were used. The researcher reviewed publications on micro-financing institutions to learn about who their beneficiaries were and details applications for funding and related matters.

3.6 PROCEDURE

The researcher visited Havana informal settlement and approached small-scale business owners at their places of work and presented the purpose to conduct the study. The participants participated voluntarily and the researcher administered and supervised the questionnaires to clarify their queries and concerns.

3.7 DATA ANALYSIS

Essentially, considering that the study consisted of both quantitative and qualitative data, two sets of data analysis procedures were adopted. For quantitative data, the researcher grouped data using codes after the data collection process and SPSS and Excel were used to present and interpret data. Charts and graphs were used for graphical presentation of raw data. The researcher used the objectives of the study as a basis for carrying out the data analysis. For qualitative data, thematic analysis was used by creating appropriate themes and the objectives of the study were used as basis for carrying out the qualitative data analysis.

3.8 RESEARCH ETHICS

In order to conduct an ethical study, the researcher adhered to ethical considerations pertaining to research studies and these are explained below. The study was carried out anonymously and the researcher obtained informed consent before collecting data. The researcher also guaranteed that the study was purely meant for academic purposes and no information was disclosed to third parties without the consent of the participants. Participants were given the option of withdrawing from the study at any point and no one was coerced to participate.

CHAPTER FOUR: RESULTS AND DISCUSSIONS

4.1 INTRODUCTION

The following presentation of the study's findings were obtained from a primary research instrument through questionnaires and semi-structured interviews. This chapter presents the discussions emanating from the primary research. The chapter further provide the interpretation of the findings. The interpretation and discussions of the findings were presented in relation to the purpose and objectives of the study. Additionally, this chapter also covers participants' response rate as well as biographical information of the participants.

4.2 DISCUSSIONS OF THE FINDINGS

4.2.1 Participants' Response Rate

A total of 50 questionnaires were successfully administered with small-scale business owners in the Havana Informal Settlement. The data collection process enabled the researcher to gather necessary information to answer the research questions of the study.

4.2.2 Participants' Biographical Information

The presentation of the research findings based on the 50 participants and their biographical information were provided in this section.

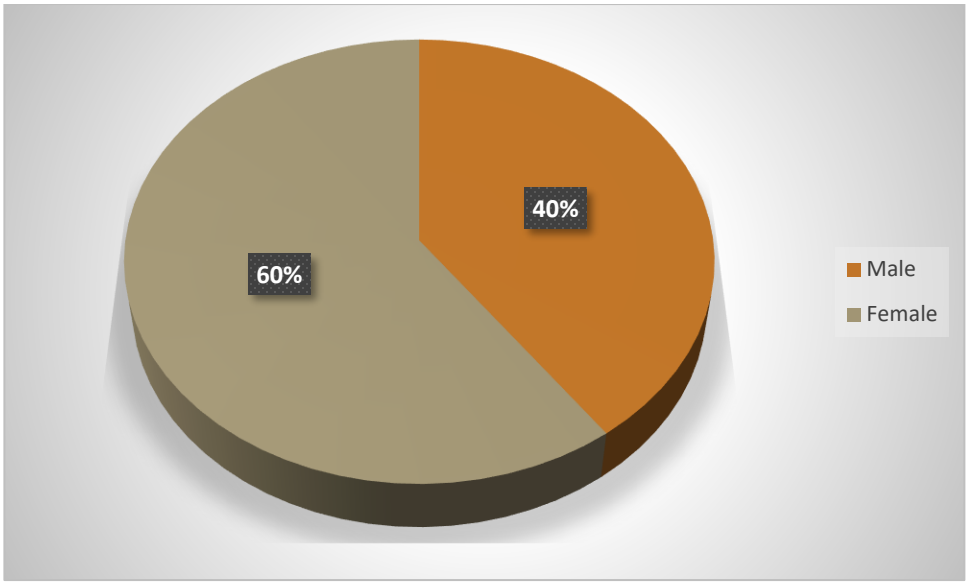

Figure 4.1: Gender of the Respondents

This figure shows participation of the respondents by gender and as shown above, a higher percentage of females constituting of 60% participated, while male counterparts were 40%. The study established that, there was significant difference in responses between respondents of different sexes.

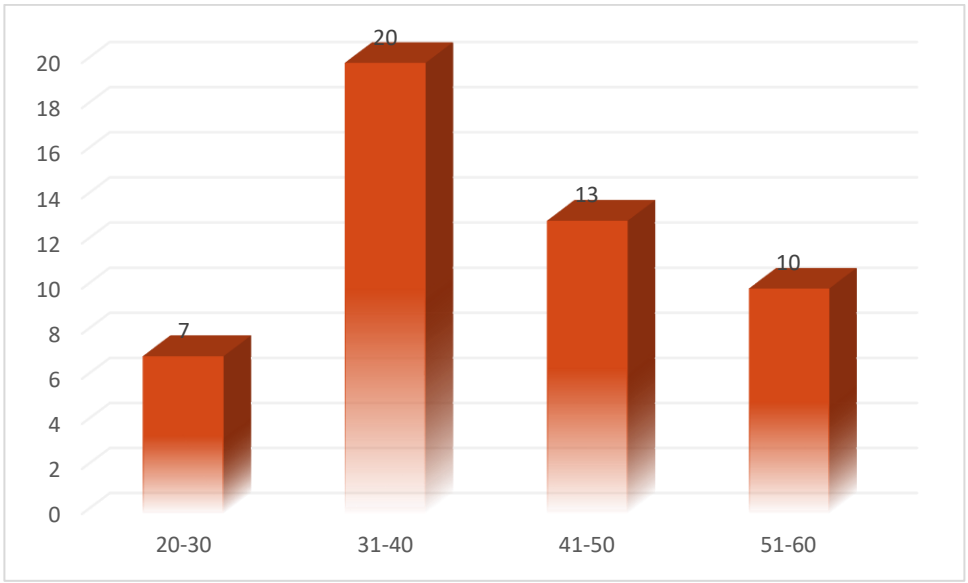

Figure 4.2: Age groups of the Participants

This figure shows the age groups of the participants and the study was dominated by respondents who are aged 31-40 covering 40% of the sampled population followed by respondents between the ages of 41-50 who accounted for 26% and the remaining respondents were among 51-60 (20% and 20-30 (14%) respectively. From the responses, younger people were among most of the those who participated in the study.

