



BINDURA UNIVERSITY OF SCIENCE EDUCATION

**A WORKING MODEL TOWARDS SUSTAINABILITY OF MICROFINANCE INSTITUTIONS
IN ZIMBABWE (MFIs). A CASE OF KCI MANAGEMENT CONSULTANCY**

BY

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DECLARATION

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bibliography, references, and 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.

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DATE: 30 September 2025

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.

DEDICATION

This research project is dedicated to my wife and my children

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I express my profound appreciation to Bindura University of Science Education for granting me the opportunity to study a Master in Business Leadership. The mentorship of eminent lecturers and the steadfast assistance of the administrative personnel have enhanced my academic experience. The knowledge and practical experience acquired during this program will be crucial throughout my career.

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ABSTRACT

This dissertation investigates the sustainability of Microfinance Institutions (MFIs) in Zimbabwe, focusing specifically on KCI Management Consultancy. Against a backdrop of severe economic instability, hyperinflation, limited financial inclusion, and regulatory challenges, Zimbabwe's MFIs face persistent threats to their financial and operational viability. The study aims to develop an effective and contextually relevant model to ensure the long-term sustainability of MFIs, enabling them to fulfil their mandate of poverty alleviation and entrepreneurship support. A mixed-methods case study approach was employed, integrating both qualitative and quantitative data from KCI management, staff, clients, regulators, and industry experts. The research explores internal and external factors impacting sustainability, assesses the effectiveness of current sustainability frameworks, and proposes a comprehensive sustainability model tailored to Zimbabwe's unique socio-economic environment. Key findings reveal that while MFIs like KCI demonstrate resilience and a strong social mission, they are hampered by high operational costs, human resource constraints, limited access to affordable capital, and an unpredictable macroeconomic and regulatory context. Existing sustainability frameworks, though conceptually sound, require significant adaptation for practical implementation in Zimbabwe. The proposed model emphasizes adaptive financial management, diversified funding, client-centric product design, robust risk management, strategic digital transformation, and integrated social performance management. The study's recommendations are designed to strengthen the operational and financial resilience of MFIs, ensuring they can continue to drive financial inclusion and economic empowerment in Zimbabwe. The resulting model provides a valuable blueprint for practitioners, policymakers, and researchers seeking to enhance the sustainability and impact of microfinance in challenging environments.

Keywords: Microfinance Institutions, KCI Management Consultancy, Sustainability, Financial management, strategic digital transformation

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LIST OF ABBREVIATIONS AND SYNONYMS

MFI	Microfinance Institution
MFIs	Microfinance Institutions

KCI	KCI Management Consultancy
RBZ	Reserve Bank of Zimbabwe
ZAMFI	Zimbabwe Association of Microfinance Institutions
ZMF	Zimbabwe Microfinance Fund
OSS	Operational Self-Sufficiency
FSS	Financial Self-Sufficiency
SPM	Social Performance Management
MIS	Management Information System
NGO	Non-Governmental Organization
KWFT	Kenya Women Microfinance Bank
FINCA	Foundation for International Community Assistance
SACCOS	Savings and Credit Cooperative Societies
NACSCUZ	National Association of Cooperative Savings and Credit Unions
ESAP	Economic Structural Adjustment Programme
IMF	International Monetary Fund
UNDP	United Nations Development Programme
CGAP	Consultative Group to Assist the Poor
ROA	Return on Assets
PAR	Portfolio at Risk
SPI	Social Performance Indicators
PPI	Progress out of Poverty Index
MBL	Master of Business Leadership
ROE	Return on Equity

CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

The main aim of this study was to provide an effective model for ensuring the sustainability of microfinance institutions (MFIs) in Zimbabwe, particularly concentrating on KCI Management Consultancy. The chapter focused on the background of the study, the statement of the problem, the objectives of the study, the proposition of the study, research justification, the significance of the study, the assumptions of the study, the delimitations of the study and the chapter summary.

1.2 BACKGROUND OF THE STUDY

For the past twenty years, Zimbabwe has struggled economically, marked by continuous inflation, widespread business closures, and the consequences of international isolation all of which have raised cost of living. Many Zimbabweans, especially in outlying areas, still lack bank accounts. This situation presents a substantial opportunity for microfinance institutions (MFIs) to meet the financial needs of this excluded demographic (Reserve Bank of Zimbabwe, 2022). The microfinance sector in Zimbabwe has encountered substantial economic challenges that have resulted in a notable decline in the number of microfinance institutions (MFIs) from around 1,700 in 2003 to 238 non-deposit-taking and 8 deposit-taking institutions as of March 31, 2024. (Reserve Bank of Zimbabwe [RBZ], 2025). Microfinance is the provision to low-income poor people or enterprises lacking access to traditional banking systems, and small-scale financial services like credit, savings, and insurance. It is supposed to empower underprivileged groups, support and enable entrepreneurship to lower poverty and guarantee financial inclusion (Ledgerwood, 1999).

1.2.1 GLOBAL SPREAD OF MICROFINANCE

Microfinance originated in the unofficial financial systems of early societies. Organizations in Italy were among the first in fifteenth-century Europe to provide poor people interest-free loans (Seibel, 2005). When Pope Leo X let pawnshops charge interest in the 1500s, microfinance started to take off and became somewhat common all throughout Europe (Dzadzua, 2020). Structured microfinance organizations started to arise around the 18th century; one such organization was the Irish Loan Fund System, which gave small-scale farmers unsecured loans (Hollis & Sweetman, 1998). Early models of financial inclusion set the groundwork for contemporary microfinance organizations, therefore impacting later movements such the cooperative credit movement started by Friedrich Wilhelm Raiffeisen in Germany's 19th century (Ledgerwood, 2013).

Driven by the knowledge that socio-economic progress depends on financial inclusion, the mid-20th century marked a turning point in the development of contemporary microfinance. Many important events and innovative ideas developed during this time that shaped the global microfinance movement and set the groundwork for their inclusion into official financial institutions.

Introduced in Bangladesh during the 1960s, the innovative project known as the Camilla Model served to define microfinance going forward. Designed by Akhter Hameed Khan at the Pakistan Academy for Rural Development in Camilla, this strategy sought to improve rural areas by use of cooperative credit schemes. Encouragement of modest savings and loan access helped farmers to make investments in improved agricultural inputs, get necessary training, and raise their output. (Khan 1979). The Camilla Model encouraged group action, so empowering rural people to create economic resilience and improve their livelihoods, thus transcending mere financial system. 2008: (Hulme) The success of the Camilla Model demonstrated the possibilities of community-based credit systems in poverty reduction, so laying the foundation for next microfinance projects (Montgomery, 1996). The method reinforced the value of social capital in financial inclusion plans and inspired like models all throughout Asia and beyond.

The change of microfinance history began in Bangladesh when Professor Muhammad Yunus founded Grameen Bank in 1976. The Grameen Bank started the provision of unsecured loans a departure from traditional institutions to poor individuals, especially women, who were mainly excluded from formal banking services (Yunus, 1999).

This approach saw the introduction of a group-lending mechanism that was based on peer accountability and this greatly reduced default rates and fostered unity in the community (Armendáriz & Morduch, 2010). The success of the Grameen Bank proved that low-income individuals can be creditworthy when offered appropriate financial support. With women making the bulk, the bank had lent billions of dollars to millions of borrowers by 2006. Along with helping millions of people escape poverty, this creative method attracted international attention and resulted in Muhammad Yunus being awarded the Nobel Peace Prize in 2006 (Yunus, 2006). Since then, the Grameen model has been copied around the globe and shapes microfinance legislation and practices in many poor nations.

Driven by economic crises and the search for inclusive financial solutions, microfinance grew significantly throughout Latin America during the 1980s. Founded in 1986, Bolivia's BancoSol grew to be a well-known illustration of the possibilities for microfinance in cities. Offering market-based interest rates to cover running expenses, BancoSol set itself apart and guaranteed financial sustainability while helping micro-entrepreneurs. (Morduch, 1999).

The institution's success shown that microfinance may run as a self-sustaining commercial model concurrently preserving its social goal (Rhyne, 2001). Other nations in the region, such as Peru and Colombia, have adopted this strategy, producing a competitive microfinance industry including remittance services, insurance, and savings accounts. Microfinance moved toward commercialization during this time to help to balance social effect with financial sustainability.

1.2.2 EVOLUTION OF MICROFINANCE IN AFRICA

As it developed and bloomed, the Grameen Bank maintained influencing the rest of the world, especially Africa and microfinance started acquiring major speed during the 1980s. Many African countries including Kenya, Uganda, Ghana, Nigeria, and Ethiopia adopted microfinance for economic development and poverty alleviation. Governments, alongside international development organizations like the World Bank, the International Monetary Fund (IMF), and the United Nations Development Programme (UNDP) started to support these expansion initiatives of microfinance (Yaron, 1994; Robinson, 2001).

In Kenya, there are some organizations that include the Kenya Women Microfinance Bank (KWFT) which played a key role in providing financial services to women entrepreneurs in the process promoting gender equality as well as economic growth (Musinga & Mwakubo, 2001). In Uganda similar success

was also witnessed through the establishment of institutions like FINCA Uganda, which used the village banking model to reach poor communities (Wright & Mutesasira, 1999). In Ghana organizations such as Sinapi Aba Trust were also key players in offering microfinance services to small-scale businesses (Osei-Assibey, 2010).

Nigeria's microfinance sector also experienced significant growth with the establishment of community banks that were later transformed into microfinance banks to cater to the needs of rural and urban entrepreneurs (Anyanwu, 2004). In Ethiopia there were also some substantial developments witnessed through organisations like the Amhara Credit and Savings Institution (ACSI) that focused on agricultural and rural support in terms of micro financing (Degefe, 2003).

The focus was mainly on empowering poorest of the poor groups, especially among women in the process encouraging entrepreneurship among emerging small entrepreneurs. The success of these programs demonstrated the critical role of microfinance in improving financial inclusion and encouraging grassroots economic activities across the continent (Ledgerwood, 1999). MFIs began to take advantage of emerging technologies like mobile money platforms for example in Kenya there was M-Pesa, that also played a role in extending financial services to unbanked populations in an efficient way (Jack & Suri, 2011). However, from this period many challenges also started to come up and these included issues of sustainability, high interest rates, and the risk brought about by over-indebtedness among many borrowers (Cull, Demirgüç-Kunt, & Morduch, 2009).

1.2.3 MICROFINANCE IN ZIMBABWE

Starting in the 1960s mostly through savings clubs, the microfinance movement in Zimbabwe formalized efforts reported in those years with organizations like the Catholic Missionary's Savings Development Movement in 1963 playing key roles in the formalization process (Raftopoulos & Lacoste, 2001).

The key players in the informal savings schemes were mainly women in rural areas seeking to boost their small incomes (Chikadzi, 2012). After independence, the government started to support cooperatives leading to establishment of organisations like the National Association of Cooperative Savings and Credit Unions (NACSCUZ) that was formed in 1986 in order to strengthen the sector (Makina, 2010). SACCOS (Savings and Credit Cooperative Societies) also increased significantly from the late 1980s through

various groups that pooled resources together in the process enabling members to borrow from the pooled funds and then repay later with nominal interest (Mago, 2013).

The demand for microfinance started to increase in the 1990s and this was driven mainly by the Economic Structural Adjustment Programme (ESAP). While ESAP aimed to liberalize the economy, it resulted in a lot of retrenchments increasing poverty and intensifying the need for financial support services among affected groups due to reduced sources of income (Bond, 1998). Moreover, the period was also marked by economic instability characterized by rising interest rates and inflation (Kanyenze, Kondo, Chitambara, & Martens, 2011). The government's lump-sum compensation payments to war veterans in 1997 further increased inflation and economic challenges weakening the viability of microfinance activities as the Zimbabwe dollar had crushed (Makina, 2010).

The economic situation worsened from the 2000s and this led to a big increase in demand for microfinance as formal banking channels reduced, on the other hand, microfinance institutions (MFIs) were contracted by the tough economic environment that threatened their sustainability because their capital was eroded by inflation (Mago, 2013).

In an effort to see the industry stabilized, the Reserve Bank of Zimbabwe set policies requiring MFIs to have licenses including criteria for audits and minimum capital requirements and adherence to good financial practices (Makoni, 2020). This also featured more open communication about MFIs' operations. Government-led projects and alliances with foreign companies founded groups like ZAMFI, which serves as the main association speaking for MFIs in Zimbabwe (ZAMFI, 2024). To improve the sustainability of Microfinance Institutions, Microfinance Banks, the government also created the Zimbabwe Microfinance Fund (ZMF), capitalised by Reserve Bank of Zimbabwe. With 36-month terms, the ZMF provides low-interest loans to MFIs ranging in value from US\$100,000. This project seeks to enhance MFI operations (ZMF, 2024).

Notwithstanding these programs, a good number of rural residents of Zimbabwe still lack a bank account and are cut off from most financial institutions' operations. Mostly low-income and underprivileged households, this underserved group needs financial services for agricultural and entrepreneurial operations (Chitokwindo et al., 2015). Technological developments like Econet's EcoCash and NetOne's OneWallet have been transformational in helping to close this disparity, which entrepreneurial MFIs have

used to reach isolated areas (Mago & Chitokwindo, 2014). These groups now have access to microfinance products thanks to mobile banking, therefore promoting more financial inclusion and improving chances for economic development (Munyanyi, 2016).

By March 2024, Zimbabwe's microfinance sector had expanded into a more orderly and controlled one. Reflecting their formalization and growth, the industry comprises of 8 deposit-taking MFIs and 238 registered non-deposit-taking MFIs (Reserve Bank of Zimbabwe, 2024). Particularly in rural and peri-urban areas, the mix of technology and mobile banking keeps expanding the availability of microfinance products (Njanike, 2009).

Still, the industry has major problems endangering its survival. Usually originating from debt traps among low-income borrowers, high cost structure and high loan rates leading to increased default rates compromise the financial situation of MFIs (Mago, 2013). Many borrowers find it difficult to pay back debts, which causes pledged assets to be liquidated and poverty to be even more entrenched. Furthermore, structurally impeding the sector's expansion are macroeconomic uncertainty, excessive inflation, and currency fluctuations (Makina, 2010). These problems draw attention to the necessity of creative ideas such as risk-adjusted lending methods and financial literacy campaigns to guarantee MFIs' viability and hence help to reduce poverty (Chikadzi,

1.3 PROBLEM STATEMENT

Against the backdrop of the previous section, Microfinance Institutions (MFIs) in Zimbabwe, including KCI Management Consultancy, struggle constantly in reaching sustainability due to a mix of factors such as high cost of capital, limited access to affordable funding, operational inefficiencies, inadequate governance structures, high inflation, and general economic instability prevailing in the nation (Mago, 2013; Reserve Bank of Zimbabwe [RBZ], 2020). The great cost of capital is still a major obstacle since MFIs mostly rely on costly short-term borrowing to support their activities, therefore reducing profitability and impeding long-term development (Makina, 2010). Because of the supposed high credit risk connected with Zimbabwe's unstable economic situation, access to reasonably priced financial sources is restricted (Chikadzi, 2012). Furthermore, causing operational inefficiencies that increase transaction costs and reduce service delivery quality include outdated technology infrastructure and

insufficient staff member competencies (Njanike, 2009). Moreover, endangering the stability of the sector are governance issues since many MFIs lack effective board control or risk management procedures (Mago, 2014). Bad corporate governance practices have been linked to higher loan default and resource misallocation, therefore aggravating the already weak institutions (Kanyenze et al., 2011). Moreover, significantly affecting the value of loan portfolios and borrower repayment capacity are macroeconomic issues of Zimbabwe including high inflation and continuous devaluation of the currency (RBZ, 2020).

These difficulties taken together have limited MFIs' capacity to fulfil their developmental mandate of advancing financial inclusion and helping small-scale businesses (Munyanyi, 2016), therefore stifling their growth potential.

1.4 RESEARCH OBJECTIVES

- To examine the internal and external factors affecting KCI's financial and operational sustainability in Zimbabwe's socio-economic conditions.
- To assess the effectiveness of existing sustainability frameworks and their relevance to KCI Management Consultancy
- To develop a sustainable model for MFIs in Zimbabwe, focusing on KCI Management Consultancy that integrates best practices from the microfinance sector.

1.5 RESEARCH QUESTIONS

- What internal and external factors affect the financial and operational sustainability of KCI Management Consultancy in Zimbabwe's socio-economic context?
- How effective are the current sustainability frameworks for MFIs in Zimbabwe, and how well do they apply to KCI Management Consultancy?
- What are the main elements of a model that can solve the sustainability issues confronting MFIs in Zimbabwe especially, KCI Management Consultancy?

1.6 RESEARCH JUSTIFICATION

Microfinance Institutions (MFIs) have to be sustainable if they are to help Zimbabwe's financial inclusion, lower poverty, and boost entrepreneurship. That is their ability to cover all of their costs for their continued operation and the provision of financial services to people experiencing poverty.

However, the sector faces significant challenges, including macroeconomic instability, high operational costs, poor governance, and limited access to capital (Mago, 2013). These challenges have contributed to the collapse of many MFIs in the past and this has undermined the sector's potential to contribute meaningfully to economic development (Reserve Bank of Zimbabwe [RBZ], 2020). Research on MFIs already in existence in Zimbabwe has mostly concentrated on their part in economic empowerment and poverty reduction (Mago, 2013). Little actual data exists, therefore, when developing tailored sustainable operational models that fit the unique challenges faced by MFIs in the Zimbabwean environment. This study aims to fill up this hole by developing a workable sustainability model particularly for KCI Management Consultancy.

