AN INVESTIGATION ON THE ROLE OF MICRO FINANCIAL INSTITUTIONS IN THE FORMALIZATION OF THE ZIMBABWEAN ECONOMY.

BY

BOTE ASHTON

B0722085

A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS OF THE BACHELOR OF BUSINESS STUDIES IN BANKING AND FINANCE OF BINDURA UNIVERSITY OF SCIENCE EDUCATION.

OCTOBER 2010
The study sought to investigate the role that can be played by Micro Financial Institutions to formalize informal enterprises. The research is based on the need to determine the costs of informality, mitigation measures to counter informality and the role that can be played by MFIs in the process of formalization. The researcher used casual research method whereby fifty questionnaires were distributed to informal entrepreneurs who were clients of Hamilton Finance and Sheasby Financial Services operating in Harare and obtained an 88% response rate. Interviews were also held with the management of the two MFIs in the study. The study found out that MFIs can play a significant role in the formalization processes by inducing graduation lending which entails giving micro loans to clients with adequate documentation. The researcher concluded that in Zimbabwe the policy framework is ambiguous in such away formalization of small entities requires alternative methods and one of them I the gradual lending induced by MFIs. The research further provided appropriate recommendations and suggestions.