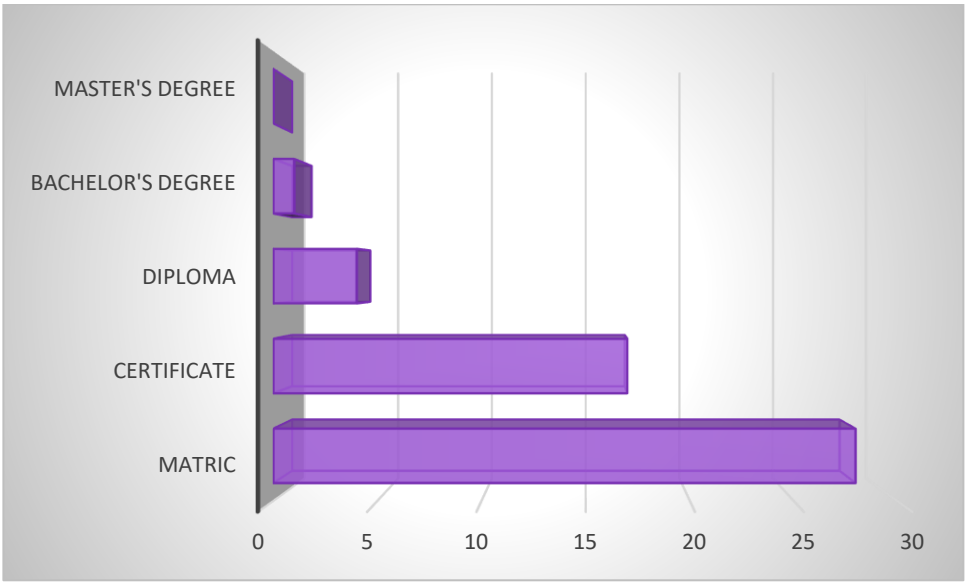

Figure 4.3: Highest qualifications obtained by the Participants

This figure shows the highest qualifications obtained by the participants as shown by the graph, 54% of the sampled population obtained Grade 12, while 34% of the participants obtained certificates, 8% of participants have diploma and the remaining 2% of the participants obtained a Bachelor's degree.

4.3 Data Presentation and Interpretations

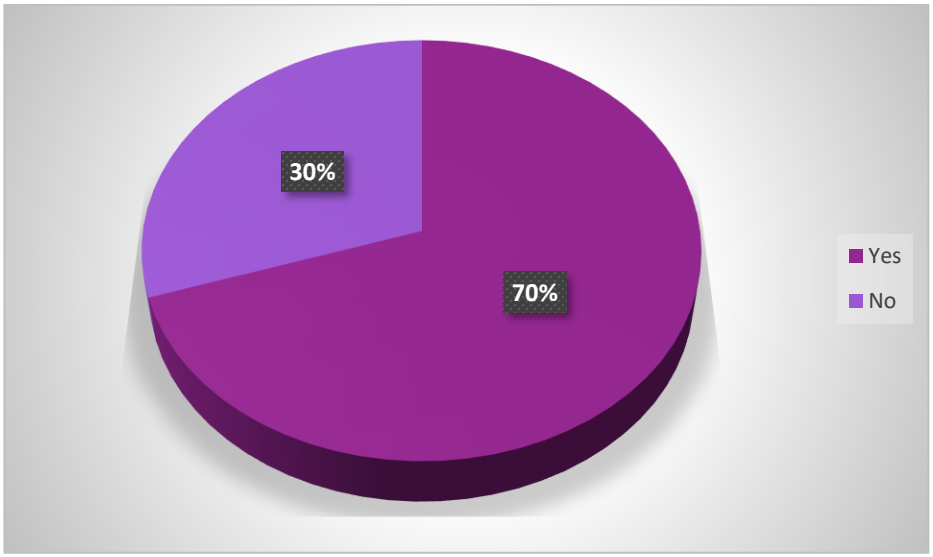

Figure 4.4: Application for Micro-financing

This figure shows the number of participants who applied and those who did not apply for funding. 70% did apply for funding and this implies that small-scale business owners in Havana do seek for micro-financing towards sustaining their businesses.

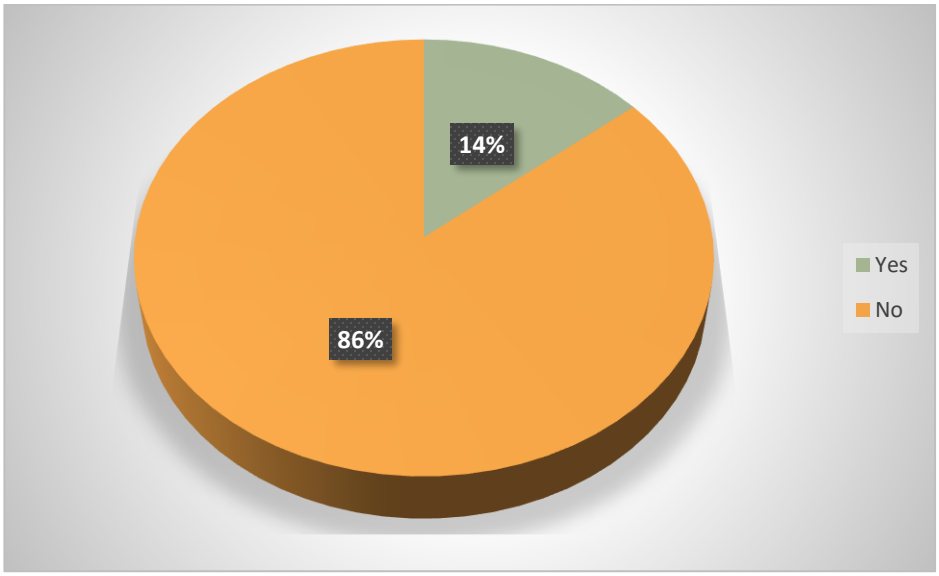

Figure 4.5: Status of application for funding made

This figure shows the proportion of business owners who received micro-funding and those who did not and as indicated 86% of the participants were never awarded any kind of micro-financing to help elevate the businesses. 14% of the participants received micro-finance assistance. This could imply that micro-financing is almost lacking as the largest part of the population did not benefit.

Motivation

Yes

It has been indicated that after repeatedly apply for funding at different micro-financing providers, they were considered and this has been after several years of applying. Even though 14% of the participants receives funding, it is almost insignificant as amounts that are offered are slightly low.

No

86% of the participants claimed that, it is difficult to obtain funding in Windhoek and this has limited the growth and expansion of businesses, particularly businesses operating in the Havana informal settlement. The same 86% of the participants mentioned that lack of access to funding is a major issue facing small scale business and this is especially due to the fact that funds providers have unrealistic expectations towards eligibility for these funds.