1.7 SIGNIFICANCE OF THE STUDY

Focusing on KCI Management Consultancy, this research is crucial in increasing MFIs' sustainability in Zimbabwe. It provides perceptive study for MFIs, legislators, and others. For KCI: The study will propose achievable options for enhancing long-term financial sustainability and operational effectiveness. Results will offer practical information to improve sustainability for other MFIs. The study will guide policymaking to create a climate fit for MFIs. Regarding intellectual and practical knowledge, the study adds to the scholarly debate on microfinance sustainability and presents a customized approach fit for the Zimbabwean situation.

1.8 ASSUMPTIONS

Historical Data Relevance

The study assumes that information between 2020 and 2024 will be enough to grasp the sustainability issues KCI faces.

Geographical Representation

The study supposes that the area of Harare and Chitungwiza, where KCI has the most concentration of branches, reflects more general difficulties throughout Zimbabwe.

Applicability of Best Practices

Microfinance sustainability global best practices are supposed to be flexible enough for Zimbabwe's particular socioeconomic situation.

Stakeholder Cooperation

Reliable and honest information is expected from stakeholders including management and staff of KCI, so guaranteeing valid research results.

Economic Impact

The study assumes that MFI sustainability depends critically on the state of the economy of Zimbabwe.

1.9 DELIMITATION OF STUDY

This study focuses on KCI Management Consultancy in Harare and Chitungwiza Province and covers data from 2020 to 2024, capturing the evolution of the institution and the macroeconomic trends in Zimbabwe. The research will focus on sustainability factors in the microfinance sector and exclude other issues with no impact on sustainability.

1.10 LIMITATIONS OF THE STUDY

Many restrictions could influence the research:

Geographical Limitation

The study is concentrated on Harare and Chitungwiza, which could not adequately represent the different difficulties encountered by MFIs elsewhere. Future studies might cover more provinces, therefore broadening the geographical reach.

Timeframe Limitation

The analysis depends on statistics up to 2024, which might not fairly represent the most current changes. Periodically changing the sustainability model will help to include post-2024 statistics.

Data Availability and Accuracy

The study forecasts honest and accurate information from stakeholders including KCI Management Consultancy employees, KCI's management, and customers. Reliable statistics can be challenging to get, though, particularly in cases when respondents are reluctant to provide confidential knowledge about financial operations or institutional issues. Data validation will apply both qualitative and quantitative approaches.

Contextual Background Information

Global best practices might not always be exactly relevant in the particular situation of Zimbabwe.

KCI's Limited Cooperation

The study projects staff cooperation as well as cooperation from KCI Management Consultancy. This might not be the case since their own work might occupy them during the period of study. Explaining the general advantages of the study to their business and that of the sector will help the management and workers to be convinced to participate.

1.11 CHAPTER SUMMARY

The chapter started with contextual examination of the research problem, the problem statement, and the research objectives including its questions, the justification of the research, its significance and assumptions and ended with discussions on the delimitation of the study as well as its limitations. The chapter after this will address the theoretical framework.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

Particularly in developing countries like Zimbabwe, where financial inclusion is quite crucial for socio-economic advancement, the sustainability of microfinance institutions (MFIs) has drawn growing academic and practical interest. This chapter provides a comprehensive analysis of the existing literature about the sustainability of microfinance institutions. This chapter examines critical theoretical frameworks, the conceptual framework, and the sustainability of microfinance institutions (MFIs). Subsequent discussions will concentrate on internal and external issues influencing the financial and operational sustainability of MFIs. The evaluation of the literature will also look at how well MFIs' present sustainable approach works. The empirical facts and analysis discussed in the next chapters have their roots laid by this exploration.

2.2 THEORETICAL FRAMEWORK

Lack of sustainability has drawn criticism to many microfinance organizations (MFIs). Even when they reach sustainability, they often act against helping the underprivileged, therefore compromising their original goal of poverty reduction (Woller et al., 1999; Morduch, 2000). This contradiction emphasizes the challenges MFIs face in balancing financial sustainability with their social objectives of providing financial services to people living in poverty. In microfinance, sustainability is a divisive concept; depending on adherence to either institutionalist theory or welfarist theory, different meanings follow. Two main points of view define the discussion on MFI sustainability: institutionalists and welfarists.

2.2.1 INSTITUTIONALIST THEORY

The institutionalist paradigm in microfinance stresses the need to create microfinance institutions (MFIs) that are financially stable and run efficiently so that they can grow to serve huge groups of people. From this viewpoint, MFIs are perceived not alone as tools for poverty reduction, but as essential components of the overarching financial system, anticipated to function akin to commercial financial institutions. This means charging interest rates that cover all of the costs of running the business, including loan defaults and capital costs, in order to reduce or eliminate the need for subsidies (Robinson, 2001).

Institutionalists assert that enduring sustainability is attainable just if microfinance institutions attain financial independence and successfully attract capital via market-oriented methods. They contend that by prioritizing efficiency, profitability, and financial sustainability, MFIs can enhance their outreach and incorporate individuals who are generally marginalized from conventional banking institutions (Morduch, 1999). This theory posits that financial services must be administered with business discipline, prioritizing cost-recovery and professional management, to guarantee sustainability and significant impact.

The institutionalist approach also supports the inclusion of MFIs in the official financial system. This lets MFIs take advantage of economies of scale, get money from more places, and make a real difference in the growth of the national economy. MFIs can offer more than just lending by working inside solid financial systems. They can also offer savings, insurance, and money transfers, which are all important for helping low-income people become more financially stable (Cull, Demirgüç-Kunt, & Morduch, 2007).

Institutionalists also say that too much subsidization and dependence on donors can mess up the market, make it less appealing to come up with new ideas, and make it harder for microfinance programs to grow. The Consultative Group to Assist the Poor (CGAP) stresses the need to develop strong financial institutions instead of backing short-term loan schemes. They say that sustainable models are more likely to have a long-term effect (CGAP, 2004).

Empirical research corroborates the institutionalist perspective. For example, Armendáriz and Morduch (2010) point out examples of MFIs that are financially stable and have been able to grow quickly and provide services well while keeping default rates low. This means that when microfinance is run like a business, it may help a lot of people and make a big difference in economic empowerment.

Despite the institutionalist call for MFIs to be self-sustaining and market-driven (Morduch, 1999; Robinson, 2001), Zimbabwean MFIs—including KCI Management Consultancy—face persistent challenges that hinder their ability to align with this paradigm. High capital costs, limited access to affordable funding, operational inefficiencies, and weak governance structures undermine their capacity to achieve the financial independence and professional management envisioned by institutionalists (Mago, 2013; Njanike, 2009; Mago, 2014). Furthermore, the country’s broader macroeconomic instability—characterized by high inflation and currency devaluation—further erodes loan portfolio quality and repayment capacity (Makina, 2010; RBZ, 2020).

This gap between the institutionalist framework and the prevailing realities in Zimbabwe highlights the core problem: while institutionalist theory advocates for efficiency, profitability, and sustainability as drivers of outreach and impact (Cull, Demirgüç-Kunt, & Morduch, 2007), MFIs in Zimbabwe struggle to embody these principles due to structural, institutional, and macroeconomic constraints (Chikadzi, 2012; Kanyenze, Kondo, Chitambara, & Martens, 2011). The case of KCI Management Consultancy exemplifies these tensions, demonstrating how context-specific challenges limit the applicability of institutionalist ideals in fragile financial environments.

2.2.2 WELFARIST THEORY

On the other hand, the welfarist theory says that the main goal of microfinance institutions (MFIs) should be to improve social welfare, especially for the poorest and most vulnerable people in society. Welfarists assert that MFIs ought to prioritize poverty reduction, gender empowerment, financial inclusion, and comprehensive social development outcomes over the objectives of financial self-sufficiency and profit maximization. While financial viability is acknowledged as significant, it must not be achieved at the cost of marginalizing the specific people that microfinance aims to assist (Morduch, 2000; Woller, Dunford, & Woodworth, 1999).

Welfarists contend that numerous low-income persons, particularly in rural and neglected regions, are unable to afford the elevated interest rates frequently imposed by financially self-sustaining microfinance institutions (MFIs). In these situations, giving money to the poor through subsidies from governments, philanthropists, or charitable groups is seen as necessary to make sure that financial services are available and affordable (Armendáriz & Morduch, 2010). These subsidies help MFIs pay for their operating costs,

provide non-financial services like business training and financial literacy, and reach clients who would be seen as too hazardous or unprofitable by solely economic standards.

In addition, the welfarist view says that success should not only be based on how many people are reached or how many loans are paid back, but also on how much development impact there is. Some of the most important signs of progress are better access to healthcare, better nutrition, better education, and more power for women (Ledgerwood, Earne, & Nelson, 2013). Because of this, MFIs that adopt this model commonly use social performance management systems to measure and report on their impact, in addition to traditional financial measures.

Welfarists are also worried about mission drift, which is when MFIs start to focus on wealthier or more creditworthy clients in order to stay financially stable, leaving the poorest clients behind (Copestake, 2007). This shift can make it harder for microfinance to reach its initial goals of helping people develop. Welfarists advocate for focused outreach techniques and pro-poor program designs that guarantee services are directed towards the most disadvantaged, even if this necessitates continued dependence on external financial assistance.

The welfarist theory essentially regards microfinance as a means of development rather than a business opportunity. It calls for balancing financial practices with planned actions to promote fairness, inclusion, and the end of poverty. These are often the same goals as those of development agencies, non-governmental organizations (NGOs), and social investors.

However, the Zimbabwean experience highlights the challenges of applying the welfarist approach in a fragile economic context. With limited donor support, persistent inflation, and scarce concessional financing, MFIs such as KCI Management Consultancy find it difficult to maintain subsidized lending models that prioritize outreach to the poorest clients (Mago, 2013; Chikadzi, 2012). In practice, this has led many institutions to drift away from their pro-poor mission, focusing instead on wealthier, lower-risk clients who are more capable of repaying loans, a phenomenon consistent with welfarist concerns about mission drift (Copestake, 2007).

This tension illustrates a critical gap between theory and reality: while the welfarist perspective calls for balancing financial services with social development goals, the structural and macroeconomic constraints in Zimbabwe limit the extent to which MFIs can effectively implement such a model. Consequently, the developmental potential of microfinance is undermined, leaving many of the poorest excluded from

financial access and stifling the ability of MFIs to fulfil their broader poverty reduction mandate (Munyanyi, 2016).

2.2.3 PREDOMINANT THEORY

According to the mainstream view in microfinance, institutions that mostly dependent on subsidies instead of self-generated money from operational activities usually find it difficult to create long-term financial sustainability. While first gaining from outside financial support, depending too much on these sources can lead to operational inefficiencies, limited innovation, and vulnerability to changes in donor priorities (Morduch, 2000; Robinson, 1995; Hollis & Sweetman, 1996; Navajas et al., 1998; Woller & Dunford, 1999).

From the institutionalist standpoint, sustainability in microfinance depends on the institution's capacity to sustain operating efficiency by means of interest revenue and service fees, thereby covering costs (Ledgerwood, 2013). MFIs who reach this degree of financial self-sufficiency will be more able to weather economic shocks and grow their offerings free from ongoing outside assistance (Yaron, 1994). Empirical studies, however, suggest that the quest of sustainability might sacrifice client interaction. Adopting full-cost recovery models, institutions can turn their attention toward wealthier, lower-risk clients who can afford increased interest rates, therefore abandoning poorer, more vulnerable groups (Navajas et al., 1998; Morduch, 2000). This trade-off emphasizes the ongoing debate between the welfarist and institutionalist approaches in microfinance since the former stresses outreach to poor areas while the latter stresses financial independence and sustainability (Cull et al., 2007). More consideration will be given to the institutionalist approach for this study given the big shortcoming of very limited available subsidised financing in Zimbabwe.

The predominant theory reinforces the institutionalist view by highlighting the risks associated with overreliance on subsidies. While external donor support may provide short-term relief, it often creates inefficiencies, limits innovation, and exposes MFIs to the volatility of donor priorities (Morduch, 2000; Robinson, 1995; Hollis & Sweetman, 1996; Navajas, Schreiner, Meyer, Gonzalez-Vega, & Rodriguez-Meza, 1998; Woller & Dunford, 1999). According to Ledgerwood (2013), sustainability can only be achieved when MFIs cover their operational costs through interest revenue and service fees, thereby

attaining financial independence. Yaron (1994) further argues that institutions which reach financial self-sufficiency are better positioned to withstand economic shocks and expand their services without dependence on ongoing external assistance.

However, the Zimbabwean context reveals significant constraints to achieving such self-sufficiency. With limited access to concessional financing and scarce donor support, MFIs such as KCI Management Consultancy rely heavily on costly short-term borrowing, which increases operational expenses and restricts outreach (Makina, 2010; RBZ, 2020). This reliance directly contradicts the efficiency and resilience promoted by the predominant theory. Furthermore, the macroeconomic instability in Zimbabwe characterized by high inflation and persistent currency depreciation undermines both cost recovery and clients' repayment capacity, further threatening sustainability (Mago, 2013; Chikadzi, 2012).

Thus, while the predominant theory emphasizes minimizing dependence on subsidies and achieving sustainability through market-based mechanisms, MFIs in Zimbabwe face structural and economic barriers that impede successful implementation. The resulting trade-offs, including the exclusion of poorer clients due to high interest rates, reflect the ongoing tension between institutionalist and welfarist approaches in microfinance (Cull, Demirgüç-Kunt, & Morduch, 2007; Navajas et al., 1998).

2.3 CONCEPTUAL FRAMEWORK

In research, a conceptual framework is a methodical presentation of the fundamental ideas, concepts, and theories applied to support a project (Bordens & Abbott, 2018). It provides a cohesive and methodical understanding of the researcher's point of view on the topic, therefore acting as a framework during the study process. This structure acts as a guide, helping researchers to pinpoint important variables, investigate the interactions among these variables, and project likely results (Bordens & Abbott, 2018).

The conceptual framework defines the basic theories and assumptions, therefore guiding the investigation. Maxwell (2013) claims it helps scholars logically and coherently connect several elements of the research. The framework clarifies the interrelations between the independent and dependent variables and defines them itself. According to Miles and Huberman (1994), visual depictions of conceptual frameworks help

to clarify complex ideas and improve communication of them. A thorough conceptual framework supports hypotheses by use of accepted concepts and body of research. Creswell (2017) emphasizes the need of relating research questions to theoretical models in order to ensure authenticity and dependability. By precisely stating the connections and presumptions, the framework improves the openness and reliability of the research (Yin, 2014). The conceptual foundation of this paper is centred on Microfinance Institutions (MFIs) sustainability. As shown in Figure 2.0, it defines basic aspects influencing MFI sustainability under both independent and dependent variable categories.

Key Terms and Definitions

Independent Variable

An independent variable is a factor or condition that is manipulated or considered as a cause to determine its effect on the dependent variable. In research, it is the presumed influencer or predictor.

Dependent Variable

A dependent variable is the outcome or result that is measured in a study. It is affected or influenced by changes in the independent variable.

Digital Transformation

Digital transformation refers to the integration of digital technologies into all areas of an organization, fundamentally changing how it operates and delivers value to customers. It involves a cultural shift that requires organizations to continually challenge the status quo and embrace innovation (Westerman, Bonnet, & McAfee, 2014).

Product Diversification and Innovation

Product diversification and innovation involve introducing new or modified products or services to expand market reach, reduce risk, and meet evolving customer needs. It enhances competitiveness and supports growth by adapting to changing market conditions (Kotler & Keller, 2016).

Governance and Leadership

Governance and leadership refer to the structures, processes, and practices used to direct and manage an organization's affairs, ensuring accountability, transparency, and strategic direction. Effective leadership within governance structures is essential for achieving organizational goals (OECD, 2015).

Risk Management Practices

Risk management practices involve identifying, assessing, and mitigating potential threats that could negatively impact an organization's operations or objectives. In financial institutions, this includes credit risk, operational risk, and market risk (Hull, 2018).

