

## **Role of Microfinance Institutions on the Financial Performance of Small and Medium Enterprises in Lusaka, Zambia: A Case of Kalingalinga Compound, Zambia**

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### **Abstract**

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**General Objective**



### **The Population of the Study**

Saunders (2003) contends a research population as a total group of items from which the sample for research is withdrawn. So, since the research was conducted in Kalingalinga of Lusaka district, then the population for research is all members who have borrowed at least once from the selected case, workers and leaders from the case. The following was the population profile for this study; there were 43 borrowers, 14 workers and management team of 5 members who made the population for this study to be 62 respondents.

### **Types of Data**

**Secondary data** according to Kombo and Trompt (2006) refers to the data collected neither directly by the user nor specifically for the user. The secondary data collection was done from documentary like written documents from Saccos offices, newsletter and web sites.

**Primary data** on the other side refers to the information gathered directly by a researcher from respondents. This is done to collect the view and the opinion of the respondents directly.

### **Tools of Data Collection**

#### **Questionnaire**

Kombo and Trompt (2006) refers to this as a tool where a set of questions which respondents fill in answers in written form and the researcher collects the forms with the completed information. Multiple items questions were distributed to the respondents. The method was chosen because it was cost effective and less time consuming. The first part of it was the background of the respondent and the second part focused on role of microfinance on economic and social progress.

#### **Interviews**

According to Kombo and Trompt (2006), this method requires the researcher to identify respondents and request them to answer certain questions. Some interviews are carried out through the telephone and the information received is recorded by the researcher. In this study this method was used mostly in data collection whereby open and close ended questions were asked in order to allow interviewees to explain themselves, give further elaboration, more facts and more detailed informa



## Recommendations

### Recommendation to the MFIs

The MFIs should find the ways to reduce the interest rate for the loan they offer to the entrepreneurs so as to increase the profit margin to the borrowers.

The MFIs should reduce the long and tiresome procedures when people want to get loans. Although not many, only a few have complained of a delay and long period taken to process the loans which need to be improved.

The government should ensure that all Zambians possess entrepreneurial education background by introducing the subject/topic in the national education curricula from primary school.

It is recommended that the introduction should start at as lower grade as possible at least grade four.

The teaching when an entrepreneur is just about to take a loan has proved to be less effective because the borrowers keep on misusing loans despite of those seminars and workshops.

The government should strive in strengthening the economy and control the inflation rate as a way of helping the entrepreneurs to grow. Studies have shown that the performance of SMEs depends on the economic condition of the country and the world at large.

The government should control corruption at any cost. Improve socio-economic situation of the country which will increase money circulation at the national economy.

The borrowers are advised to utilize the borrowed fund for the proposed aims and not otherwise. They should have prior plan before getting loan and to abide by the initial plan; they should not change their plans upon securing loans. This will enable them to repay the loans and avoiding confiscation of their properties.

## Conclusions

The findings from the study have shown that there is no progress of SMEs at the enterprise level as claimed by more than 60%, the reasons behind this failure have been attributed to the poor national economy and the borrowers do not inject the capital on the enterprises but on different fixed assets, goods and services. However, other parameters at household levels, affordability of home needs, ownership of fixed assets and community development support have improved for both MFIs workers SMEs owners.

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