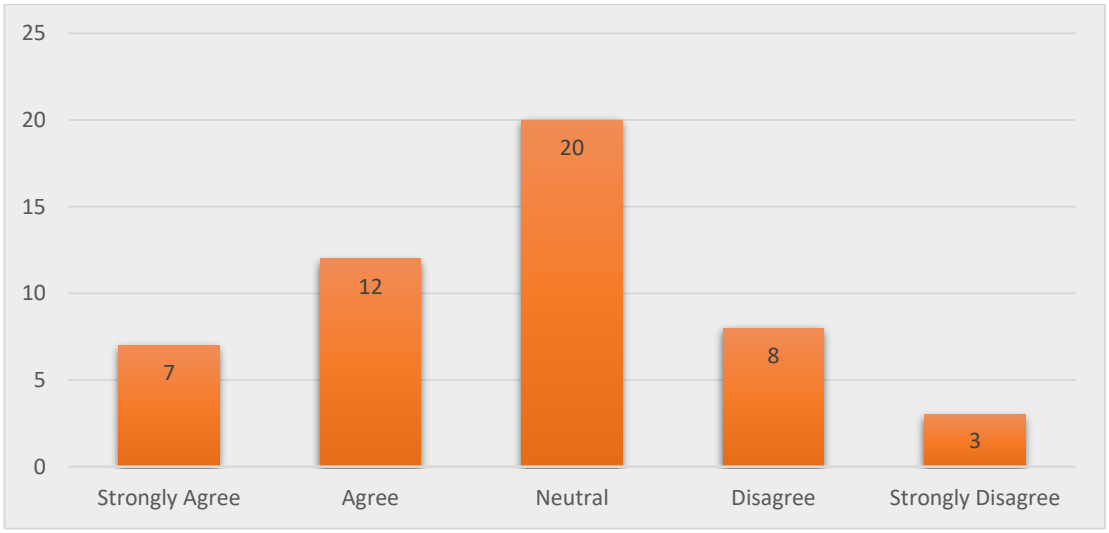

Figure 4.6: Sufficiency of micro-financing opportunities for small-scale businesses in Windhoek

This figure shows participants' perception towards the availability of micro-financing opportunities in Windhoek and 38% of the participants agreed with the statement while 40% possessed neutral thoughts and the remaining 22% were not in agreement. This shows that 38% of the participants are aware of the availability of funding opportunities even though they have not benefited from it.

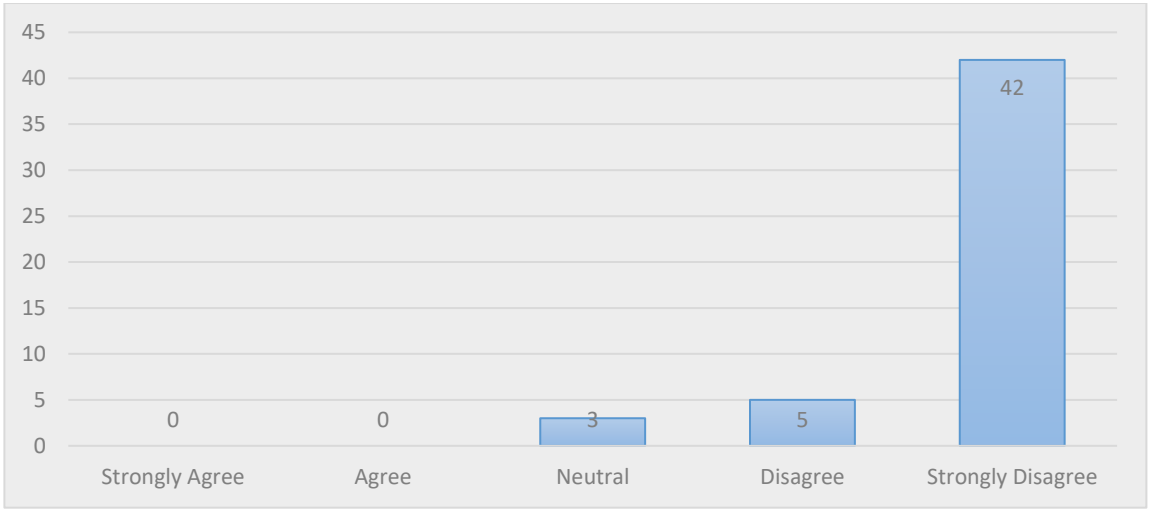

Figure 7: Easiness to obtain micro-financing in Windhoek

When the participants were asked whether it is easy to obtain funding, through the findings it was revealed that 94% of the sampled participants were not in agreement, thus implying that accessing funding is difficult and therefore businesses are less likely to obtain funding to grow and expand their businesses. 6% were in agreement.

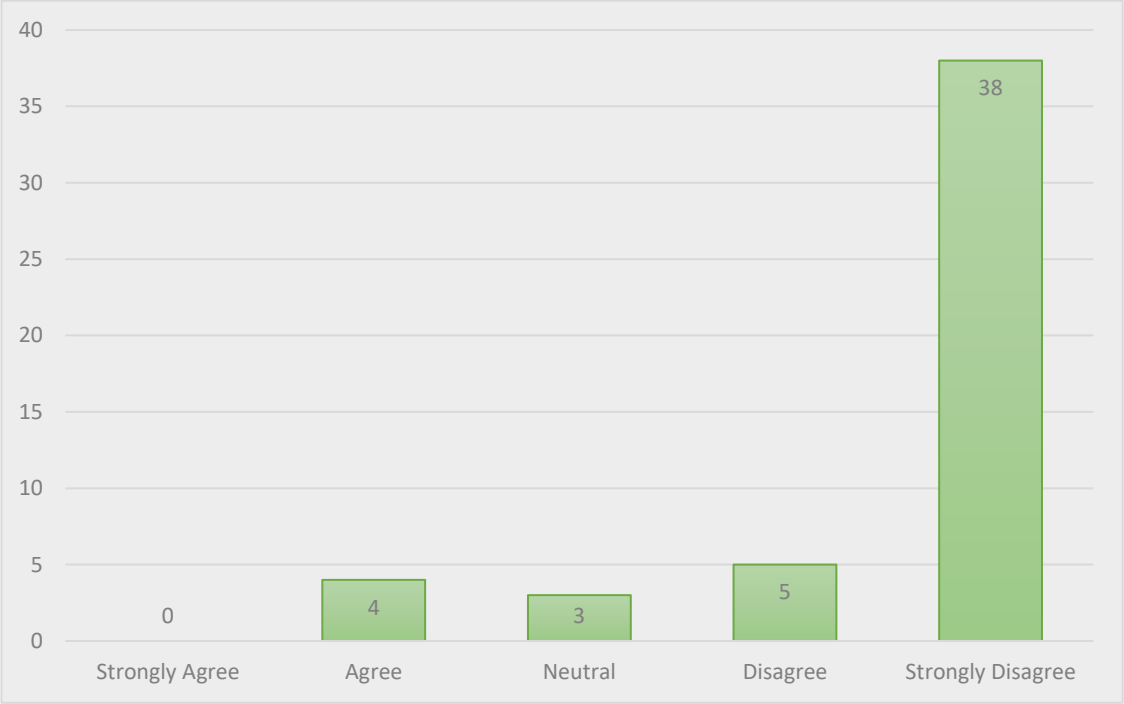

Figure 4.8: The extent to micro-financing options is designed to meet the needs of small-scale businesses

This figure shows participants' viewpoints regarding the appropriateness of financing options and as depicted by the graph, 86% of the participants do not feel that the financing options are designed to meet the needs of the small-scale businesses. This implies that even though there are micro-financing options, they are not completely useful and relevant for the needs of small-scale businesses.