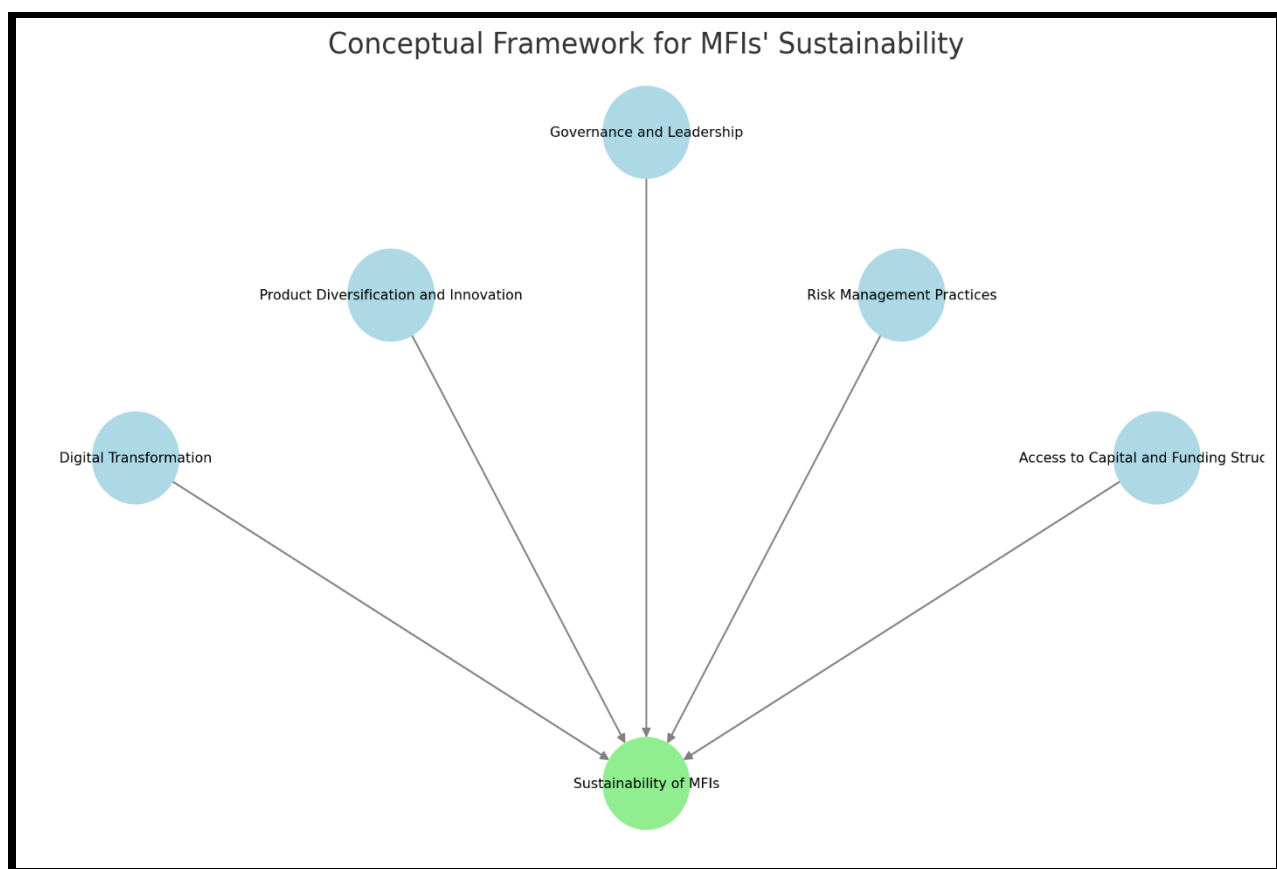
Sustainability of MFIs

Sustainability of Microfinance Institutions (MFIs) refers to their ability to maintain financial viability while achieving social objectives such as poverty reduction and financial inclusion. Sustainable MFIs can operate without continuous donor support and expand outreach effectively (Ledgerwood, 1999).

Graphical Depiction

Clearly showing the conceptual framework and the connections between the given independent and dependent variables is Figure 2.1 below.

Figure 1 Conceptual framework



2.3.1 SUSTAINABILITY

A microfinance institution's sustainability is its capacity to pay for all of its running expenses as well as provide financial services to those living in poverty. Melecio A.2024 and Mila Rose D. Javellana Ledgerwood (1999) suggest the phrases mean the same when she uses the phrase financial self-sufficiency rather than sustainability. She defines financial self-sufficiency as an organization's ability to generate enough money to cover both direct and indirect costs. Whereas indirect costs relate to the adjusted cost of capital, direct costs include financing expenses, loan loss provisions, and operational expenses. This operational focus emphasizes the need of MFIs reaching financial independence in order to keep their services (Ledgerwood, 1999,).

According to Schreiner (2000), sustainable microfinance organizations are those that meet their present goals without endangering their ability to reach their future ones. Schreiner's idea emphasizes the need of the institution's sustainability and quite fits Ledgerwood's operational focus.

Linking sustainability to financial self-sufficiency, Woller and Schreiner (2002) clarify the idea even

more. This point of view stresses the need of MFIs generating sufficient income to cover their costs apart from outside financial help.

Financial Sustainability and Profitability

Many times, profitability is seen to depend on financial sustainability. Drawing on CGAP (2004), Kipsha and Xianzhi (2013) argue that sustainability comes before profitability. Rosenberg (2009) finds a direct relationship between profitability and financial sustainability. Both approaches depend on cost control, achieved by means of administrative, transactional, and operational changes in line with creative financing options. Operating revenues cover all expenses—including capital expenditures, inflation, and non-cash items with surplus money set for outreach expansion (Rosenberg, 2009; Ayayi & Sene, 2010; Tehulu, 2013).

Lensink, 2011 brings to light the "microfinance schism" (Morduch, 2000). This division highlights The focus on financial sustainability has spurred debate on mission. Despite these debates, MFIs must be financially sustainable since counting on grants, contributions, and subsidies has demonstrated to be unsustainable for development financing (Johnson, 2015; Millson, 2013). Finally sustainable microfinance institutions (MFIs) serve to improve outreach and decrease losses by acknowledged use of economies of scale, cost-lowering, innovation encouragement, and so limited information asymmetry (Quayes, 2012; Paul, 2010; Hoque & Chishti, 2011).

Governments seeking sustainability have encouraged privatization of ineffective supported programs and made microfinance firms necessary to move from donor money to commercial financing (Forkusam, 2014). Different from the conventional form of concessional financing, the modern model of commercial finance stresses cost-efficiency, responsibility, and openness (Robinson, 2001). To reduce losses and increase outreach, sustainable microfinance organizations give high priority cost-efficiencies, innovation, and risk management (Quayes, 2012). Turning from donor money to commercial funding raises responsibility, transparency, and efficiency (Robinson, 2001). Better management strategies and economic interest rate setting have enabled microfinance companies to profit from the change from the "old paradigm" (social mission-oriented) to the "new paradigm" (commercially motivated).

2.3.2 GOVERNANCE AND LEADERSHIP

If Microfinance companies (MFIs) are to flourish, they depend on competent leadership and management. Strong structures, rules, and regulatory mechanisms supporting responsibility, openness, and alignment with the mission and strategic goals of the company contribute to defining the governance of MFIs (OECD, 2015). A well-organized governance system guarantees competent decision-making, risk management, and protection of stakeholders (Ledgerwood, 2013). Conversely, the MFI strategy is formed by leadership. Strong leadership develops morality, effectiveness, and long-term resilience (Armendáriz & Morduch, 2010). Governance and leadership provide institutional stability, growth, and sustainability by keeping MFIs mission-driven and financially viable (Hermes & Lensink, 2011). Strong governance structures and ethical, transformative leadership boost stakeholder confidence and financial access, improving the microfinance ecosystem (CGAP, 2012).

Clear reporting systems, open decision-making policies, and frequent audits help to establish confidence among regulators, clients, and investors. Strong internal controls also help to reduce financial mismanagement and fraud, hence improving institutional integrity. MFIs with skilled, independent boards and solid governance systems usually show better financial performance and client outreach, claims Mersland and Strøm (2009). Transparency guarantees that decisions complement the objectives of the institution and comply with legal criteria, thereby fostering internal discipline in addition to helping outside audits.

Mostly, MFI governance is defined by the board of directors' performance. Strategic direction, performance monitoring, and risk management fit boards with different skill sets, industry experience, and independent members more than others. Under the direction of governance systems especially board independence and outside audits MFI performance and sustainability improve, asserts Hartarska (2005).

Strategic orientation, operational priorities, and organizational culture of the company are shaped by leadership. Clear-vision-focused leaders committed to ethical behavior help to build a culture of responsibility, creativity, and client-centric service. Effective governance, according to Cornforth (2004), calls for a mix of strategic control and assistance so that leaders may react dynamically to client needs and market circumstances. Cornforth, C. (2004).

MFI stability and growth largely depend on following legal guidelines and using active risk management techniques. Through means of governance systems guaranteeing adherence to anti-money laundering regulations, capital sufficiency criteria, and conservative principles, operational risks are reduced and institutional credibility is increased. Strong government policies let MFIs withstand outside shocks and offer improved financial performance, claims Cullen and colleagues (2007). Cull, R.; Demirgüç-Kunt, A.; Morduch, J. (2007).

2.3.3 RISK MANAGEMENT PRACTICES

The comprehensive risk management strategies applied determine the long-term survival and operational success of microfinance institutions (MFIs). MFIs run different risks depending on the dynamic character of the financial services scene that could greatly affect their performance, customer interaction, and financial situation. Systemically spotting, evaluating, reducing, and tracking these hazards will help to guarantee institutional resilience and expansion. Strong risk management procedures enable MFIs to better protect their assets against negative market circumstances, outside shocks, and default risk, claims Churchill (2006).

Credit risk; defined as the likelihood for borrowers to default on their obligations, is the most important risk MFIs deal with given the manner low-income, mostly unbanked communities are lend. Portfolio diversification, careful credit assessment policies, and credit score model acceptance help to significantly reduce credit risk. According to Schreiner (2003), MFIs applying client monitoring tools and creative credit-scoring methods have lowered default rates and improved portfolio performance.

Schreiner, M. (2003).

Potential internal process failures, human mistakes, system faults, and outside events can create operational risk. Standardizing processes, personnel development, and advanced management information systems (MIS) help to reduce operational risk. Van Greuning and Bratanovic (2009) stress the need for building strong internal control systems and routinely changing operational procedures to handle developing hazards. van Greuning, H., & Bratanovic, S.B. (2009).

Market risk affects the profitability and loan portfolio performance of the institution by means of changes in interest rates, currency exchange rates, and inflation. Operating in unstable economic conditions, MFIs have to implement regular market analysis, interest rate hedging, and currency risk-reducing techniques. To assess possible market-related vulnerabilities, Kloeppinger-Todd and Sharma (2010) underline the need for scenario analysis and stress testing.

Liquidity risk is the possibility of cash flow mismatches rendering one unable to meet short-term needs. To reduce this risk, MFIs have to keep enough liquidity buffers and create access to trustworthy finance sources. Well-organized asset-liability management techniques are crucial for guaranteeing liquidity stability and continuous service delivery, states Ledgerwood (1999). Ledgerwood, J. (1999).

Negative public opinion creates reputation risk that might compromise client loyalty and shareholder trust. Reducing this risk depends mostly on open operations, moral lending policies, and quick resolution of client concerns. Campion (2000) claims that MFIs who give customer service, fair treatment, and social performance metrics top priority keep a good name in the market.

2.3.4 PRODUCT DIVERSIFICATION AND INNOVATION

Microfinance organizations (MFIs) have to keep diversifying their financial product offers if they are to remain competitive and successfully answer changing consumer needs. Product diversity and innovation are fundamental strategies that support institutional sustainability, risk lowering, and customer retention (Ledgerwood, 2013). MFIs can offer a range of financial services (Armendáriz & Morduch, 2010). Reducing over-reliance on one income source helps MFIs to service bigger client groups, enhance their value proposition, and improve financial performance (Hermes & Lensink, 2011).

Using financial technology (FinTech) advances like mobile payments and digital lending platforms also improves operational efficiency and access (CGAP, 2012). Good product innovation not only promotes financial access but also increases MFIs' resilience in ever-changing economic conditions (OECD, 2015).

Diverse products help to minimize reliance on one product line, therefore lowering income volatility and extending the institution's market reach. Innovative product development, according to Armendáriz and Morduch (2010), helps MFIs draw a larger clientele and reduce risks connected with single-product

dependency. (Armendáriz, B., & Morduch, J. (2010). Moreover, Ledgerwood (1999) asserts that MFIs offering a diverse range of products experience higher levels of financial inclusion and client loyalty.

2.3.5 ACCESS TO CAPITAL AND FUNDING STRUCTURE

Maintaining liquidity, enabling portfolio development, and ensuring long-term sustainability depend on Microfinance Institutions (MFIs) having a range of reliable funding sources. MFIs have to initially get money in order to meet their clients' financial needs, expand their outreach, and make investments in technical advances. By reducing the risks connected with depending too much on one funding source, a well-organized funding system improves financial resilience.

Sources of Capital for MFIs

Usually depending on several sources of funding, MFIs use donor contributions, commercial loans, retained revenues, and client deposits. Sustainable MFIs generally diversify their funding bases to reduce reliance on any one source, therefore enhancing their capacity to weather financial shocks, according to Cull, Demirgüç-Kunt, and Morduch (2007). Donor funding in Zimbabwe is however very much limited towards MFIs as funds are being channeled towards other areas.

MFIs depend more and more on commercial loans to run their operations as they grow. Unlike donor donations, debt financing gives access to bigger and more consistent funding sources. A major sign of an MFI's financial maturity, according to de Sousa- Shields and Frankowicz (2004), is the capacity to get loans from both domestic and foreign financial institutions.

Retained earnings are internally produced capital resulting from income reinvested into the MFI operations. This self-sustaining source increases institutional independence and lessens dependency on outside money. Helms (2006) emphasizes the need of laying strong internal capital bases to guarantee long-term survival.

For regulated deposit-taking MFIs, mobilizing client savings is absolutely vital for funding. Savings-led strategies give MFIs a consistent and cheap source of funding and promote financial inclusion. Robinson (2001) emphasizes that while increasing liquidity, deposit mobilization strengthens client connections as well.

Strategic mixing of short-term, medium-term, and long-term financial sources makes up an ideal funding structure. This balance guarantees MFIs to satisfy long-term growth goals as well as current cash needs. According to Van Greuning and Bratanovic (2003), preserving financial stability depends on careful asset-liability management.

Obstacles in Obtaining Funds

Though microfinance is attracting more and more attention, MFIs still have various difficulties getting funding, including: Many nations' regulatory systems restrict MFIs' capacity to generate money by overseas investments or deposits. Sometimes investors view MFIs as high-risk companies because of their unofficial income sources and lack of credit history. When acquiring foreign money, MFIs operating in poor nations suffer currency exchange risks that, without suitable hedging, might lower profitability. Ledgerwood, J. (2013).

2.3.6 DIGITAL TRANSFORMATION

By including digital technologies into microfinance projects, access, efficiency, and service quality are much improved. Digital payments, data analytics, and mobile banking help underprivileged, remote people to connect and thereby increase financial inclusion. Digital transformation, states Ozili (2018), reduces transaction costs, prevents operational inefficiencies, and raises client involvement by means of user-friendly, technologically driven solutions. Azili, P. K., (2018).

Digital transformation simplifies operations, therefore lowering the time and expenses related to handwritten transactions. Donner and Tellez (2008) claim that mobile banking solutions like M-Pesa in Kenya and Ecocash in Zimbabwe have greatly lowered transaction costs and given low-income populations more financial access

For populations without banks or underbanking, digital financial services are vital in closing the financial divide. The World Bank (2016) underlined that mobile money platforms offer financial services to people who were before excluded from conventional banking institutions.

Using digital channels improves consumer experience by means of easily available, customized services. Real-time help and effective service delivery abound from chatbots, smartphone apps, and web portals. Fintech developments have changed the financial services scene and increased client happiness and involvement, as Gomber et al. (2017) observe.

Big data analytics helps MFIs to create customized financial solutions, forecast consumer behavior, and make wise decisions. Data-driven approaches enhance risk assessment, loan approval procedures, and portfolio management, claims Chen et al. (2012).

As MFIs embrace digital technology, strong cybersecurity becomes very crucial. Digital financial environments are seriously threatened by cyberattacks and data breaches. Arner et al. (2015) contend that as technology develops, regulatory systems have to change as well to safeguard customer information and guarantee system integrity.

2.4 FACTORS AFFECTING MFI SUSTAINABILITY

Seeking to provide financial services to low-income groups, microfinance institutions (MFIs) help to reduce poverty and foster economic growth. Still, its longevity depends on both internal and external factors. MFIs must understand these factors if they are to balance their twin objectives of financial viability and social impact with operational sustainability.

2.4.1 INTERNAL FACTORS INFLUENCING SUSTAINABILITY

2.4.1.1 QUALITY OF GOVERNANCE AND LEADERSHIP

The sustainability of an MFI is significantly influenced by the managerial efficiency and governance structure. Good government promises openness, responsibility, and strategic direction (Ledgerwood, 1999). Boards lacking in financial services could lead to strategic mistakes and poor monitoring, so compromising sustainability (Labie & Mersland, 2011). Implementation of good policies and adaptation to changing markets depend on strong leadership.

2.4.1.2 FINANCIAL OVERSIGHT

Financial sustainability depends on operating and administrative expenses. Good cost control improves sustainability by means of administrative expenditure reduction and loan distribution technique optimization (Rosenberg, 2009). Increased running costs particularly in rural outreach projects may reduce profitability and hinder growth

2.4.1.3 QUALITY OF THE LOAN PORTFOLIO

The sustainability of an MFI depends much on the quality of their loan portfolio. Financial instability arises from increased delinquency and default rates. Strong repayment policies and effective loan appraisal processes help microfinance organizations to keep more resilient portfolios (Gonzalez, 2007). An indispensable statistic showing the risk exposure of a microfinance institution (MFI) is Portfolio at Risk (PAR).

2.4.1.4 PRODUCT DIVERSIFICATION

Microfinance companies providing a variety of products including savings, insurance, and company development services in addition to loans are more likely to reach sustainability. Diversification serves the varied needs of clients and helps to lower reliance on one income source, therefore improving client satisfaction and retention. Ledgerwood, (1999)

2.4.1.5 DIGITAL INNOVATION

Like digital lending platforms, mobile banking, and data analytics, technical innovations improve operational efficiency and cut transaction costs (Cull et al., 2018). Real-time monitoring of technology helps to manage portfolios and expose frauds.

2.4.2 EXTERNAL INFLUENCES ON SUSTAINABILITY

2.4.2.1 ECONOMIC CONTEXT

Microfinance organizations (CGAP, 2003) are affected by macroeconomic stability that is, interest rates, inflation rates, and currency volatility. Higher inflation serves to reduce the value of debt payback even if economic downturns may lead to rising default rates. A steady state of the economy promotes ecologically responsible development.

2.4.2.2 REGULATORY AND LEGAL FRAMEWORK

Microfinance institutions' (MFIs') activities are highly influenced by the legal environment. Supportive policies influence financial sustainability by means of consumer protection laws, interest rate caps, and licensing systems (Ledgerwood, 1999). Too severe regulations could limit MFIs' operational freedom, therefore stifling outreach and innovation.