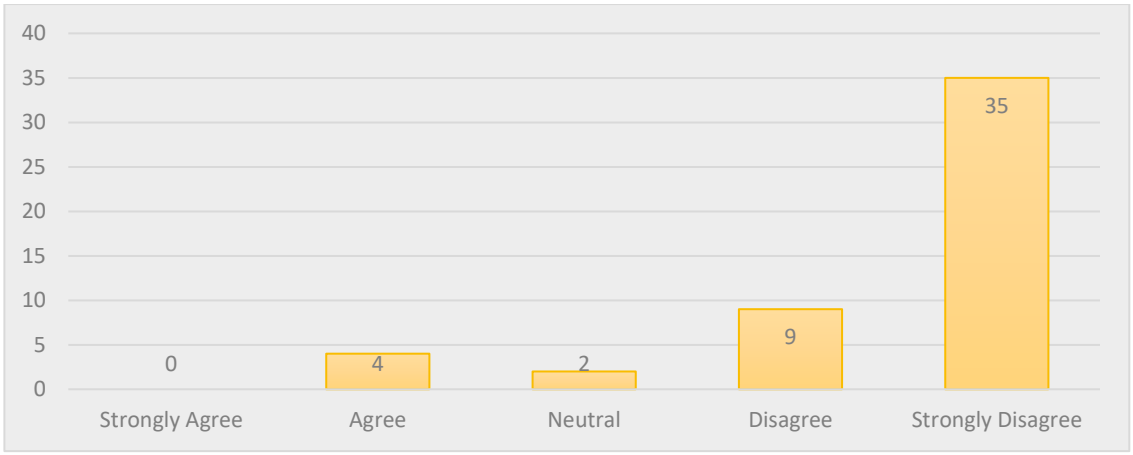

Figure 4.9: The impact of the existence of micro-financing schemes has on Small-scale business in Windhoek, Havana

This figure shows the extent to which funding schemes have impacted small-scale businesses in Havana. From the findings, it was revealed that, there is insignificant impact as 88% of the participants strongly disagreed with the statement. This implies that micro-financing is less effective in creating the desired impact on small-scale businesses.

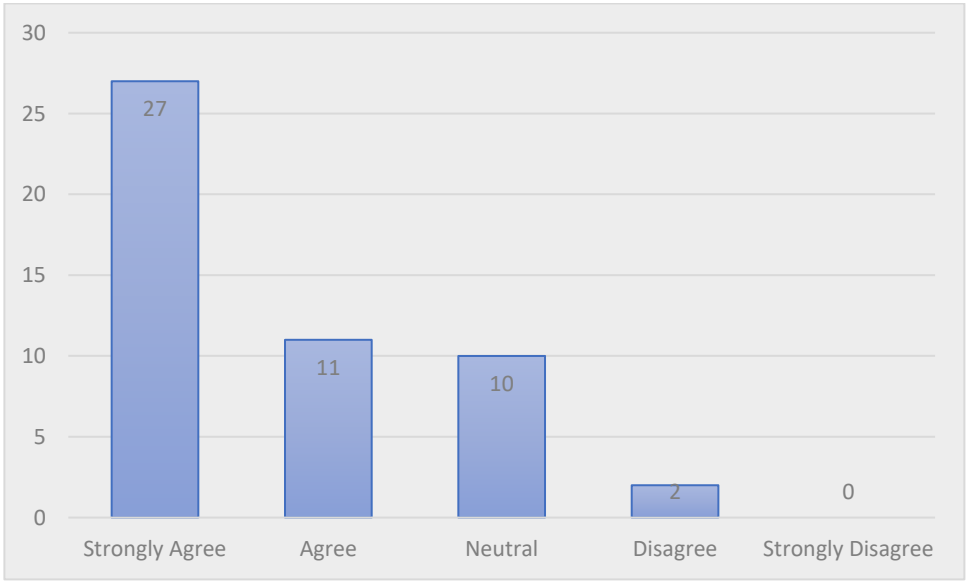

Figure 4.10: Respondents views on whether is only a limited number of applicants benefit from micro-financing opportunities

This figure shows the extent to which participants are likely to be considered for funding and it has been revealed that 76% of the participants agree that only a limited number of participants do qualify and benefit from available schemes. For others even though they apply, they do not qualify for funding.

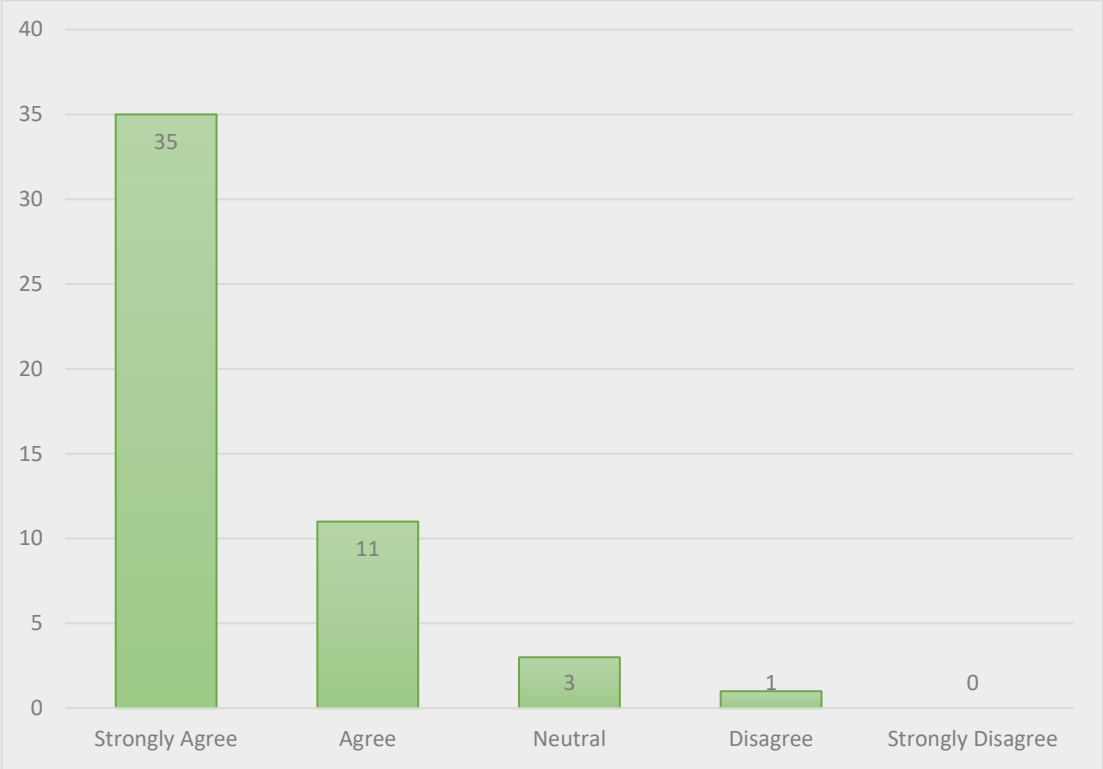

Figure 4.11: Views on Current Micro-financing requirements' for applicants

This figure shows if the participants feel the requirements to obtain funding are realistic and friendly, 92% of the participants strongly agree with the statement that there are strict requirements for applicants and this has limited the growth of businesses as they do not get an opportunity to secure funding.

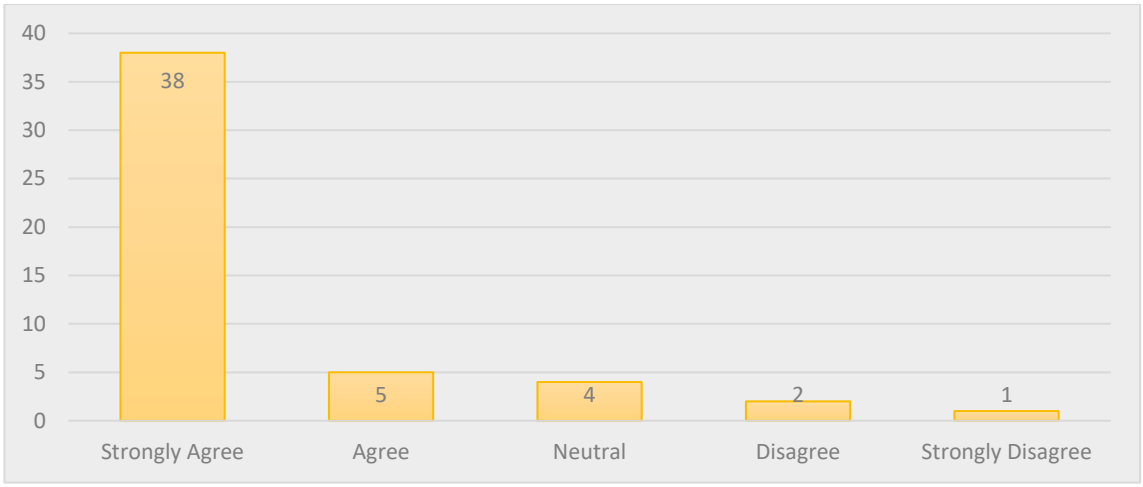

Figure 4.12: The extent to which Micro-financing schemes in Windhoek does not promote entrepreneurial development

This figure shows the extent to which micro-financing schemes promote entrepreneurship, 86% of the participants agree with the statement, thus indicating that participants do not feel micro-financing is helping businesses to grow and mature, thus questioning the appropriateness of these schemes.

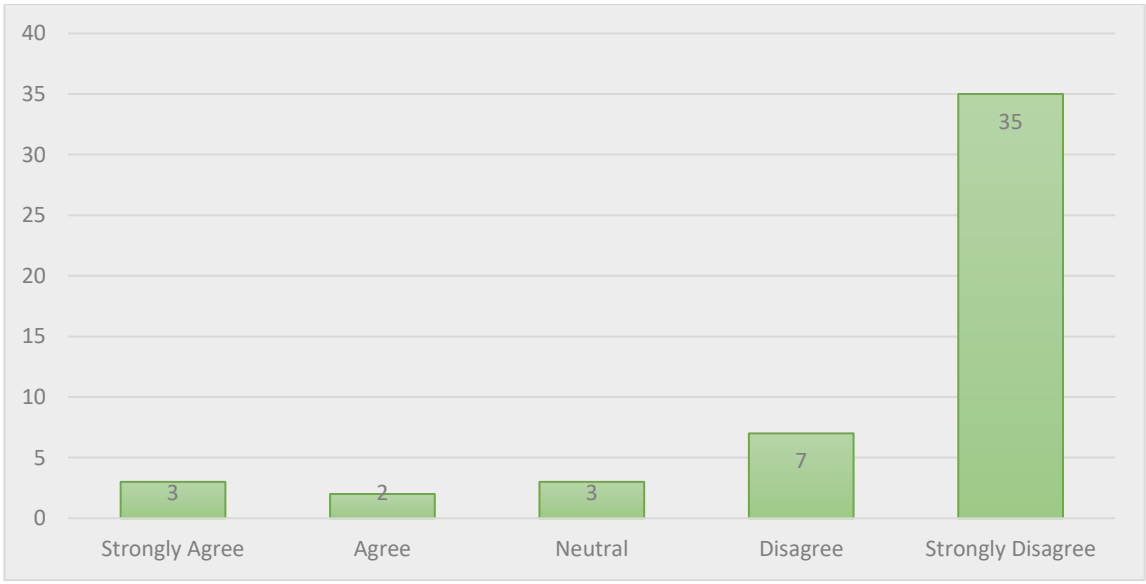

Figure 4.13: The extent to which Micro-financing options are effective addressing financial challenges encountered by small-scale firms

This figure shows the participants' viewpoints on the effectiveness of the micro-financing schemes towards addressing financial difficulties of small business and as shown above it has been observed that these schemes are not effective in this regard, thus leaving businesses helpless and vulnerable.