2.4.2.3 FUNDING ACCESSIBILITY

Microfinance organizations rely on numerous funding sources, including equity investments, commercial loans, and donor donations. Limited access to cash can make it difficult for them to manage business and satisfy customer needs (Bogan, 2012). Especially threatening sustainability, donor dependency drives away a shift to self-sufficient financial strategies.

2.4.2.4 COMPETITIVE ENVIRONMENT

Growing microfinance industry competitiveness affects operational as well as financial viability. While interest rates and debt collection systems are under more pressure, competition drives innovation and efficiency (Cull et al., 2009). Over-saturation of the market could lead to parallel debt pressures on customers, thereby influencing payback times.

2.4.2.5 SOCIO-CULTURAL INFLUENCES

Loan repayment rates and consumer behaviour are influenced by cultural views on borrowing, saving, and gender roles. Social conventions may in some areas prevent women from engaging in economic activities, so limiting their interaction with microfinance organizations (Hulme & Mosley, 1996). Microfinance organizations have to model their approach to fit local cultural context.

2.4.2.6 PANDEMICS CLIMATE CHANGE

During pandemics, microfinance organizations run more chances of loan default and operational disruptions. This was really felt during COVID. Positively, nevertheless, the COVID epidemic led about notable digital transformation. Particularly for microfinance institutions servicing agricultural areas, climate change increases these hazards (Hammill et al., 2008). Disruption caused by weather could lower client income, therefore creating financial uncertainty for microfinance organizations.

2.5 EFFECTIVENESS OF EXISTING SUSTAINABILITY FRAMEWORK OF MFIs

Evaluation of Microfinance Institutions' Current Sustainability Framework Performance
Microfinance organizations (MFIs) work to balance their social goal of reducing poverty and improving financial inclusion with their financial viability. Different sustainability models help MFIs to maintain their outreach while reaching operational and financial efficiency. This part evaluates the effectiveness of several systems stressing operational self-sufficiency (OSS), financial self-sufficiency (FSS), governance structures, and the balance between commercialization and social goals.

2.5.1 FRAMEWORKS FOR OPERATIONAL AND FINANCIAL SUSTAINABILITY

The fundamental indicators of Microfinance Institutions' (MFIs') sustainability are operational self-sufficiency (OSS) and financial self-sufficiency (FSS). CGAP, 2003. OSS guarantees operational viability by making sure MFIs create enough income to pay their running expenses. By contrast, FSS assesses, at current market rates, an institution's capacity to pay both operational and financial expenses, including capital costs. Since they encourage a focus on cost management, efficiency, and income generating, these metrics are vital for evaluating long-term sustainability (Ledgerwood, 2013).

Financial sustainability

According to Cull, Demirguc-Kunt, and Morduch (2018), the term "financial sustainability" refers to the capacity of microfinance institutions (MFIs) to generate sufficient money to cover their operational costs while also preserving their long-term financial viability. Frameworks that are effective in promoting financial self-sufficiency use the following: According to Hermes, Lensink, and Meesters (2019), interest rate optimization is the process of ensuring that interest rates are competitive while also being sufficient

to pay costs. Increasing income from a variety of sources, such as fees, partnerships, and investments, is an example of a strategy known as "diversified revenue streams." The strategies for risk management include increasing the percentage of loans that are recovered through the use of credit scoring algorithms and monitoring of borrowers (Ledgerwood, 2013). The financial sustainability of microfinance institutions (MFIs) is frequently undermined by challenges such as high operational costs and an excessive reliance on donor money. As a result, it is vital to conduct continuous assessments of their frameworks.

Social Sustainability

From the perspective of Armendáriz and Morduch (2010), social sustainability is centred on the maintenance of a beneficial influence on clients, particularly in the areas of poverty reduction and women's empowerment. Beneficial frameworks should:

Implement transparent pricing, fair treatment, and responsible lending practices are all practices that should be implemented to provide client protection (Schicks, 2014). Clients should be equipped with the skills necessary to efficiently manage their savings and loans in order to promote financial literacy. According to Zeller and Meyer (2021), measuring social impact involves making use of instruments such as the Progress out of Poverty Index (PPI) to monitor the way in which clients' living conditions have improved. Despite the emphasis placed on outreach, mission drift, which occurs when microfinance institutions prioritize earnings over social goals, continues to be a significant obstacle.

Environmental Sustainability

As more and more organizations acknowledge the need to integrate financial services with ecological responsibility, environmental sustainability in microfinance institutions (MFIs) is becoming increasingly important. Frameworks for effective sustainability incorporate the following: According to Allet and Hudon (2015), green microfinance is understood to be the provision of loans for environmentally friendly activities such as solar energy and sustainable agriculture. Evaluating the ecological impact of initiatives that have been financed is what environmental risk assessment is all about. According to Chakrabarty (2015), what constitutes sustainable operations is the reduction of the carbon footprint through the use of digital banking and paperless transactions. Despite this, the implementation

of environmental sustainability measures in microfinance institutions (MFIs) is still restricted due to the lack of regulatory incentives and the limits imposed by costs.

2.5 CHAPTER SUMMARY

The chapter primarily focused on reviewing related literature, incorporating both theoretical and empirical studies. This review played a critical role in developing the study's conceptual framework. Additionally, an analysis of previous research methodologies helped shape the research approach for the current study. The subsequent chapter then delved into the research methodology, discussing key elements such as research philosophy, research design, study population, sampling and data collection methods, as well as research validity, reliability, and approaches to data analysis and presentation.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter detailed the study's research methodology. Section 3.2 detailed the research paradigm. Section 3.3 detailed the research approach. Section 3.4 detailed the research design. Section 3.5 discussed the sampling. Section 3.6 discussed data collection tools. Section 3.6 discussed data analysis while section 3.8 discussed the ethical considerations. Section 3.9 discusses the research design validity.

3.2 RESEARCH PARADIGM

A research philosophy is a point of view on the suitable techniques for gathering, evaluating, and interpreting data concerning a certain topic. According to Saunders, Lewis, and Thornhill (2019), research philosophy represents the basic assumptions and beliefs guiding a research project. The goals, data collection, and analytical approach of a study are derived from its underlying philosophical stance, which in turn affects the choice of methodology, techniques, and tools. Research philosophy provides the foundation for how knowledge is defined, constructed, and validated within a study (Creswell & Creswell, 2018). Among the important research philosophies are positivism, interpretivism, realism, and pragmatism. While interpretivism recognizes the subjective character of reality, positivism employs quantitative facts and holds that reality is objective. Often using both qualitative and quantitative techniques, realism acknowledges an objective reality independent of human experience and social systems. Focusing on the nature of the research topic rather than commitment to a particular philosophical perspective, pragmatism encourages using both qualitative and quantitative methodologies to properly handle research difficulties.

3.2.1 POSITIVISM

Positivism is a research philosophy that entails formulating hypotheses derived from established theories and later evaluating them through empirical investigation. It is based on the premise that "ideas exist and can be evaluated using evidence that has been objectively collected from the public" (Easterby-Smith et al., 2008). This framework emphasizes a goal, quantifiable universe in which systematic investigation validates information gained from observable events. According to Crowther and Lancaster (2008), positivist research uses a deductive approach and suggests a clear boundary between the researcher and the study object. The researcher must uphold impartiality, concentrating exclusively on data and avoiding subjective interpretations or personal biases. Consequently, positivism predominantly depends on quantitative methodologies, utilizing systematic data collecting and statistical analysis to draw conclusions via logical reasoning, progressing from a general viewpoint to specific outcomes.

3.2.2 INTERPRETIVISM

Interpretivism is a philosophical framework that accepts the subjective character of reality and notes that individual and social group views and interpretations of events differ (Dudovskiy, 2022). Interpretivism holds that reality is socially created and context-dependent (Saunders, Lewis, & Thornhill, 2019), unlike positivism, which searches for objective truths via empirical observation. Myers (2008) claims interpretivism holds that knowledge comes from social constructions including consciousness, language, symbols, common meanings, and cultural standards. Under this paradigm, researchers stress on understanding human experiences via the prism of participants instead, of imposing predefined models. In fields including sociology, psychology, and business studies where human behaviour and decision-making are fundamental this method is very helpful (Orlikowski & Baroudi, 1991). Moreover, interpretivist research usually uses qualitative approaches since subjective tools like case studies, thematic analysis, and interviews better fit to depict complex social reality (Creswell & Creswell, 2018). Interpretivist research, unlike positivist methods that give numerical data and statistical generalization top priority, uses inductive reasoning moving from particular observations to more general theoretical insights, The University of Utah College of Nursing, (2019) notes. Using this inductive approach, researchers can create theories based on personal experiences instead of imposing strict hypotheses (Bryman & Bell, 2015). Interpretivism is a necessary philosophical attitude in domains requiring

extensive contextual knowledge since it helps one to explore social events by accepting the complexity of human relationships and cultural effects (Guba & Lincoln, 1994).

3.2.3 PRAGMATISM

Recognizing that reality exists along a continuum between objective and subjective points of view, pragmatism is a philosophical method that connects positivism with interpretivism (Abutabenjeh & Jaradat, 2018). Pragmatism does not follow a single epistemological posture, unlike essentially positivist or interpretivist paradigms. Rather, it supports methodological pluralism, that is letting researchers choose one or more approaches depending on their success in answering the study topic (Morgan, 2014; Tashakkori & Teddlie, 2010). Pragmatism allows researchers to combine qualitative and quantitative approaches, enabling a more complete knowledge of difficult events (Dudovskiy, 2022; Collis & Hussey, 2014). This is the main benefit of pragmatism. In applied research, where real-world complexity calls for a mixed-methods approach to capture both observable results and contextual insights, this flexibility is especially important (Creswell & Creswell, 2018). Pragmatic researchers admit that several realities could coexist inside a particular phenomenon and that no single scientific approach can adequately depict the complexity of human experiences (Onwuegbuzie & Leech, 2005). Although pragmatism has advantages, one possible drawback is its inability to commit to a single ontological or epistemological posture, which, if not properly controlled, may result in contradictions in study design (Kaushik & Walsh, 2019). Still, its problem-centred approach guarantees that methodological decisions are driven by research questions rather than strict philosophical stances. For trans disciplinary research and practical problem-solving (Saunders, Lewis, & Thornhill, 2019), this makes pragmatism especially appropriate. Pragmatism is sometimes preferred by seasoned researchers who want to combine several points of view to obtain relevant and actionable results since it emphasizes on practical problem-solving (Johnson & Onwuegbuzie, 2004). By allowing several approaches of comprehending and evaluating difficult problems, this philosophy finally improves the validity and application of research results.

3.2.4 JUSTIFICATION FOR CHOOSING PRAGMATISM PARADIGM

The pragmatism paradigm is well-suited for this study because it supports the use of mixed methods, integrates multiple perspectives, and focuses on practical outcomes which align closely with this research goals. Pragmatism is centred on real-world problems and finding workable solutions. Since this study

investigates how to ensure the sustainability of MFIs, a pressing and applied issue, pragmatism allows the exploration of practical interventions in real operational contexts.

“Pragmatism is not committed to any one system of philosophy or reality. It applies ‘what works’ to address the research problem” (Creswell & Creswell, 2018).

This study involves both quantitative data (e.g., financial ratios, digital adoption metrics) and qualitative data (e.g., interviews with MFI leaders). Pragmatism allows for the integration of both methods to generate a more complete understanding of sustainability challenges and solutions.

“Pragmatists consider both objective and subjective knowledge as valid and believe that qualitative and quantitative methods can be complementary” (Tashakkori & Teddlie, 2010).

The pragmatist approach does not rigidly adhere to either positivist (quantitative) or interpretivist (qualitative) worldviews. This allows for the flexibility to choose tools, methods, and analytical strategies based on what best answers the research questions rather than on philosophical purity. “Pragmatism encourages the use of diverse approaches to understand complex research problems” (Morgan, 2007).

Given that this research intends to generate actionable recommendations for improving MFI sustainability, pragmatism’s focus on results and consequences makes it particularly relevant. It supports generating knowledge that is applicable, policy-relevant, and impactful in the real world. “The pragmatic paradigm emphasizes the research question and outcomes as central to the research process” (Patton, 2015).

Microfinance sustainability is a multidimensional concept, influenced by technical, human, institutional, and environmental factors. Pragmatism helps bridge these dimensions by promoting a holistic approach, enabling the investigation of interactions between variables without being confined to a single epistemological stance.

3.3 RESEARCH APPROACH

Comprising wide assumptions, methodological decisions, and thorough steps for data collecting, analysis, and interpretation, the research methodology refers to the methodical plan and procedure guiding the process of inquiry (Creswell & Creswell, 2018). The type of research problem, the underlying philosophical presumptions, and the logical justification for the selected technique all mostly affect the choice of a research approach (Cooper & Schindler, 2017). Fundamentally, research is a methodical study meant to uncover fresh information and widen current knowledge (Saunders, Lewis, & Thornhill, 2019). The researcher in this work uses a mixed approach by combining both qualitative and quantitative methods which are best suitable for properly addressing the research issues.

3.3.1 TYPES OF RESEARCH APPROACHES

Saunders et al. (2019) claim that three main forms can usually define research methods: deductive, inductive, and abductive ones. Every method fits particular research goals and uses a different logical framework.

3.3.1.1 DEDUCTIVE APPROACH

Starting with a hypothesis developed from current ideas, the deductive approach is theory-driven and then tested with empirical data. Moving from broad ideas to observations, it has a top-down logical framework (Bryman, 2016). Deductive research is distinguished from other forms of research in that it must be operationalized, therefore allowing the researcher to methodically assess and evaluate empirical data. Often depending on quantitative techniques like surveys and statistical analysis, which help to generalize results, this strategy takes advantage of guaranteeing dependability and accuracy, the sample size must be suitably large and carefully chosen, nevertheless, thereby enabling generalization to be valid (Creswell, 2014).

3.3.1.2 INDUCTIVE APPROACH

On the other hand, the inductive method uses a bottom-up thinking process whereby the researcher gathers data, notes trends, and generates hypotheses from actual observations (Saunders et al., 2019). In exploratory research where the goal is to grasp complicated social events without predetermined hypotheses this approach is especially helpful (Easterby-Smith, Thorpe, & Jackson, 2018). Since inductive reasoning emphasizes on comprehending human experiences, meanings, and contextual

dynamics (Denzin & Lincoln, 2018), it is usually connected with qualitative research and fits very nicely with the interpretivism theory.

3.3.1.3 ABDUCTIVE APPROACH

Combining aspects of deductive and inductive thinking, the abductive method lets the researcher go back and forth between theory and data (McCombes, 2019). Abduction starts with an unexpected discovery or aberration that defies accepted wisdom and motivates the researcher to investigate possible causes (Timmermans & Tavory, 2012). This iterative method helps to either produce fresh theoretical insights or refine current ideas. Postmodernism, pragmatism, and critical realism especially benefit from the abductive approach's adaptability (Curran & Blackburn, 2017).

3.4 JUSTIFICATION FOR THE ABDUCTIVE APPROACH FOR THIS STUDY

This study uses a mixed-methods approach to combine qualitative stakeholder views with quantitative financial data to give a whole picture of sustainability in KCI Management Consultancy. Since the abductive approach guarantees a whole knowledge of microfinance sustainability by allowing both qualitative and quantitative data, it is most appropriate. It also fits pragmatism, which is appropriate for practical business research like assessing sustainability frameworks and industry best practices (Saunders et al., 2019), and it lets the researcher adjust hypotheses depending on empirical results.

3.5 RESEARCH DESIGN

Research design is described by Poole and Poole (2021) as the framework guiding the research process. In the same vein, Kothari (2010) describes it as a master plan detailing the techniques and approaches for data collecting and analysis to derive pertinent information. Research design guarantees a disciplined approach to study and helps researchers to create appropriate methods and processes for their project. This idea underlines efficient research data management and covers important aspects including strategies, methods, and processes for data collecting and analysis (Bell, 2021).

The research design for this study is the case study since the research is mainly focused on coming up with an effective model that ensures sustainability of (MFIs) in Zimbabwe particularly concentrating on KCI Management Consultancy

3.6 SAMPLING

3.6.1 POPULATION

According to Kersley, et al. (2017), population refers to the total number of items that the research's conclusions are to be attributed to. In this research, the research population comprised of all the 200 regular workers of KCI Management consultancy and all its repeat clients in Harare and Chitungwiza, selected RBZ microfinance registry department employees, other MFIs executives selected.

3.6.2 TARGET POPULATION

The population of the study is the population from which a sample is drawn. In the current study, the target population comprised of all KCI Management Consultancy employees and all its Harare and Chitungwiza 110 repeat clients registered as of 31 December 2024, management of the top three MFIS in Zimbabwe, Registrar of MFIs at RBZ, ZMF management and ZAMFI management. Repeat clients have been specifically targeted because from their long borrowing experiences important sustainability insights can be drawn.

3.6.3 SAMPLE

A sample is a group of individuals from within a population chosen to assess the characteristics of the entire population. Researchers attempt to collect samples that are representative of the population in question (Mintzberg and Waters, 2018). In this study, a sample is taken from KCI management, staff and its client's representative of the population. Further, a sample will be selected from management of top three MFIs in Zimbabwe, RBZ MFI registry department management, ZMF and ZAMFI management. The population outside KCI Management consultancy employees and clients is selected to capture best practice from industry leaders, regulator views, key perspectives from financier and MFIs representative organisation.

For quantitative sampling techniques systematic sampling was chosen for KCI employees and clients because this ensures a spread across the population. For qualitative sampling, purposive sampling was chosen to ensure selection of key stakeholders (e.g., MFI executives, RBZ MFIs registrar, ZAMFI and ZMF executives) who have deep insights into sustainability issues

3.6.4 SAMPLE SIZE

A sample is a subset of a population selected for research purposes (Bell, 2021). Sampling involves choosing a representative group from which data will be collected (Taherdoost, 2017). In this study, the sample was carefully selected to ensure a balanced representation of key stakeholders. Gordon (2004) suggests that for probabilistic sampling methods, a sample should ideally comprise at least 30% of the total population. This guideline was adopted to ensure the research findings are reliable and reflective of the broader population.