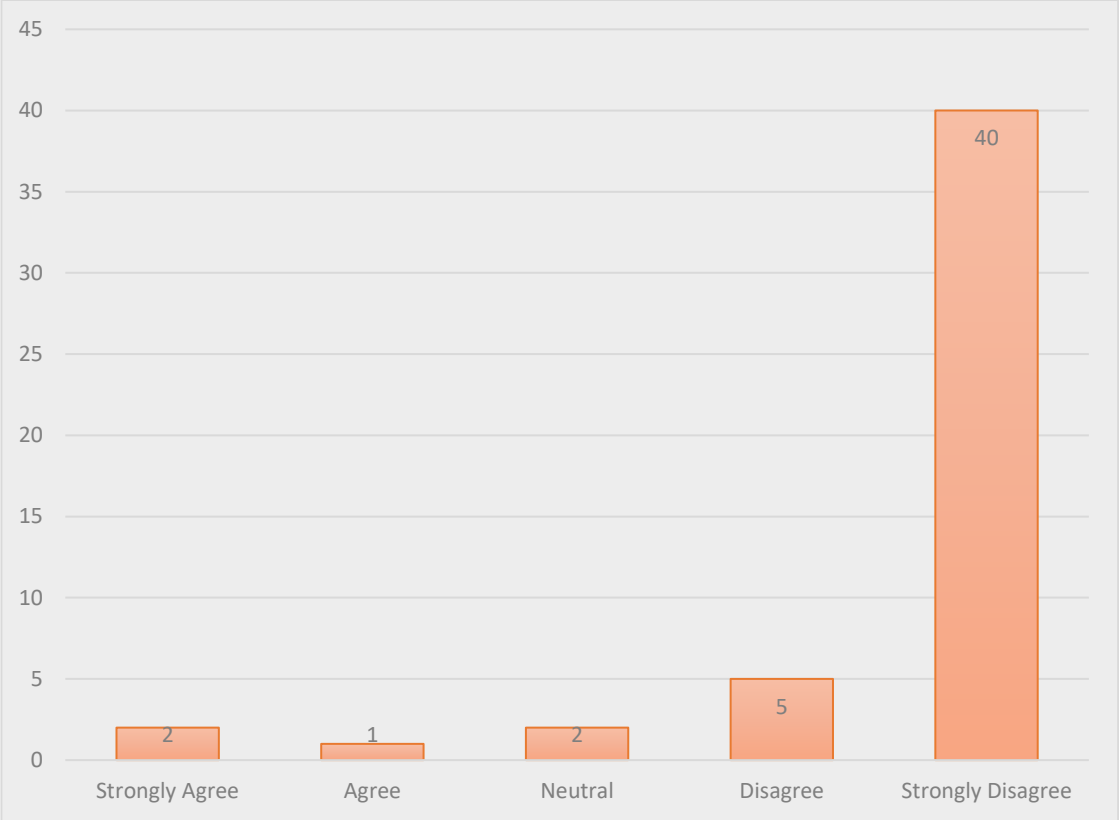

Figure 4.14: The extent to which an average small-scale business owner is eligible for micro-financing funding

This figure shows the participants' perception on whether an average person is eligible for micro-financing, 90% of the participants do not agree with the statement, thus indicating

that less people are eligible and therefore it could be implied that the micro-financing schemes are not substantially distributed.

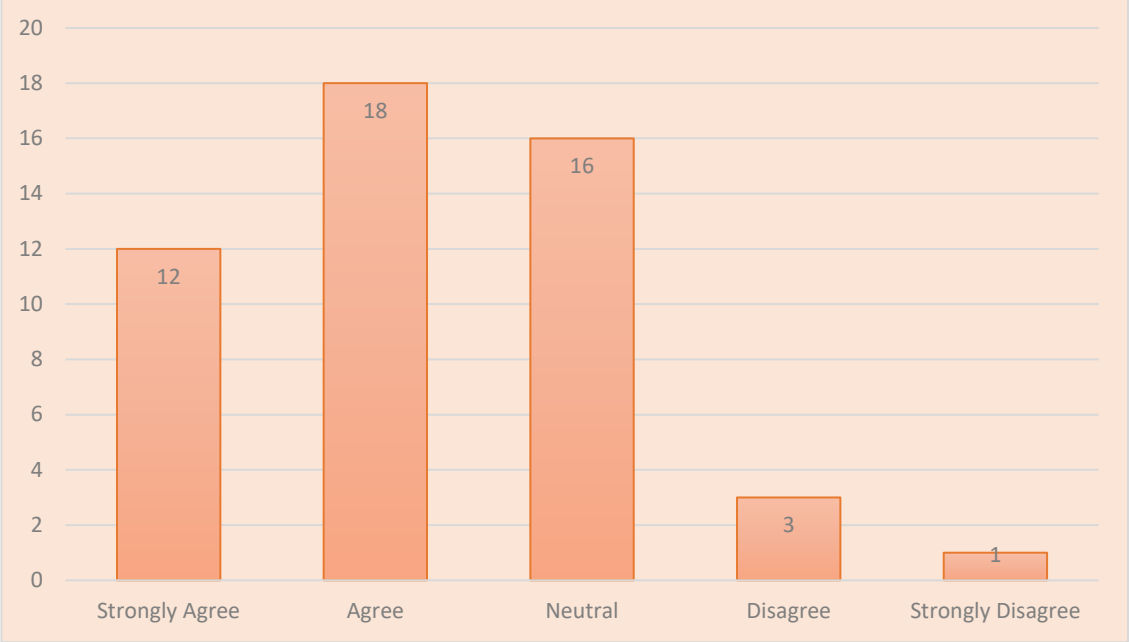

Figure 4.15: The extent to which Micro-financing options are designed to drive sound small-scale profitability performance

This figure shows the participants' viewpoints on whether micro-financing options are enabled to drive profitability of businesses and it has been noted that a higher percentage of the participants 60% do agree and 32% were neutral and the remaining 8% disagreed. The study established that the participants do recognize the impact that can be created through micro-financing and those who do not support may have not been exposed to any funding opportunities.

Perception about the impact created by Micro-financing initiatives available in Windhoek

Participant 4 mentioned: There is no significant impact created by micro-financing initiatives in Windhoek and this has negatively affected my business because even though I have been applying I have not been able to secure any funding.

Participant 26 argued: The existing micro-financing initiatives are not capable of creating lasting impact and they do not promote growth of businesses that are incapable of obtaining a loan from the bank, then why do they exist?

Participant 46 stated: There is little or no progress on helping small-scale businesses to grow and gain sound market share to generate profits consistently.

Participant 15 claimed: I feel that micro-financing opportunities are lacking and those that are available are incapable to help fund small businesses.

Participant 36 asserted: I do not think there is real impact created by micro-financing schemes in Windhoek and this is because I have never heard of any funding being offered.

Based on the responses, it has been noted that the participants do not feel that micro-financing initiatives, thus implying that the existence of these schemes have little or no impact on the growth and development of small-scale firms in the Havana Informal Settlement.

The accessibility of micro-financing opportunities/schemes in Windhoek, Havana Informal Settlement

Participant 1 claimed: There are hardly no funding opportunities for small-scale businesses in Namibia and Windhoek is not an exception.

Participant 12 mentioned: I feel like even if there funding schemes most of our businesses are not eligible

Participant 10 stated: It is difficult to access financing in Windhoek and businesses in the informal settlements are not considered.

Participant 30 mentioned: Accessing financing for my business has been a critical challenge and even though I tried for several years I have not been able to find funding

Participant 45 asserted: There are no sound opportunities and this continue to trouble the existence of our businesses.

Based on the responses, it is quite clear that the participants feel that there are no schemes available for small-scale businesses and therefore it is difficult to secure funding. It is established through the findings that accessing financing is challenging and many businesses do not get an opportunity to benefit.

Trends of Government support over the years

Participant 1 claimed: Although the government provide funding, they are not freely available for largest members of the public.

Participant 12 mentioned: The government has tried to provide grants to small businesses and this has helped some businesses to grow and expand.

Participant 10 stated: There is little support from the government and the government cannot afford to help everyone.

Participant 30 mentioned: The government has helped small businesses to thrive and gaining a significant ground to grow and expand.

Participant 45 asserted: The government has not provided substantial funding for small businesses since independence.

Through the responses, it has been noted that even though the government has provided support to small-scale businesses over the past years, there has not been significant improvement in the development of businesses in the Havana Informal Settlement, Windhoek.

The difficulties in accessing the microfinance

Participant 1 claimed: There are strict regulations for obtaining microfinancing and this keep the number of those who benefit from it.

Participant 12 mentioned: Microfinancing is not freely available as it is not being offered to everyone who apply.

Participant 10 stated: Funders have unrealistic expectations on small firms and this is what is limiting the growth of these businesses.

Participant 30 mentioned: We are not informed about what is available to us and therefore lack of information makes it difficult for us to access funding

Participant 45 asserted: Accessing funding is a critical challenge and I do not think the business environment promote entrepreneurial development.

As observed among the responses, lack of accessing micro-finance has been the issue as most of the available schemes have high requirements and most businesses do not qualify.

Table 4.1: Factors affecting obtaining of microfinance

Factors	Rating
Low business visibility	Extreme
Lack of communication	Moderate
Lack of registration documents	Neutral
Strict evaluation criteria	Extreme
Unrealistic expectations from funders	Extreme

The table shows is factors raised by the participants as obstacles hindering accessing of microfinance. As seen above, most of the participants deemed those factors as extreme, thus depicting the severity of these factors in reducing chances of an average business owner from obtaining funds.

	Variables of the study	Description
1.	Age	Most of the participants were among ages of 31-40 constituting of 40%
2.	Gender	Female persons led with 60% of the total sampled population
3.	Highest Education	Most of the participants consisting of 54% only held Grade 12 at the time of the study

4.	Ease of obtaining financing	About 84% of the sampled population did not feel it is easy to obtain microfinancing in Namibia
5.	Extent of need fulfilment	Approximately 76% of the sampled population did not perceive that existing funding schemes are enabled to meet their needs

4.4 SUMMARY

The presentation, interpretation and analysis of the findings were discussed in the chapter in relation to the study's aims and objectives. The approach for data analysis consisted of graphical presentation of data using charts and graphs and narrations. The subsequent chapter presents the conclusions, recommendations for implementation as well areas for further studies.

CHAPTER FIVE: FINDINGS, RECOMMENDATIONS AND CONCLUSIONS

5.1 INTRODUCTION

This chapter presents the findings, recommendations and conclusions based on the aims and purpose of the study. The findings of the study were integrated with the literature and appropriate conclusions were made. Additionally, appropriate recommendations based on the aims of the study and findings were made. The chapter ends with recommendations for areas for further studies based on gaps identified in the research.

5.2 KEY FINDINGS FROM THE STUDY

The findings from the literature and primary research are discussed in the following sub-sections:

Objective 1: To investigate the status of accessibility of microfinance opportunities in Windhoek, Havana

Based on the findings, it has been observed that there is limited access to micro-financing opportunities and even though there are funding opportunities, it is quite difficult for an average person to qualify as they do have high requirements which most businesses that are operating in the informal settlements do not have. More than 80% of the participants who applied for funding were not granted funding, thus implying that accessing funds is a critical challenge.

Objective 2: To assess the impact of bank loans on small scale firms' performance in Windhoek, Havana

Through the primary research, it has been established that since most of the business owners have not benefited from micro-financing schemes, there is no direct impact resulting from a loan or scheme on the performance of most of these businesses. For businesses that benefitted, the schemes did help create funding opportunities, thus aiding source for funds to grow and develop the business. Most of the participants, accounting for at least 90 % do feel that there is no significant impact resulting from micro-financing.

Objective 3: To determine the effectiveness and appropriateness of the available micro-financing options for small-scale farmers in Havana, Windhoek

Based on the findings, it has been observed that existing micro-financing options do not help reliably and effectively, thus implying that they are almost non-existent as most of the small-scale businesses do not benefit in any way or form. More than 90% of the participants have bad perceptions regarding the credibility of micro-financing in Windhoek and they feel the ecosystem is poorly organised and does not have the interests of businesses at heart.

5.3 CONCLUSION

Based on the findings and under literature control, the following conclusions emerged from the research:

5.3.1 Concurring with the literature review and the results of the study

Concurring with the literature, the results of the study, from the theoretical background (2.16) on challenges faced by SMEs relating to micro-funding (Namibia 2014) indicate that, inadequate access to credit has been recognised as one of the primary barriers that

impede the process of enabling youngsters to break free from the poverty cycle in a number of studies (Mukata & Swanepoel, (2015; Geoffrey & Emenike, 2017). Commercial banks are hesitant to lend to youth-run SMEs, (Particularly those in rural areas) for a variety of reasons, including that adolescents are high risk borrowers due to limited assets and low capitalisation. Most governments around the world, including Namibia's, have substantial hurdles in reducing youth unemployment.

Also, concurring with the findings and the theoretical background, Amentie *et al.* (2016) writing on the factors affecting accessibility of microfinance, conclude that, the barriers of medium and small enterprises in Ethiopia, include high market competition. Also, unaffordable loan repayment amounts, a short period of loan repayment, perceptions of banks and liquidity shortage from lenders. Finally, absence of suitable resources.

From the findings in figure 4.10, 76% of the participants indicated that it is difficult to access microfinance. From the responses, participants 1,12,10,30 and 45, stated that, there are strict regulations for obtaining microfinancing and this keeps the number of those who benefit from it, low. Funders have unrealistic expectations on small firms and this is what is limiting the growth of businesses. Microfinancing is not freely available as it is not being offered to everyone who applies.

Accessing funding is a critical challenge and the researcher does not think the business environment promotes entrepreneurial development. On accessibility of microfinancing opportunity Schemes in Windhoek, Havana informal settlement, participants provided the same views on microfinancing accessibility.

On the impact of the existence of microfinancing schemes has on small-scale businesses in Windhoek, Havana; the findings show that, a higher percentage, 88% of the participants strongly disagreed. The findings concur with findings in the theoretical background.

Christopher (2010) in a study on the impact of microfinance in small and medium-sized enterprises in Nigeria, revealed that, a significant number of the small and medium sized enterprises (SMEs) benefited from the MFLs loan, even though only a few of them were capable enough to secure the amount needed. Also, in Namibia, FinMark (2011) estimate to be 31%, the impact of microfinance and performance on (SMEs). This is highly influenced by financial exclusion. This is a potential market for MFLs to serve, given the reluctance of commercial banks to serve them. In this situation, the Namibian SME sector cannot expand to create the much-needed jobs to reduce unemployment and poverty while the majority of low-income earners of the population would continue to live in poverty.

Objective 1: To investigate the status of accessibility of microfinance opportunities in Havanna, Windhoek

The findings suggest that the status of micro-financing is poor in Windhoek and has not substantially helped to contribute to the development of small businesses, thus implying that there is a low efficacy rate in this regard.