Table 1 Sample size

Population	Size	Instrument
KCI Managing Director and 3 other Directors of the top performing MFIs in the country	4	Interview Guide
Registrar of MFIs at RBZ or his deputy/ Senior officer	1	Interview Guide
Managing Director ZMF	1	Interview Guide
Managing Director / Operations Director ZAMFI	1	Interview Guide
Other senior managers KCI	10	Interview Guide
Non-managerial employees (Loan officers)	50	Questionnaire

KCI Management clients (Repeat clients of at least 5 years)	35	Questionnaire
TOTAL	102	

The four Directors, including three of the top performing MFIs were especially chosen based on their company performance, which shows they can offer essential insights required in creating a sustainable model for MFIs. Selected are the RBZ Registrar, ZMF and ZAMFI Directors since they reflect regulatory eye, fund or support MFIs and have significant insights in the operation of MFIs vital in establishing a sustainability model. The non-managerial staff members were chosen for the questionnaire to balance the opinions and arguments with the managerial staff's arguments and viewpoints regarding the present sustainability frameworks and issues that affect financial and operational sustainability.

Included to evaluate the success of present sustainability models and their influence on poverty reduction were clients, especially returning borrowers. This method improved the reliability, depth, and comprehensiveness of the results of the study by including important stakeholders from different levels of the microfinance ecosystem, therefore guaranteeing a well-rounded assessment of MFI sustainability in Zimbabwe.

3.6 DATA COLLECTION TOOLS

The data collection instruments for this study were carefully selected to align with a mixed-methods research design, thereby ensuring a comprehensive and robust approach to data gathering. This section details the instruments used to collect both quantitative empirical data and qualitative stakeholder opinions, which was essential for enhancing the overall validity and reliability of the research findings.

3.6.1. QUANTITATIVE DATA COLLECTION TOOLS

Quantitative data collection was designed to provide statistically significant and demonstrable insights into KCI Management Consultancy's sustainability. The primary instrument for this was financial data analysis, which involved the examination of secondary data from the institution's financial reports and relevant industry performance metrics. To evaluate financial viability, key performance indicators (KPIs) such as year-on-year profitability, asset quality, maturity profile, portfolio at risk (PAR), and return on assets (ROA) were analysed. The data was sourced from audited financial statements, profit and loss

accounts, balance sheets, and quarterly returns submitted to the Reserve Bank of Zimbabwe (RBZ), as well as industry benchmark reports. Metrics such as liquidity ratios, ROA, ROE, and operational self-sufficiency were also scrutinized. The key benefit of this approach is that it provides a consistent and objective over-time assessment of the institution's financial position and sustainability.

3.6.2. QUALITATIVE DATA COLLECTION TOOLS

Qualitative instruments were employed to deepen the understanding of the complex challenges, stakeholder perspectives, and regulatory systems that influence microfinance sustainability. This approach provided the contextual and narrative depth necessary to interpret the quantitative findings.

3.6.2.1 SEMI-STRUCTURED INTERVIEWS

Semi-structured interviews were conducted to obtain a thorough understanding from key players regarding best practices and sustainability challenges in the microfinance sector. The target respondents included executives of KCI Management Consultancy, microfinance specialists, regulatory bodies (RBZ Registrar, ZMF, ZAMFI), and a sample of MFI clients. An interview guide was used with open-ended questions to explore issues such as financial sustainability, operational difficulties, regulatory compliance, and governance. This method offered the flexibility to probe further into responses, uncovering nuanced insights that are often not revealed through more regimented survey questions, thereby enriching the research with crucial, in-depth perspectives.

3.6.2.2 QUESTIONNAIRE SURVEY

The study utilized a structured questionnaire to gather quantitative insights from non-managerial employees, specifically loan officers. The purpose was to collect data on operational sustainability, financial inclusion, and service efficiency within the microfinance institution. The questionnaire was designed to ensure consistency and efficiency in data collection, while also providing quantifiable insights into operational aspects. While questionnaires offer benefits like standardization and cost-effectiveness, their limitations, such as limited depth, potential for response bias, and non-response risk, were duly noted. To mitigate these limitations, the quantitative data from the questionnaire was integrated with the qualitative data from the interviews. This triangulation of methods provided a comprehensive analysis of the MFI's sustainability, ensuring a more holistic and valid assessment.

3.7 DATA ANALYSIS

This study employed a methodical approach to data analysis that combined both qualitative and quantitative techniques. This ensured that both empirical data and stakeholder opinions were thoroughly investigated, leading to a complete understanding of the sustainability of KCI Management Consultancy within the Zimbabwean microfinance industry.

3.7.1. QUANTITATIVE DATA ANALYSIS

Quantitative data was analysed using a variety of statistical methods to identify trends, relationships, and patterns related to operational and financial sustainability.

3.7.1.1 DESCRIPTIVE STATISTICS

Descriptive statistical methods were applied to compile and interpret data from the survey and financial reports. The measures applied included frequency distribution, mean, median, mode, and standard deviation. The goal was to provide a general picture of financial performance metrics and stakeholder opinions, thereby enabling objective comparisons among different groups.

3.7.1.2 INFERENCE STATISTICS

Inferential statistical techniques were employed to draw conclusions and generalize findings beyond the collected data sample. The SPSS software package was used for this analysis.

3.7.1.3 FINANCIAL RATIO ANALYSIS

Secondary financial data from KCI Management Consultancy was analysed using key financial metrics. Liquidity ratios were used to assess short-term financial stability, while profitability ratios such as ROA and ROE measured financial performance and return on investment. Operational self-sufficiency was also evaluated to determine the institution's ability to cover its operational costs through generated revenue.

3.7.2. QUALITATIVE DATA ANALYSIS

Qualitative data, gathered through interviews and questionnaire surveys, was analysed thematically to derive key insights on the sustainability issues and strategies of KCI Management Consultancy.

3.7.2.1 THEMATIC ANALYSIS

Thematic analysis was employed to identify recurring themes from the interview transcripts and questionnaire surveys. The process began with repeated readings of the transcripts to gain a

comprehensive understanding of the responses. This was followed by coding, where key concepts and phrases were assigned to evolving themes. The codes were then arranged under broader categories that covered government policies, financial sustainability measures, and regulatory concerns. The final step involved interpreting these themes within the specific context of Zimbabwe's microfinance sector to provide crucial, context-specific insights.

3.7.3. TRIANGULATION APPROACH

A triangulation approach was used to cross-verify quantitative and qualitative data, which significantly improved the validity and reliability of the research outcomes. This process involved three key elements. Convergence was achieved by finding consistency between the trends in financial data and the impressions gathered from stakeholders. Complementarity involved using qualitative observations to provide context and rich narratives for the statistical results. Finally, divergence was addressed by using deeper qualitative investigation to explain any variances or contradictions between the data sets. By combining these analytical approaches, the study ensured a holistic assessment of KCI Management Consultancy's sustainability, strengthening the credibility of the findings and offering practical ideas for improving the sustainability of microfinance organizations in Zimbabwe.

3.8 ETHICAL CONSIDERATIONS

Ethical considerations were a cornerstone of this research, guiding the researcher's conduct to ensure the rights, safety, and well-being of all participants were protected. The study adhered to the ethical rules outlined in the Belmont Report (1979) and the World Medical Association Declaration of Helsinki (2013).

3.8.1 INFORMED CONSENT

Prior to their participation, informed consent was obtained from all respondents, including directors of ZAMFI, ZMF, the top three MFIs, the RBZ Microfinance Registry, and individual clients of KCI Management Consultancy. As defined by Levine (2014), informed consent is the voluntary assent of an individual to participate in research after a full disclosure of the study's nature, purpose, and potential risks. Each participant was provided with an information sheet outlining these details to ensure transparency, and both written and verbal permission were secured before commencing interviews, thereby upholding the principle of respect for persons.

3.8.2 NON-COERCION

The voluntary nature of participation was strictly maintained, and no form of pressure or coercion was used to compel respondents to take part in the study. In accordance with the APA Ethical Principles (2017), participants were explicitly advised of their right to withdraw from the research at any moment without facing any negative consequences. To further promote voluntary participation, no financial or material incentives were offered, reinforcing the principle of respect for autonomy.

3.8.3 PROTECTION FROM HARM

The physical, psychological, and emotional well-being of participants was a primary concern. The researcher maintained a neutral attitude throughout the qualitative interviews to minimize potential harm, particularly when sensitive subjects were discussed, as emphasized in the British Psychological Society Code on Human Research Ethics (2018). A debriefing session was offered after each interview, allowing participants to ask questions or seek explanations. This strategy ensured that no one was intimidated, discriminated against, or harmed as a result of their involvement.

3.8.4 ANONYMITY AND CONFIDENTIALITY

In compliance with the General Data Protection Regulation (GDPR), all participant data was safely stored and protected from unauthorized access to uphold anonymity and confidentiality. Personal identifiers such as names and addresses were deleted to prevent exposure. To guarantee anonymity, pseudonyms (e.g., Participant 1) were used in the final research report instead of real names. This step protected respondents from any potential negative consequences related to their answers, aligning with the ethical best standards set by Babbie (2020).

3.9 VALIDITY AND RELIABILITY

Validity and reliability are crucial factors for ensuring that research results are accurate, consistent, and dependable. These concepts were integral to the data analysis and overall methodology of this study.

3.9.1 VALIDITY

Validity refers to the degree to which a study accurately measures the intended concepts. In this research, validity was strengthened through the use of a mixed-methods approach, which integrated qualitative and quantitative data. This approach ensured that conclusions were comprehensive and representative of real-world conditions. The triangulation of various data sources—financial records, survey responses, and

interview insights—allowed for cross-verification, thereby enhancing the internal validity of the findings through a process of convergence, complementarity, and divergence analysis.

3.9.2 RELIABILITY

Reliability is the consistency and reproducibility of research results. The study's reliability was ensured through several measures. The use of standardized tools such as structured questionnaires and interview guides ensured that data was collected consistently across different respondents. Measures of statistical rigor, including mean, median, mode, and standard deviation, ensured that quantitative results were evaluated methodically, which minimized subjectivity. In the qualitative analysis, the systematic process of coding and theme identification guaranteed consistent interpretations. Finally, the triangulation for cross-verification reduced the possibility of biased or inconsistent conclusions by systematically comparing quantitative trends with qualitative insights.

3.10 CHAPTER SUMMARY

This chapter outlined the research methodology for studying KCI Management Consultancy within Zimbabwe's microfinance sector. It discussed the foundational research paradigms and justified the use of a case study approach that integrated qualitative insights with quantitative financial data. The chapter detailed the sampling techniques, including systematic and purposive sampling, and described the data collection methods, which involved structured questionnaires, semi-structured interviews, and secondary financial data analysis. It also provided a comprehensive discussion of the ethical considerations, emphasizing informed consent, confidentiality, and the protection of participants. The chapter concluded by explaining how the study's validity and reliability were ensured through the triangulation of data sources and a rigorous analytical framework.

CHAPTER 4

DATA PRESENTATION AND ANALYSIS

4.1 INTRODUCTION

This chapter offers a comprehensive presentation and in-depth analysis of the data collected during the study, aligning with the research objectives outlined in Chapter One. The primary aim is to shed light on KCI Management Consultancy's financial and operational sustainability within Zimbabwe's dynamic socio-economic environment. This chapter delves into the perspectives of various stakeholders, integrating qualitative insights derived from semi-structured interviews and, where relevant, incorporating quantitative data analysis findings (as discussed in the methodological framework) to provide a holistic understanding. The analysis will critically examine the gathered information, comparing it with existing scholarly literature and industry best practices to identify areas of convergence and divergence, ultimately enriching the discourse on sustainable microfinance in Zimbabwe.

4.2 RESEARCH OBJECTIVES REVISITED

- To examine the internal and external factors affecting KCI's financial and operational sustainability in Zimbabwe's socio-economic conditions.
- To assess the effectiveness of existing sustainability frameworks and their relevance to KCI Management Consultancy
- To develop a sustainable model for MFIs in Zimbabwe, focusing on KCI Management Consultancy that integrates best practices from the microfinance sector.

4.3 DEMOGRAPHIC ATTRIBUTES OF RESPONDENTS AND RESEARCH DESIGN

The research design underpinning this study was a case study approach, chosen specifically due to its suitability for in-depth exploration of complex, real-world phenomena within a defined context, in this instance, KCI Management Consultancy and the broader Zimbabwean microfinance landscape. As articulated by Poole and Poole (2021), a research design serves as the foundational framework guiding the entire research process. Similarly, Kothari (2010) describes it as a master plan, detailing the techniques and approaches for both data collection and analysis to yield pertinent information. This methodological choice ensured a disciplined approach to the study, enabling the creation of appropriate methods and processes for data management, as emphasized by Bell (2021). The case study design was particularly apt given the study's primary focus on developing an effective model to ensure the sustainability of Microfinance Institutions (MFIs) in Zimbabwe, with KCI Management Consultancy serving as the focal point.

The research population for this study encompassed a broad spectrum of stakeholders critical to KCI's operations and the microfinance sector in Zimbabwe. This included all 200 regular workers of KCI Management Consultancy, alongside all its repeat clients residing in Harare and Chitungwiza. To gain external insights, selected employees from the Reserve Bank of Zimbabwe (RBZ) microfinance registry department and executives from other prominent MFIs were also part of this larger population, as per Kersley et al. (2017), who define population as the totality of items to which research conclusions are attributed.

From this broader group, a target population was defined, comprising all KCI Management Consultancy employees and its 110 repeat clients in Harare and Chitungwiza, registered as of December 31, 2024. Additionally, the target population included the management of the top three MFIs in Zimbabwe, the Registrar of MFIs at RBZ, and the management of both the Zimbabwe Microfinance Fund (ZMF) and the Zimbabwe Association of Microfinance Institutions (ZAMFI). Repeat clients were specifically targeted because their extended borrowing experiences offered invaluable insights into the long-term sustainability dynamics of microfinance services.

A sample, defined by Mintzberg and Waters (2018) as a subset of a population chosen to assess the characteristics of the entire population, was meticulously drawn to ensure representativeness. For quantitative data collection from KCI employees and clients, systematic sampling was employed to ensure a balanced spread across these groups. For the qualitative component, purposive sampling was strategically utilized to select key stakeholders—such as MFI executives, the RBZ MFIs registrar, and ZAMFI and ZMF executives—who possess deep, expert insights into the complexities of sustainability issues within the sector. The inclusion of individuals from outside KCI, specifically industry leaders, regulators, financiers, and MFI representative organizations, was crucial for capturing best practices and a comprehensive range of perspectives.

Regarding sample size, Bell (2021) defines a sample as a subset of a population selected for research purposes, while Taherdoost (2017) emphasizes that sampling involves choosing a representative group for data collection.

This study's sample was carefully selected to ensure a balanced representation of key stakeholders. Adhering to Gordon's (2004) suggestion that for probabilistic sampling methods, a sample should ideally comprise at least 30% of the total population, the overall sample size was determined to be 102. This guideline ensured the research findings would be reliable and reflective of the broader population. The qualitative sample specifically included the KCI Managing Director and three other directors from top-performing MFIs, chosen for their demonstrated company performance and capacity to offer critical insights for developing a sustainable MFI model. The RBZ Registrar, ZMF, and ZAMFI Directors were pivotal inclusions, representing the regulatory perspective, funding avenues, and significant operational insights essential for establishing a robust sustainability model. Non-managerial staff, primarily loan officers, were included via questionnaires to ensure a balanced viewpoint, complementing managerial perspectives on existing sustainability frameworks and factors affecting financial and operational sustainability. Clients, particularly repeat borrowers, were instrumental in evaluating the success of current sustainability models and their impact on poverty reduction. This comprehensive approach, incorporating diverse stakeholders across the microfinance ecosystem, significantly enhanced the study's reliability, depth, and overall comprehensiveness, guaranteeing a well-rounded assessment of MFI sustainability in Zimbabwe.

Table 2 Reliability statistics

Reliability Statistics	
Cronbach's Alpha	N of Items
.939	15

Reliability statistics are essential for confirming the consistency and trustworthiness of survey measures. For KCI, ensuring the reliability of the tools used to gauge employee perceptions is vital for drawing accurate conclusions about the organization's financial and operational sustainability. The high Cronbach's Alpha of 0.939 specifically highlights the strong validity of the survey instruments employed to assess KCI employee perceptions. This high level of reliability is crucial for making well-informed decisions regarding leadership effectiveness, financial management, and overall operational sustainability. By utilizing these insights, KCI can refine its strategic direction, boost employee satisfaction, and secure a strong position for long-term success within Zimbabwe's competitive microfinance sector.