Objective 2: To assess the impact of bank loans on small scale firms' performance in Havanna, Windhoek

The findings revealed that there is little or no impact resulting from micro-financing on small-scale businesses residing in the Havana Informal Settlement. Therefore, it can be

concluded that there has not been a noticeable impact on small-scale businesses' performance, which could imply that the impact was insignificant and not yielding the desired results.

Objective 3: To determine the effectiveness and appropriateness of the available micro-financing options for small-scale farmers in Havana, Windhoek

The outcomes of the study reveal that available micro-financing opportunities do not yield any significant impact; thus, it is deemed ineffective at providing financing for small-scale businesses. Certainly, it is evident that existing schemes do not have the capacity to optimally serve the needs of small-scale businesses.

5.4 RECOMMENDATIONS

Based on the key findings discussed and presented above, the study makes the following recommendations:

5.4.1 Revision of existing micro-financing options

Being cognizant that most of the schemes do not offer concrete solutions to small-scale businesses, it is important for the government, in conjunction with the private sector to review and revise existing schemes, so that a lasting impact could be created.

5.4.2 Investing in research and development

The government should conduct R & D to discover best practices with regards to spearheading and undertaking micro-financing activities in the country and this can be done through cross-learning with other countries.

5.4.3 Benchmarking against successful schemes

It is important for the government to consult other schemes that turned out to be successful and this is so that appropriate countermeasures could be studied, examined and adopted accordingly.

5.4.4 The formation of Public Private Partnerships

PPPs can be formed to collectively work on projects that promote and create an enabling environment for small-scale businesses to thrive.

5.4.5 Undertaking joint projects

Members of the communities should be attached to projects where joining forces is encouraged, so that they can create markets for their offerings

5.4.6 Offering business and finance management and training

One of the issues observed in the findings is the lack of appropriate skills to run a business, therefore it is important to roll out projects aimed at facilitating learning for small-scale business owners.

5.4.7 Revising policies and business development agenda

Considering that the Namibian government's efforts are deficient in promoting and availing funds for SMMEs, the study recommends revision of policies governing business development, especially for small firms and necessary adjustments to be made to improve the accessibility of microfinance for SMMEs in Namibia. Similarly, the government should initiate collective projects with the private sector in order to foster improved funding opportunities in the country.

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APPENDICES

APPENDIX A: QUESTIONNAIRE

I am a registered student at the University of Namibia. In partial fulfilment of the requirements of a Master's Degree in Management Strategy, I am conducting an academic research: **AN INVESTIGATION INTO THE IMPACT OF ACCESSIBILITY TO MICROFINANCE ON THE PERFORMANCE OF SMALL-SCALE ENTERPRISES IN WINDHOEK, HAVANA INFORMAL SETTLEMENT**

This questionnaire will be randomly distributed, thus will be completely anonymous. Please let us know your spontaneous response to each question. All information provided will be kept confidential and will be used purely for academic purpose, thus please give your unbiased and frank opinion.

QUESTIONNAIRE

SECTION A (*Please tick in the appropriate box*)

Age: ◯ 20 – 30 ◯ 31 – 40 ◯ 41 – 50 ◯ 51 – 60

Gender: ◯ Female ◯ Male

Highest Education/ ◯ Matric/Gr. 12 ◯ Certification ◯ Diploma ◯ Bachelor's Degree ◯ Master's Degree

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SECTION B

Have you ever applied for Micro-Financing for your business? Yes ◯ No ◯

Was your application successful? Motivate

Please tick in the appropriate box below

No	Statements	*Strongly Disagree*	*Disagree*	*Slightly Disagree*	*Slightly Agree*	*Agree*	*Strongly Agree*
1	There are sufficient micro-financing opportunities for small-scale businesses in Windhoek	1	2	3	4	5	6
2	It is easy to obtain micro-financing in Windhoek	1	2	3	4	5	6
3	The micro-financing options are designed to meet the needs of small-scale businesses	1	2	3	4	5	6
4	The existence of micro-financing schemes has positively impacted Small-scale business in Windhoek, Havana	1	2	3	4	5	6
5	Only a limited number of applicants benefit from micro-financing opportunities	1	2	3	4	5	6
6	Current Micro-financing options have strict requirements for applicants	1	2	3	4	5	6
7	Micro-financing schemes in Windhoek does not promote entrepreneurial development	1	2	3	4	5	6
8	Micro-financing options are effective addressing financial challenges encountered by small-scale firms	1	2	3	4	5	6
9	An average small-scale business owner is eligible for micro-financing funding	1	2	3	4	5	6

10	Micro-financing options are designed to drive sound small-scale performance	1	2	3	4	5	6

14. What is your perception about the impact created by Micro-financing initiatives available in Windhoek?

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15. How accessible are micro-financing opportunities/schemes in Windhoek, Havana Informal Settlement?

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16. What has been the trend of Government support over the years?

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17. What are the difficulties in accessing the microfinance?

Thank you for your Participation

APPENDIX B: LANGUAGE EDITING CERTIFICATE

Dr.GM

The Rev. Dr. Greenfield Mwakipesile
ThD, MBA, HBS | mwakipg@outlook.com

CONTACT

PO Box 99539,
UNAM,
Namibia

LANGUAGE & COPY-EDITING CERTIFICATE

14th May 2022

RE: LANGUAGE, COPYEDITING AND PROOFREADING OF ELLIEPUTSE NIITA IIYAMBO's THESIS FOR THE MASTER OF BUSINESS ADMINISTRATION DEGREE OF THE NAMIBIA BUSINESS SCHOOL OF THE UNIVERSITY OF NAMIBIA

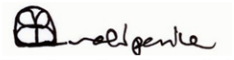
This certificate serves to confirm that I copyedited and proofread **ELLIEPUTSE NIITA IIYAMBO's** Thesis for the **MASTER OF BUSINESS ADMINISTRATION DEGREE** entitled: **AN INVESTIGATION INTO THE IMPACT OF ACCESSIBIITY TO MICROFINANCE ON THE PERFORMANCE OF SMALL-SCALE ENTERPRISES IN WINDHOEK HAVANA INFORMAL SETTLEMENT**

I declare that I professionally copyedited and proofread the thesis and removed mistakes and errors in spelling, grammar, and punctuation. In some cases, I improved sentence construction without changing the content provided by the student. I also removed some typographical errors from the thesis and formatted the thesis so that it complies with the University of Namibia's guidelines.

I am a trained language and copy editor and have edited many Postgraduate Diploma, Masters' Thesis, Dissertations and Doctoral Dissertations for students studying with universities in Namibia, Zimbabwe, Eswatini, South Africa and abroad. I have also copy-edited company documents for companies in the region and abroad.

Please feel free to contact me should the need arise.

Yours Sincerely,



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