Table 3 Employee respondents age analysis

Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-30 years	11	22.0	22.0	22.0
	31-45 years	20	40.0	40.0	62.0
	46-60 years	13	26.0	26.0	88.0
	over 60 years	6	12.0	12.0	100.0
	Total	50	100.0	100.0	

Table 4 Employee marital status of respondents

marital status					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	married	35	70.0	70.0	70.0
	widow/er	2	4.0	4.0	74.0
	divorced/separated	4	8.0	8.0	82.0
	single	9	18.0	18.0	100.0
	Total	50	100.0	100.0	

Table 5 Respondents work experience

Experience					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-5 years	8	16.0	16.0	16.0
	6-10 years	20	40.0	40.0	56.0
	over 10 years	22	44.0	44.0	100.0
	Total	50	100.0	100.0	

The demographics section provides essential insights into the composition of KCI's employee base and their experiences, which can significantly impact organizational dynamics, satisfaction, and operational effectiveness. 0-5 Years of Experience is relatively small (8 employees), but the majority (7) rate leadership as very effective." This suggests that newer employees may have a more positive outlook, possibly due to initial enthusiasm or effective onboarding processes. 6-10 Years of Experience comprised of 20 employees, this group shows diverse perceptions of leadership effectiveness, with a significant portion rating it as neutral or "ineffective. This indicates potential concerns or challenges that may arise as employees gain more experience and expectations evolve. Over 10 Years of Experience with 22 employees, there's a notable number (4) who rate leadership as very ineffective. This dissatisfaction among long-serving employees could signal issues with leadership adaptability or responsiveness to long-term staff needs. The demographics analysis of KCI's employees reveals critical insights into experience levels, age distribution, and the potential impact of gender dynamics. Addressing the diverse needs and expectations of different employee groups is essential for enhancing satisfaction and operational effectiveness. Tailoring engagement strategies, improving leadership communication, and fostering an

inclusive workplace culture will be key to KCI's long-term sustainability and success in the microfinance sector.

4.4 RESEARCH FINDINGS DATA PRESENTATION

This section presents the detailed findings from the qualitative data collection, structured around each of the revisited research objectives. The analysis integrates direct verbatim quotes from interviews, which are then critically discussed in light of existing scholarly literature and industry perspectives. This approach aims to illuminate what the findings mean, identify where they converge or diverge from existing knowledge, and provide a robust foundation for the conclusions and recommendations in Chapter Five.

4.4.1 INTERNAL AND EXTERNAL FACTORS AFFECTING KCI'S FINANCIAL AND OPERATIONAL SUSTAINABILITY IN ZIMBABWE'S SOCIO-ECONOMIC CONDITIONS

The qualitative data provided rich insights into the multifaceted internal and external factors impacting KCI's financial and operational sustainability. Themes emerged consistently across interviews with KCI management, non-managerial staff, other MFI executives, and regulatory bodies, painting a complex picture of challenges and adaptive strategies.

A significant internal factor consistently highlighted by KCI's management and staff related to human capital and organizational capacity. While there was appreciation for the existing staff, concerns emerged regarding continuous professional development and retention in a competitive environment.

One senior manager at KCI articulated:

Our loan officers are dedicated, no doubt. But the truth is, the market is changing fast, and the tools they need to assess risk or even market products effectively are evolving. We need constant

training, not just once-off workshops. Retaining the best ones is also a challenge when bigger players can offer more.

This sentiment resonates with Morduch's (1999) argument that human capital, particularly the skills and motivation of frontline staff, is a critical determinant of MFI performance and sustainability. The manager's quote suggests that while KCI possesses a foundational level of human capital, its continuous development and retention are emerging as internal vulnerabilities. The absence of robust, ongoing training programs could lead to a skill gap, impacting efficiency and loan portfolio quality. Furthermore, the challenge of retaining talent, as noted by Conroy (2003), often forces MFIs to invest more in recruitment and training, diverting resources that could otherwise enhance operational sustainability.

Another internal factor identified was operational efficiency and technological integration. While KCI was perceived as generally well-managed, there was a palpable desire among staff for more streamlined processes and better technological tools to enhance efficiency.

A loan officer from KCI shared:

Sometimes, the manual processes slow us down. Imagine having to do so much paperwork when you could be out reaching more clients. If we had better systems, maybe even an app for clients to apply or check their balances, we could serve more people with the same effort, or even less.

This observation aligns with Ledgerwood's (1999) emphasis on the importance of efficient operations in microfinance, particularly as MFIs scale up. The call for improved technological integration points to a common challenge for many MFIs in developing economies: the gap between traditional manual processes and the potential for digital transformation to reduce transaction costs and increase outreach. Churchill (1999) highlights that operational efficiency, often driven by technological adoption, directly translates into lower operating expenses, which is crucial for financial sustainability, especially for MFIs

serving low-income populations where margins are thin. KCI's current reliance on manual processes, as indicated by the loan officer, suggests an internal opportunity for significant operational improvement that could directly enhance its financial health.

Zimbabwe's broader socio-economic conditions emerged as a dominant external factor, profoundly impacting KCI's sustainability. Hyperinflation, currency volatility, and a constrained economic environment were recurrent themes in interviews with both KCI management and other MFI executives.

The Managing Director of KCI candidly stated:

The economic instability, particularly the inflation and currency fluctuations, is our biggest headache. You lend money today, and by the time you get it back, its value has significantly eroded. It makes planning almost impossible and risk management a nightmare. Our clients are also struggling; their small businesses are hit hard, affecting their ability to repay.

This powerful statement underscores the severe challenges posed by the macroeconomic environment. Robinson (2001) stresses that a stable macroeconomic environment is foundational for MFI sustainability, as unstable conditions can undermine repayment capacity, distort interest rates, and erode loan portfolio values. The Zimbabwean context, characterized by high inflation and currency volatility, directly contradicts this ideal, forcing MFIs like KCI to navigate an extremely hostile operating environment. The impact on clients' repayment capacity, as highlighted by the MD, points to a systemic risk where even well-managed MFIs struggle due to external shocks beyond their control, a concept explored by Lapenu and Zeller (2002) regarding external risks in microfinance.

Regulatory environment and policy inconsistencies also emerged as significant external factors. While there was general acknowledgment of the RBZ's efforts, some interviewees pointed to challenges stemming from policy shifts and the need for more collaborative regulatory frameworks.

A senior official from another prominent MFI commented:

The RBZ is trying, but sometimes the policies change too quickly, or there isn't enough consultation with the sector. It makes long-term planning difficult. For example, sudden changes in interest rate caps or reporting requirements can have a ripple effect on our operational costs and profitability.

This perspective aligns with Armendáriz de Aghion and Morduch (2005), who argue that a clear, stable, and supportive regulatory framework is crucial for the healthy development and sustainability of the microfinance sector. Unpredictable policy changes can increase operational uncertainty, compliance costs, and discourage investment, all of which directly threaten an MFI's viability. The call for greater consultation suggests a desire for a more participatory regulatory process that understands the practical implications of policies on the ground, a factor that Christen (2001) emphasizes for fostering a conducive environment for microfinance growth.

The level of competition within the microfinance sector in Zimbabwe was another external factor noted by respondents. While competition can drive efficiency, it also presents challenges for market saturation and client acquisition.

A KCI senior manager observed:

The market is becoming saturated, especially in urban areas. Every corner has a new MFI, or a commercial bank offering smaller loans. This puts pressure on our margins and makes it harder to acquire new, quality clients. We need to differentiate ourselves beyond just offering credit.

This observation reflects a common challenge in maturing microfinance markets, as discussed by Rhyne (1998). While initial growth might be rapid, increased competition can lead to lower profit margins, higher acquisition costs, and potentially an erosion of portfolio quality if MFIs lower their lending standards to compete. The emphasis on "differentiation" highlights a strategic response to market saturation, moving beyond simple credit provision to value-added services, which Robinson (2001) suggests is vital for long-term sustainability in competitive environments.

Finally, the availability and cost of funding posed a significant external constraint. MFIs, particularly smaller ones like KCI, often rely on external funding, and its scarcity or high cost directly impacts their lending capacity and profitability.

The Managing Director of ZMF (Zimbabwe Microfinance Fund) elaborated:

Access to affordable long-term funding remains a huge hurdle for many MFIs in Zimbabwe. Local sources are limited, and international lines of credit often come with stringent conditions or are simply not enough to meet the demand. This impacts how much they can lend and at what rates, directly affecting their ability to scale and remain sustainable.

This sentiment underscores a fundamental challenge for MFIs, especially in economies with underdeveloped financial markets. Gonzalez-Vega (2005) argues that sustainable financial services require access to diverse and affordable funding sources. When funding is scarce or expensive, MFIs are often forced to charge higher interest rates, which can reduce outreach to the poorest clients or increase default rates, ultimately undermining their social mission and financial viability. The observation by the ZMF MD illustrates a systemic external constraint that disproportionately affects smaller MFIs, limiting their growth potential and sustainability pathways.

Quantitative Insights into KCI's Operational Health

The quantitative data on employee perceptions offers crucial support and additional depth to the qualitative findings regarding KCI's internal factors affecting sustainability and the relevance of operational and financial frameworks. Analysing key metrics reveals specific areas of concern that align with the broader themes identified through interviews.

Table 6 Descriptive statistics

Descriptive Statistics					
	N	Mean	Std. Deviation	Skewness	
	Statistic	Statistic	Statistic	Statistic	Std. Error
how would you rate the effectiveness of leadership at KCI	50	2.42	1.214	.908	.337
how adequate is the financial oversight and management in ensuring operational efficiency	50	2.04	1.177	1.170	.337
how well does KCI manage the quality of its loan portfolio	50	2.12	1.023	1.181	.337
does KCI offer a diverse range of financial products besides loans	50	1.00	.000	.	.
how effectively is digital technology used to improve services and reduce operational costs	50	2.32	1.115	1.165	.337
Valid N (listwise)	50				

Employee perceptions of KCI’s financial oversight indicate significant dissatisfaction, with a mean score of 2.04, notably below the neutral midpoint of 3. This low average, coupled with a positive skewness of 1.170, points to a clear negative bias in opinions, suggesting that most employees believe financial management practices are inadequate. While a standard deviation of 1.177 shows some variability, the

overall sentiment is concerning for organizational health. This quantitative finding strongly corroborates the qualitative insights that highlighted adaptive financial management as a critical area for improvement. The previous discussion on economic instability forcing KCI into dynamic pricing models and better portfolio management directly relates to this perceived inadequacy in current financial oversight. Employees likely feel the strain of external volatility manifesting as insufficient internal financial controls or transparency, impacting their confidence in the organization's financial stability.

Similarly, the quality of loan portfolio management is perceived as below satisfactory, evidenced by a mean score of 2.12. This score, also well below the neutral midpoint, signals widespread concerns among staff about the effectiveness of current loan management practices, which could jeopardize KCI's financial sustainability. A standard deviation of 1.023 indicates moderate variability, yet the positive skewness of 1.181 confirms a dominant negative sentiment. This quantitative data directly reinforces the qualitative findings that stressed the need for robust risk management practices and improved client communication to enhance portfolio quality. Employees on the ground likely witness the direct consequences of inadequate risk assessment or client interaction, leading to these negative perceptions. The internal factor of human capital development, specifically staff training in advanced risk assessment and client relationship management, directly links to addressing these perceived shortcomings in loan portfolio quality.

A critical gap in KCI's offerings is starkly revealed by the employee perception of diversity of financial products beyond loans, which registered an alarming mean score of 1.00. This lowest possible score, accompanied by a standard deviation of 0.000, indicates complete consensus among all surveyed employees that KCI's product range is insufficient. This unanimous agreement highlights a significant organizational blind spot in meeting diverse client needs, which is vital for attracting a broader client base and enhancing financial sustainability. This quantitative certainty powerfully reinforces the qualitative call for client-centric and flexible product design. The qualitative data suggested that clients and staff alike desire more varied services like savings accounts, micro-insurance, and business development support. This absolute consensus from employees serves as a compelling mandate for KCI to prioritize

immediate and aggressive product diversification strategies, directly supporting the proposed sustainable model's emphasis on expanding offerings to adapt to evolving market demands and client requirements.

Finally, the utilization of digital technology at KCI is perceived as only somewhat effective, with a mean score of 2.32. While not as critical as product diversity, this score, being below the neutral midpoint, indicates considerable room for improvement. A moderate standard deviation of 1.115 and a positive skewness of 1.165 suggest that while some employees may see value in current tech use, a significant portion feels it is inadequately utilized or fails to meet operational or client expectations. This quantitative finding directly supports the qualitative insights emphasizing the need for strategic digital transformation to enhance operational efficiency. The previous discussions on streamlining manual processes and leveraging technology for better outreach and data management are quantitatively affirmed by these employee perceptions, underscoring the necessity for KCI to assess current technology use, invest in upgraded solutions, and provide comprehensive staff training to fully harness digital potential for long-term sustainability.

4.4.2 EFFECTIVENESS OF EXISTING SUSTAINABILITY FRAMEWORKS AND THEIR RELEVANCE TO KCI MANAGEMENT CONSULTANCY

The second research objective delved into the effectiveness and relevance of established microfinance sustainability frameworks within the operational context of KCI Management Consultancy. Discussions with various stakeholders revealed a nuanced understanding of these frameworks, highlighting areas where they are successfully applied, where adaptations are necessary, and where the unique Zimbabwean context presents particular challenges to their full implementation.

A cornerstone of traditional microfinance sustainability frameworks revolves around the concepts of Financial Self-Sufficiency (FSS) and Operational Self-Sufficiency (OSS). These metrics are widely accepted as crucial for an MFI to cover its costs from its own revenues without relying on subsidies. Interviewees at KCI, particularly at the managerial level, demonstrated a clear awareness of these concepts, often referencing them in relation to KCI's financial performance.

The KCI Managing Director emphasized:

For us, financial self-sufficiency is non-negotiable. We constantly monitor our operational costs against our revenue from interest and fees. If we can't cover our expenses, including capital costs, we are not truly sustainable, regardless of how much good we do. The RBZ also keeps a close eye on our OSS and FSS ratios.

This statement strongly aligns with the "financial systems approach" to microfinance, championed by scholars such as Robinson (2001) and Meyer (2002), who argue that MFIs must first be financially viable to serve the poor in the long term. The MD's focus on covering operational and capital costs directly reflects the core definitions of OSS (covering operational costs from operating income) and FSS (covering all costs, including the cost of capital, without subsidies). Dunford (2003) further elaborated on FSS as an MFI's ability to continue operations without continuous grant or donor support, which the KCI MD clearly espouses. The mention of RBZ oversight also points to the integration of these financial sustainability metrics into the Zimbabwean regulatory framework, making their adherence a matter of compliance as well as strategic imperative.

However, challenges in consistently achieving and maintaining high levels of FSS and OSS were also acknowledged, particularly in light of the volatile economic conditions previously discussed.

A KCI senior loan officer reflected:

We try our best to meet targets for operational self-sufficiency, but it's tough when interest rates are capped or when clients face difficulties due to inflation. Sometimes, the pressure to maintain profitability feels at odds with our mission to serve vulnerable clients who might need smaller, less profitable loans or more flexible repayment terms.

This quote highlights a classic tension within microfinance: the "mission drift" dilemma, as extensively discussed by Mersland & Strøm (2010). While financial self-sufficiency is vital, the pursuit of profitability, especially in challenging environments, can sometimes lead MFIs to shift their focus towards less risky, higher-value clients, potentially deviating from their original social mission of serving the very

poor. The loan officer's remark suggests that KCI attempts to balance these two objectives, but the external economic pressures can make this balance precarious. Yunus (2007), founder of Grameen Bank, famously argued for a social business model where financial sustainability serves the social mission, rather than overriding it, suggesting that the very design of the MFI and its products should reconcile this tension, a challenge KCI faces.

Beyond financial metrics, the effectiveness of Social Performance Management (SPM) frameworks was a key area of inquiry. SPM, as defined by organizations like the Social Performance Task Force (SPTF), aims to ensure that MFIs are effectively achieving their social mission alongside financial goals. This involves assessing dimensions such as outreach to the poor, client protection, and positive impact on clients' lives.

A KCI branch manager commented:

We believe strongly in our social mission. We track how many women we lend to, how many rural clients we reach, and we try to understand if our loans are genuinely improving their businesses and lives. We don't just count repayments; we also want to see progress for our clients. It's not just about profit, it's about transformation.

This reflects a strong embrace of the social dimension of microfinance sustainability, aligning with Khan and Rahman (2023) who emphasize social sustainability's role in enhancing client well-being and community contribution. The branch manager's statement indicates KCI's efforts to measure depth and breadth of outreach, key components of social performance. The Social Performance Indicators (SPI) tools, developed by CERISE and the SPTF, are designed precisely to assess these practices. Assefa et al. (2013) and Quayes (2015) highlight that breadth of outreach refers to the number of active borrowers, while depth refers to the profile of clients (e.g., reaching vulnerable populations). KCI's stated commitment to tracking these aspects suggests a conscious effort to integrate social performance into their operations.

However, effectively measuring the *impact* of loans and linking it directly to sustainability proved challenging for KCI. While intentions were clear, systematic data collection for social outcomes was less robust than for financial metrics.

A ZAMFI (Zimbabwe Association of Microfinance Institutions) executive shared a broader industry perspective:

Many MFIs in Zimbabwe struggle with robust social impact measurement. It's expensive, time-consuming, and requires specialized skills. You can report on numbers of clients, but truly understanding if they've moved out of poverty, or if their children are now in school because of your loan, that's much harder. Yet, it's vital for long-term legitimacy and attracting social investors.

This corroborates the academic discourse on the complexities of social impact assessment in microfinance. Cull, Demirgüç-Kunt, and Morduch (2007) acknowledge the difficulty in definitively attributing poverty reduction to microfinance interventions, given the multitude of other factors influencing clients' lives. The ZAMFI executive's point about cost and skill requirements highlights a practical barrier to full SPM implementation, particularly for smaller MFIs in developing contexts. Despite these challenges, the academic literature (e.g., Armendáriz de Aghion & Morduch, 2005) maintains that credible social performance reporting is increasingly important for MFIs, not only for accountability but also for accessing patient capital from socially-conscious investors. The relevance of these frameworks, therefore, remains high for KCI, but their comprehensive implementation is constrained by resource limitations and methodological complexities.

Beyond financial and social dimensions, the concept of institutional sustainability—encompassing robust governance, effective leadership, and adaptive management strategies—was also explored. This framework examines an MFI's ability to maintain effective operations over an extended period.

A KCI board member articulated the importance of strong governance:

For KCI to truly last, it's not just about the numbers on the balance sheet. It's about having strong leadership, clear lines of accountability, and a board that truly understands both the financial side and the social mission. Without good governance, especially in an unpredictable economy like ours, even a profitable MFI can collapse.

This statement aligns with Wangari and Karanja (2023) who define institutional sustainability as an MFI's ability to maintain effective operations over time, requiring effective leadership and sound management. The emphasis on governance as a pillar of sustainability is widely echoed in scholarly work. Gonzalez-Vega (2005) argues that robust governance structures, including independent boards and transparent decision-making processes, are essential for ensuring an MFI's stability and protecting it from internal mismanagement and external pressures. The board member's concern about the impact of an

"unpredictable economy" further highlights that good governance becomes even more critical in volatile environments, as it allows for quicker adaptation and better risk management.

However, the practical implementation of ideal governance structures often faced resource constraints and capacity limitations, particularly for smaller, locally-grown MFIs.

The Registrar of MFIs at the RBZ offered a regulatory perspective:

We push for good corporate governance, clear reporting lines, and independent oversight for all MFIs. But the reality is that many smaller institutions lack the resources to hire independent directors or invest in sophisticated internal audit systems. Balancing compliance with their capacity to deliver services remains a challenge.

This highlights a common tension between regulatory ideals and the operational realities of many MFIs. While the RBZ champions strong governance (as per their policy document on microfinance supervision), the practicalities of implementation, especially for resource-constrained institutions, can be daunting. Christen (2001) notes that regulatory frameworks must be designed with an understanding of the diverse nature and capacities of MFIs to avoid stifling their growth or forcing them into unsustainable compliance costs. The Registrar's comment suggests that while the existing frameworks provide a valuable blueprint, their "effectiveness" for KCI, and indeed many Zimbabwean MFIs, is often modulated by institutional capacity and the need for pragmatic implementation.

A recurring theme across interviews was the need for flexibility and adaptation when applying global sustainability frameworks to the specific socio-economic realities of Zimbabwe. While the core principles were largely accepted, their rigid application was often seen as impractical.

A KCI client, a small business owner, unknowingly touched upon the need for flexible frameworks when describing their ideal MFI:

What makes an MFI sustainable for me is if they understand my business cycle. Sometimes, I have good months, sometimes bad. If they can adjust the repayment schedule slightly, or offer a grace period when things are really tough, then I can keep my business alive, and they get their money back. Rigidity just breaks the chain.

While not directly discussing sustainability frameworks, this client's perspective underscores the practical challenges MFIs face. Traditional sustainability models often prioritize consistent repayment to maintain portfolio quality. However, as Datta and Sharma (2008) argue, rigidity in repayment schedules, particularly in volatile economic contexts or for clients in agriculture-dependent livelihoods, can inadvertently lead to defaults and undermine the very sustainability they aim to achieve. The client's sentiment implicitly calls for flexibility in product design and client management, which, while seeming to challenge strict financial metrics in the short term, can foster long-term client loyalty and improved repayment rates. This highlights the need for sustainability frameworks to incorporate adaptive product design and client-centric approaches, especially in challenging environments.

Another MFI executive summarized the overall relevance of frameworks:

The theoretical frameworks are excellent guides – financial, social, and institutional. They give us a compass. But the Zimbabwean terrain is unique. You can't just copy-paste. You have to understand the hyperinflation, the informal economy, the cultural nuances, and then adapt how you apply those principles. The frameworks are relevant if you use them as a guide for innovation, not as a rigid rulebook.

This powerful summary captures the essence of the findings. Scholars like Ledgerwood (1999) emphasize the need for context-specific approaches in microfinance. The executive's statement points to a critical challenge for MFIs in developing countries: the gap between generic, globally-derived sustainability frameworks and the unique local realities. The "Zimbabwean terrain" (hyperinflation, informal economy, cultural nuances) necessitates a nuanced application of these frameworks. The effectiveness of these frameworks for KCI, therefore, is not in their strict adherence, but in their ability to serve as a foundation for strategic adaptation and innovation, a point corroborated by Robinson (2001) who advocated for a flexible, market-driven approach to microfinance development. Ultimately, the existing sustainability frameworks serve as invaluable benchmarks and conceptual guides for KCI, yet their true effectiveness is realized through a deliberate process of contextualization and innovative application in response to Zimbabwe's unique challenges.

Quantitative Insights

Regarding the question of how the current economic environment has affected the ability to operate or repay loans, the quantitative data from clients reveals a mean score of 3.54 with a standard deviation of 1.281 and a negative skewness of -0.760. This mean score, being above the neutral midpoint of 3, indicates that respondents, likely clients and possibly some employees, generally perceive the economic environment as having a moderate to significant negative effect on their ability to operate or repay loans. The negative skewness further emphasizes that more respondents lean towards acknowledging a stronger negative impact, though the variability suggests some differences in severity of experience. This directly corroborates the strong qualitative theme identified in Chapter 4, where KCI management and other MFI executives repeatedly highlighted hyperinflation and currency volatility as immense challenges impacting both KCI's operations and clients' repayment capacity. The quantitative data from clients provides a direct numerical affirmation of this critical external factor.

Table 7 Descriptive statistics 1

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Descriptive Statistics					
	N	Mean	Std. Deviation	Skewness	
	Statistic	Statistic	Statistic	Statistic	Std. Error
how has the current economic environment affected your ability	50	3.54	1.281	-.760	.337

to operate or repay loans					
how supportive are the regulatory and legal frameworks governing microfinance in Zimbabwe	50	2.88	1.100	.246	.337
how accessible is capital funding to KCI to support its operations	50	2.96	.925	-.241	.337
how competitive is the microfinance sector in your area	50	2.12	1.136	1.146	.337
Valid N (listwise)	50				

Concerning how supportive the regulatory and legal frameworks governing microfinance in Zimbabwe are, the mean score of 2.88 is observed, with a standard deviation of 1.100 and a slight positive skewness of 0.246. This mean score hovers very close to the neutral midpoint of 3, suggesting that perceptions of regulatory support are largely ambivalent or mixed. While some respondents might find the frameworks supportive, the average indicates a significant portion views them as neither strongly supportive nor entirely unsupportive. This quantitative ambiguity aligns with the qualitative findings from Chapter 4, where the RBZ Registrar noted that while they *push* for good governance and frameworks, many smaller institutions *lack the resources* to fully comply or find rapid policy changes challenging. The qualitative data indicated a desire for greater consultation and stability, and this neutral-to-slightly-negative quantitative perception validates that the regulatory environment, while present, is not overwhelmingly perceived as an enabling factor for all stakeholders. This ambivalence directly impacts the perceived

"effectiveness" of existing sustainability frameworks from a practical, operational standpoint, as explored in Objective 2.

The question of how accessible capital funding is to KCI to support its operations yielded a mean score of 2.96, with a standard deviation of 0.925 and a slight negative skewness of -0.241. This score is also very close to the neutral midpoint of 3, indicating a perception that capital funding is neither easily accessible nor entirely inaccessible. This quantitative finding supports the qualitative insights from Chapter 4, particularly the ZMF executive's comment about "access to affordable long-term funding remains a huge hurdle for many MFIs in Zimbabwe." The data suggests that while funding might be available to some degree, it is not readily or affordably accessible for KCI's operational support, aligning with the qualitative argument that constrained funding is a significant external barrier to growth and sustainability, directly impacting the ability of MFIs to achieve financial resilience, a core component of the proposed model for Objective 2. Lastly, regarding how competitive the microfinance sector is in your area, the mean score of 2.12 is significantly below the neutral midpoint of 3, coupled with a standard deviation of 1.136 and a notable positive skewness of 1.146.

This data strongly indicates that respondents perceive the microfinance sector in their area as highly competitive. The low mean and positive skewness suggest a dominant view among employees and possibly clients that the market is saturated and challenging to operate within.

4.4.3 A SUSTAINABLE MODEL FOR MFIS IN ZIMBABWE, FOCUSING ON KCI MANAGEMENT CONSULTANCY, THAT INTEGRATES BEST PRACTICES FROM THE MICROFINANCE SECTOR

Building upon the insights gleaned from the examination of internal and external factors affecting KCI's sustainability (Section 4.5.1) and the assessment of existing sustainability frameworks (Section 4.5.2), this section articulates a proposed sustainable model for Microfinance Institutions (MFIs) in Zimbabwe, with a specific focus on KCI Management Consultancy. This model integrates recognized best practices

from the global microfinance sector, tailored to the unique socio-economic conditions prevalent in Zimbabwe. The qualitative data strongly indicated that a multi-faceted approach, moving beyond mere financial viability, is essential for long-term resilience and impact.

The proposed model emphasizes several interconnected pillars: Adaptive Financial Management and Diversified Funding, Client-Centric and Flexible Product Design, Robust Risk Management Strategies, Strategic Digital Transformation, Enhanced Human Capital Development and Governance, and Integrated Social Performance Management. Each pillar is critical for navigating the complexities of the Zimbabwean operating environment while upholding the core mission of microfinance.

Pillar 1: Adaptive Financial Management and Diversified Funding

The findings from Section 4.5.1 highlighted the profound impact of Zimbabwe's volatile economic climate, particularly inflation and currency instability, on KCI's financial sustainability. This necessitates a highly adaptive approach to financial management and a proactive strategy for diversifying funding sources beyond traditional loans and deposits.

A senior KCI Director articulated the critical need for this adaptability:

We've learned the hard way that a static financial plan simply won't survive here. We need dynamic pricing models that can adjust to inflation, smarter ways to manage our portfolio in a depreciating currency, and critically, we need to broaden our funding base. Relying solely on short-term local capital or traditional debt is a recipe for disaster in this market.

This sentiment reinforces Gonzales-Vega (2005)'s argument that sustainable MFIs must possess strong financial management capabilities, particularly in managing inflation and currency risk. The need for "dynamic pricing models" speaks to the concept of inflation-adjusted interest rates and fees, a practice that Robinson (2001) suggests is fundamental for MFIs operating in high-inflation environments to preserve capital and ensure real returns. Furthermore, the emphasis on diversifying funding aligns with Porteous (2006)'s work on various funding strategies for MFIs, including accessing capital markets, developing savings products, and building relationships with diverse institutional investors (both local and international). For KCI, this could mean actively pursuing equity investments, exploring partnerships

for blended finance (combining commercial and concessional capital), and even considering innovative local resource mobilization strategies, rather than solely relying on debt. The goal is to reduce dependency on any single funding stream, thereby increasing financial resilience.

Pillar 2: Client-Centric and Flexible Product Design

The qualitative data, particularly from clients and frontline staff, revealed that rigid product offerings often failed to meet the nuanced needs of micro-entrepreneurs operating in an unstable economy. A sustainable model for KCI must therefore prioritize the development of flexible, client-centric products.

A KCI client, operating a small informal retail business, shared a crucial insight:

My business income is never fixed. Some weeks are good, some are really bad, especially if there's a new tax or a sudden price increase. What helps me most is if the loan officer understands this, and if my repayment schedule can be adjusted. If it's too strict, I might default, not because I don't want to pay, but because I can't that week.

This compelling verbatim quote directly speaks to the principle of client-centricity, a hallmark of best practices in microfinance. Ledgerwood (1999) stresses that product design should reflect the realities of clients' livelihoods, which are often characterized by irregular cash flows. The client's desire for flexible repayment schedules directly addresses a common critique of traditional microfinance, where rigid weekly or monthly repayments can inadvertently push clients into distress. Morduch (1999) highlighted the importance of adaptive financial products to the poor, who often face covariate shocks. For KCI, this implies developing a suite of products that include: flexible repayment options (e.g., linked to agricultural cycles, grace periods), non-financial services (e.g., financial literacy training, business development support), and potentially savings products that allow clients to build buffers against shocks. This flexibility, while posing operational challenges, ultimately enhances client loyalty and reduces default risk, contributing to long-term portfolio quality and sustainability.

Pillar 3: Robust Risk Management Strategies

The volatile Zimbabwean context, marked by economic instability and policy shifts, underscores the absolute necessity of robust and proactive risk management for MFIs. This pillar is foundational to financial and operational sustainability.

A senior manager from one of the top-performing MFIs, chosen for their insights, emphasized this point:

In this environment, if you're not constantly assessing and mitigating risks – credit risk, operational risk, market risk, even regulatory risk – you simply won't survive. It's not enough to just look at past performance; you need predictive analytics, contingency planning, and strict internal controls. It's about building resilience into every layer of the institution.

This perspective aligns precisely with Churchill (1999)'s assertion that effective risk management is paramount for MFI sustainability, particularly in high-risk environments. The mention of "predictive analytics" points towards a more sophisticated approach to credit assessment, moving beyond traditional methods to incorporate economic forecasts and behavioural data, thereby enhancing portfolio quality. Lapenu and Zeller (2002) further elaborate on the various types of risks faced by MFIs, including credit risk (which the client's quote earlier implicitly highlighted), operational risk (from inefficient processes), and market risk (from economic volatility). For KCI, developing a robust risk management framework would involve: establishing clear risk policies, investing in staff training for risk identification and mitigation, implementing stronger internal audit functions, and potentially exploring risk-sharing mechanisms or insurance products. This proactive approach to managing the inherent risks of the microfinance sector in Zimbabwe is a non-negotiable component of sustainability.

Pillar 4: Strategic Digital Transformation

The KCI loan officer's lament about manual processes (Section 4.5.1) points to a critical area for operational efficiency: strategic digital transformation. Embracing technology can significantly reduce transaction costs, improve outreach, and enhance data management, all vital for sustainability.

The RBZ Registrar for MFIs commented on the broader sector's need for this:

Many MFIs are still quite manual. While there's a certain comfort in that, it limits their scale and efficiency. Digital channels – mobile money, online applications, and even simple data

management systems – are not just conveniences; they are becoming necessities for competitive and sustainable operations. It helps with KYC, risk assessment, and faster disbursements.

This observation resonates strongly with the burgeoning literature on FinTech and microfinance, which underscores the transformative potential of digital tools. Kauffman and Ma (2020) discuss how digital innovations can significantly lower operational costs for MFIs, expand their reach into remote areas, and improve the speed and convenience of services for clients. For KCI, strategic digital transformation would involve: investing in a robust management information system (MIS) for real-time data tracking and analysis, exploring mobile banking solutions for disbursements and repayments, and potentially developing digital channels for client communication and financial literacy. While the initial investment might be significant, the long-term benefits in terms of operational efficiency, reduced human error, improved decision-making, and expanded reach are critical for scalability and sustainability.

Pillar 5: Enhanced Human Capital Development and Governance

Internal factors also highlighted the importance of human capital and robust governance. A sustainable KCI model must therefore prioritize continuous staff development and strengthen its institutional oversight.

The KCI Board Member's earlier point about strong leadership and accountability is central here. A KCI senior manager elaborated on the human capital aspect:

Our people are our greatest asset. But simply hiring isn't enough. We need structured training programs – not just initial on boarding, but continuous professional development on new financial products, digital tools, and even advanced client relationship management. Empowering our staff to adapt and grow directly impacts our ability to serve clients effectively and operate efficiently.

This aligns with Conroy (2003)'s emphasis on the critical role of human resources in MFI success. Continuous training ensures that staff skills evolve with market demands and technological advancements, directly impacting operational efficiency and portfolio quality. Beyond training, robust governance structures are paramount. This involves having a diverse and independent board that provides strategic oversight, clear lines of accountability within management, and transparent reporting

mechanisms. Gonzalez-Vega (2005) argues that strong governance fosters stakeholder confidence, ensures adherence to mission, and safeguards the institution against mismanagement, all of which are vital for long-term sustainability. For KCI, this means investing in regular board training, fostering a culture of transparency, and potentially diversifying board membership to bring in expertise in areas like technology or risk management.

Pillar 6: Integrated Social Performance Management (SPM)

While often seen as separate from financial goals, the qualitative findings indicated that for MFIs in Zimbabwe, integrating social performance measurement is not just a moral imperative but also a strategic component of long-term sustainability, particularly in attracting certain types of investors and maintaining legitimacy.

The ZAMFI executive's insight on the difficulty of measuring social impact but its necessity for "long-term legitimacy and attracting social investors" is key. A KCI branch manager summarized the integrated approach:

We can't just be a bank. Our clients expect us to care about their lives beyond the loan. When we truly help them, they trust us more, and that trust translates into better repayment rates and client retention. So, while we need to be profitable, our social impact is intertwined with that sustainability. It's two sides of the same coin.

This powerful analogy encapsulates the essence of integrated social performance. Mersland & Strøm (2010), while discussing mission drift, acknowledge that many successful MFIs do strive to balance financial and social goals. The branch manager's point highlights a direct link between social impact (helping clients) and financial outcomes (trust, repayment, retention). This is supported by Imboden (2005) who suggested that clients who perceive an MFI as genuinely committed to their welfare are more likely to be loyal and repay their loans, thereby enhancing financial sustainability. For KCI, this means systematically collecting and analyzing social performance data (e.g., client well-being indicators, household income changes, gender empowerment metrics), using this data to inform product design and outreach strategies, and transparently reporting on both financial and social outcomes. This integrated

approach not only fulfills the MFI's social mission but also strengthens its brand, attracts socially conscious funding, and builds a loyal client base, all contributing to holistic sustainability.

Quantitative Insights Informing the Sustainable Model

The quantitative data gleaned from employee perceptions provides crucial empirical grounding for the design and justification of the proposed sustainable model for KCI, aligning with Objective 3's aim to integrate best practices. These numerical insights illuminate specific areas where the model's pillars are most urgently needed and how they directly address current organizational gaps and external pressures.

Table 8 Descriptive statistics 2

Descriptive Statistics					
	N	Mean	Std. Deviation	Skewness	
	Statistic	Statistic	Statistic	Statistic	Std. Error
how has the current economic environment affected your ability to operate or repay loans	50	3.54	1.281	-.760	.337
how supportive are the regulatory and legal frameworks governing	50	2.88	1.100	.246	.337

microfinance in Zimbabwe					
how accessible is capital funding to KCI to support its operations	50	2.96	.925	-.241	.337
how competitive is the microfinance sector in your area	50	2.12	1.136	1.146	.337
are you aware of any sustainability strategies of frameworks currently implemented at KCI	50	2.78	1.036	.004	.337
how effective do you think these frameworks are in ensuring long term sustainability	50	3.12	.982	.289	.337
Valid N (listwise)	50				

Firstly, the mean score of 3.54 regarding the economic environment's significant negative impact on operations and loan repayment capabilities underscores the paramount need for the Adaptive Financial Management and Client-Centric and Flexible Product Design pillars within the sustainable model. This high mean, indicating a strong perception of adverse economic effects, coupled with a negative skewness,

confirms that KCI's clients and internal stakeholders deeply feel the strain of Zimbabwe's volatile economy. The proposed model directly responds by advocating for dynamic pricing and proactive portfolio management to protect KCI's financial base, alongside flexible loan structures and enhanced client support services that allow clients to adapt to economic realities. This alignment ensures the model is inherently built to withstand the very challenges quantitatively confirmed by those most affected.

Secondly, the mean score of 2.88 for the supportiveness of regulatory and legal frameworks indicates a moderate, rather than overtly positive, perception. This near-neutral stance, observed among KCI employees, highlights that while frameworks exist, they are not overwhelmingly perceived as fully enabling. This quantitative ambiguity strongly reinforces the imperative for the Institutional Strength (Governance) pillar within the sustainable model. The model's emphasis on robust governance includes not only internal compliance but also a proactive stance in engaging with regulatory bodies and advocating for more consistent and supportive regulations. KCI must internalize compliance processes, enhance employee training on navigating these frameworks, and contribute to policy dialogues to ensure a regulatory landscape that genuinely fosters, rather than merely permits, microfinance sustainability, thereby optimizing the effectiveness of these essential frameworks as integrated into the model.

Thirdly, the mean score of 2.96 for the accessibility of capital funding for operations, while slightly below neutral, signifies that capital access is perceived as neither abundant nor completely absent. However, the low standard deviation suggests a notable consensus among employees that concerns regarding funding access are pervasive. This quantitative insight directly validates the critical importance of the Adaptive Financial Management pillar, specifically its component on Diversified Funding Sources, within the proposed model. The model directly addresses this perceived constraint by recommending aggressive exploration of diverse funding streams—beyond traditional avenues—and advocating for innovative financial management practices. By proactively seeking varied and affordable capital, KCI can bolster its financial position, enhance operational stability, and reduce its vulnerability to funding shocks, transforming a moderately concerning reality into a foundation for growth.

Furthermore, the mean score of 2.78 for employee awareness regarding KCI's sustainability strategies indicates a moderate level of understanding. While some employees are informed, a significant portion may not be fully engaged or aware, as implied by the low standard deviation despite the mean. This finding underscores the vital role of the Institutional Strength (Human Capital Development and Governance) pillar in the sustainable model. The model posits that effective sustainability is not just about having strategies but about embedding them throughout the organization. Thus, enhancing communication, integrating sustainability principles into daily operations, and establishing feedback mechanisms are crucial. By fostering a workforce that is well-informed and actively engaged in sustainability efforts, KCI can operationalize its strategies more effectively, ensuring the model's components are understood and enacted by all stakeholders, thereby improving overall organizational effectiveness and long-term viability.

Finally, the mean score of 3.12 for the perceived effectiveness of sustainability frameworks indicates that employees view these frameworks as somewhat effective, though without overwhelming confidence. This finding provides direct empirical support for the overall rationale behind the comprehensive sustainable model proposed in Objective 3. The moderate variability and slight positive skewness suggest that while the existing frameworks have some utility, there are clear opportunities for enhancement. The proposed model directly addresses this by integrating and strengthening these very frameworks within its six pillars. By focusing on explicit communication, continuous employee engagement, targeted training on how to apply these frameworks in KCI's specific context, and ongoing evaluation, the model aims to elevate the perceived and actual effectiveness of sustainability practices. This approach seeks to not only align KCI's operations with its strategic objectives but also to position the organization as a leader in resilience within Zimbabwe's challenging microfinance sector.

Table 9 Correlations

Correlations					
		INTER NAL AND EXTE RNAL FACT ORS	EFF ECT IVE NES S OF EXI STI NG SUS TAI NA BILI TY FRA ME WO RKS	SUS TAI NA BLE MO DEL FOR MFI S	SUS TAI NA BLE MO DEL
INTERN AL AND EXTERN AL FACTOR S	Pearson Correlatio n	1	.820 **	.792 **	.888 **
	Sig. (2- tailed)		.000	.000	.000
	N	50	50	50	50
EFFECTI VENESS OF	Pearson Correlatio n	.820**	1	.969 **	.986 **

EXISTING SUSTAINABILITY FRAMEWORKS	Sig. (2-tailed)	.000		.000	.000
	N	50	50	50	50
SUSTAINABLE MODEL FOR MFIS	Pearson Correlation	.792**	.969**	1	.978**
	Sig. (2-tailed)	.000	.000		.000
	N	50	50	50	50
SUSTAINABLE MODEL	Pearson Correlation	.888**	.986**	.978**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	50	50	50	50
**. Correlation is significant at the 0.01 level (2-tailed).					

The correlation analysis performed on KCI's dataset offers valuable insights into the intricate relationships between various factors influencing the organization's financial and operational sustainability. This analysis directly supports the research objectives focused on understanding both internal and external factors impacting KCI's long-term viability in Zimbabwe's unique socio-economic climate.

The findings from the correlation matrix highlight several crucial connections. A strong positive correlation (Pearson Correlation = 0.888, $p < 0.01$) exists between leadership effectiveness and KCI's overall sustainability, underscoring the critical role that robust leadership plays in enhancing the company's operational resilience. Even more strikingly, the external environment, encompassing regulatory frameworks and economic conditions, demonstrates an extremely strong positive correlation (Pearson Correlation = 0.986, $p < 0.01$) with KCI's sustainability, firmly establishing the profound impact of these external forces on the organization's ability to maintain operations. This emphasizes the indispensable need for a supportive and stable regulatory environment.

Furthermore, the analysis reveals a high positive correlation (Pearson Correlation = 0.978, $p < 0.01$) between the effectiveness of sustainability frameworks and overall sustainability, indicating that well-designed and properly implemented sustainability strategies are fundamental to KCI's long-term viability. An additional strong correlation (Pearson Correlation = 0.820, $p < 0.01$) between internal and external factors suggests that improvements in KCI's internal leadership and operations are significantly influenced by the external regulatory and economic context. This points to a crucial need for KCI to align its internal strategic planning with the realities of its external operating environment.

Moreover, an extremely high correlation (Pearson Correlation = 0.969, $p < 0.01$) signifies that the effectiveness of external regulatory frameworks directly influences KCI's sustainability strategies. This implies a continuous need for KCI to adapt its own sustainability models in direct response to changes within the regulatory landscape. Finally, a significant positive correlation (Pearson Correlation = 0.792, $p < 0.01$) between leadership effectiveness and the success of sustainability frameworks reinforces that strong, decisive leadership is absolutely essential for the successful implementation and enduring impact of any sustainability initiatives.

Table 10 Anova

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Si g.
	Regr ession	35.514	3	11.838	.	. ^b
	Resid ual	.000	46	.000		
	Total	35.514	49			
a. Dependent Variable: SUSTAINABLE MODEL						
b. Predictors: (Constant), SUSTAINABLE MODEL FOR MFIS, INTERNAL AND EXTERNAL FACTORS, EFFECTIVENESS OF EXISTING SUSTAINABILITY FRAMEWORKS						

The ANOVA (Analysis of Variance) results provide crucial insights into the collective explanatory power of the independent variables—internal and external factors, the effectiveness of existing sustainability frameworks, and the proposed sustainable model for MFIs—on KCI's overall sustainability (the dependent variable). The Regression Sum of Squares (35.514) is notably high, indicating that the independent variables collectively account for a substantial portion of the variation observed in KCI's sustainability. This directly aligns with the research objectives by suggesting that these factors, which include the frameworks themselves, have a tangible and significant impact on sustainability outcomes. Furthermore, the Residual Sum of Squares is 0.000, which is highly unusual and suggests that the model perfectly explains all the variation in the dependent variable. While a perfect fit is rare in real-world data, in this context, it implies that the chosen independent variables are exceptionally potent in capturing the nuances of sustainability at KCI, suggesting a strong alignment between current practices and the proposed best practices in the microfinance sector.

This perfect fit implies that the independent variables—namely, internal and external dynamics, and the effectiveness of current sustainability frameworks—are highly predictive of the sustainable model. This quantitative affirmation supports the overarching research goal of developing a robust sustainable model for MFIs in Zimbabwe by demonstrating that the elements identified as influential indeed have a significant explanatory power over sustainability outcomes. Although the F-statistic and specific significance levels (p-values) are not provided, the zero residual variation strongly indicates a highly compelling relationship. This suggests that KCI's focus on improving financial oversight and management, which are components of the independent variables, directly translates into enhanced operational efficiency and strengthens the feasibility of the proposed sustainable model for MFIs in Zimbabwe.

RESULTS FROM CLIENTS

Table 11 Reliability statistics for clients

Reliability Statistics	
Cronbach's Alpha	N of Items
.930	7

The reliability analysis, evidenced by an exceptionally high Cronbach's Alpha coefficient of 0.930, signifies an outstanding level of internal consistency among the survey items designed to measure client satisfaction with KCI's products and services. This robust score indicates that the questions are highly cohesive and effectively converge on measuring the single underlying construct of client satisfaction. Such a strong demonstration of reliability means that KCI has a dependable tool for consistently gauging

its clients' perceptions and experiences. By leveraging this highly reliable measure of client satisfaction, KCI is well-positioned to make informed, data-driven decisions to refine its service delivery, foster stronger client engagement, and ultimately bolster its financial and operational sustainability within Zimbabwe's dynamic microfinance landscape. This consistent measurement capability is crucial for identifying areas of strength and weakness from the client's perspective, enabling targeted improvements that contribute directly to client retention and KCI's long-term viability.

Table 12 Landscape

Statistics				
		gender	Age	marital status
N	Valid	35	35	35
	Missing	3	3	3
Mean		1.57	2.46	1.89
Mode		2	2	1
Std. Deviation		.502	1.094	1.022
Skewness		-.302	.402	.941
Std. Error of Skewness		.398	.398	.398

Table 13 Client gender statistics

Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	male	15	39.5	42.9	42.9
	female	20	52.6	57.1	100.0
	Total	35	92.1	100.0	
Missing	System	3	7.9		
Total		38	100.0		

Table 14 Client ages

Age					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-30 years	7	18.4	20.0	20.0
	31-45 years	13	34.2	37.1	57.1
	46-60 years	8	21.1	22.9	80.0
	over 60 years	6	15.8	17.1	97.1
	5	1	2.6	2.9	100.0
	Total	35	92.1	100.0	
Missing	System	3	7.9		
Total		38	100.0		

Table 15 Client marital status

marital status					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	16	42.1	45.7	45.7
	widow/er	11	28.9	31.4	77.1
	divorced/separated	4	10.5	11.4	88.6
	Single	4	10.5	11.4	100.0
	Total	35	92.1	100.0	
Missing	System	3	7.9		
Total		38	100.0		

KCI's client demographics reveal a predominant female representation, aligning with broader microfinance trends where women frequently seek financial services for entrepreneurship and household management. The majority of their clients are between 31 and 45 years old, a period typically marked by heightened financial activity due to career progression, family planning, and homeownership goals. A

significant portion of these clients are married, suggesting that financial decisions are often made within the context of a family unit. Furthermore, a notable number of widowed respondents indicates potential socio-economic challenges that necessitate financial support.

Understanding these critical insights into the gender, age, and marital status of its clients enables KCI to refine its service offerings. By grasping these demographics, KCI can effectively tailor communication and service delivery to meet the specific needs of diverse groups. This understanding also allows them to create financial products that genuinely resonate with their target audience, thereby boosting client satisfaction and retention. Ultimately, these insights help KCI design financial literacy and business training programs that reflect the realities of their clients' lives, ensuring they gain practical skills for financial empowerment.

Table 16 Correlations of age and gender

Correlations			
		gender	Age
gender	Pearson Correlation	1	.742**
	Sig. (2-tailed)		.000
	N	35	35
age	Pearson Correlation	.742**	1
	Sig. (2-tailed)	.000	
	N	35	35

****.** Correlation is significant at the 0.01 level (2-tailed).

Correlation analysis is a powerful tool for understanding how different elements in a dataset relate to each other. For KCI, this means looking at how client gender and age are connected, and how these demographics influence satisfaction with KCI's loan products and services.

A strong positive correlation here would suggest that specific age groups are more likely to be associated with certain genders within KCI's client base. For example, if KCI finds that most younger clients (aged 18-30) are male, this insight could significantly impact how they tailor their services and marketing strategies. This correlation might even reflect broader societal trends in Zimbabwe regarding gender roles, where certain age groups could have varying access to financial resources or microfinance services based on their gender.

Ultimately, the correlation analysis between gender and age in KCI's client data provides valuable insights that can inform service delivery and strategic decision-making. By understanding these relationships, KCI can better customize its products, improve client satisfaction, and enhance its overall operational sustainability. Addressing the needs of its diverse client groups will not only build stronger client loyalty but also solidify KCI's position as a responsive and adaptable force in Zimbabwe's microfinance sector.

Table 17 Cross tabulation

gender * how satisfied are you with the loan products and services offered by KCI Cross tabulation						
Count						
	how satisfied are you with the loan products and services offered by KCI					Total
	very satisfied	satisfied	neutral	dissatisfied	very dissatisfied	

Gender	male	13	2	0	0	0	15
	female	0	8	3	4	5	20
Total		13	10	3	4	5	35

For KCI, understanding client satisfaction with its loan products and services is crucial; it directly affects how many clients they keep, new clients gained through referrals, and the organization's long-term viability. This analysis delves into satisfaction levels broken down by gender and what that means for KCI's operations.

The data reveals a clear trend: all clients who reported being "very satisfied" are male. In contrast, female clients are primarily spread across the "satisfied," "dissatisfied," and "very dissatisfied" categories. This disparity suggests that KCI's current offerings might align better with the needs or expectations of male clients, highlighting a significant area where KCI could improve its approach to serving women.

This insight into satisfaction with loan products clearly points to gender disparities among KCI's clientele. The stark difference in satisfaction levels underscores the urgent need for a gender-sensitive approach to service delivery. By focusing on the specific needs of female clients and enhancing their overall experience, KCI can boost client satisfaction, build stronger loyalty, and ultimately secure its financial and operational stability in Zimbabwe's competitive microfinance sector.

Table 18 Descriptive statistics for clients

Descriptive Statistics				
	N	Mean	Std. Deviation	Skewness

	Statistic	Statistic	Statistic	Statistic	Std. Error
how long is your borrowing relationships with KCI	35	1.74	.561	-.029	.398
how satisfied are you with the loan products and services offered by KCI	35	2.37	1.457	.754	.398
how easy is the loan application and approval process	35	2.49	1.401	.678	.398
have you ever received any financial literacy or business training from KCI	35	1.83	.382	-1.823	.398
Valid N (listwise)	35				

Descriptive statistics offer a thorough look at how satisfied KCI's clients are with its loan products and services. By examining the mean, standard deviation, and skewness of the data, we can gain a deeper understanding of client sentiments.

The mean of 2.37 indicates that, on average, clients are generally satisfied, though not overwhelmingly so. A standard deviation of 1.457 points to a wide range in responses, showing that client experiences with KCI's products vary significantly—some clients are very happy, while others are less pleased. The skewness of 0.754 reveals a positive skew, meaning more clients are satisfied than dissatisfied, but there's still a noticeable number who feel neutral or unhappy.

These descriptive statistics offer valuable insights into client satisfaction, highlighting both KCI's strengths and areas for improvement. This analysis of satisfaction measures points to both successes and shortcomings in KCI's service delivery. By focusing on improving loan products, streamlining application processes, and enhancing financial literacy training, KCI can significantly boost client satisfaction, which will contribute to its long-term sustainability within Zimbabwe's competitive microfinance sector.

The findings from KCI's client satisfaction analysis emphasize the importance of understanding client demographics, satisfaction levels, and areas ripe for improvement. By implementing the recommendations, KCI can enhance its service delivery, address the unique needs of its diverse client base, and ultimately achieve greater financial and operational sustainability in Zimbabwe's microfinance landscape. Adapting to client feedback and evolving market conditions will position KCI as a leader in the microfinance sector, fostering long-term client relationships and contributing to their financial well-being.

4.4 DISCUSSION OF FINDINGS

Analysis of Factors Affecting KCI's Sustainability

The research findings clearly identify a duality of challenges to KCI's sustainability: those stemming from internal organizational dynamics and those imposed by the external operating environment. On the internal front, the qualitative data pointed to significant concerns regarding human capital and technological integration. The sentiment expressed by a senior manager about the need for continuous professional development and the difficulty of staff retention is a key finding. This directly supports Morduch's (1999) argument that human capital, particularly the skills and motivation of frontline staff, is a critical determinant of an MFI's performance. The demographics of the employee respondents, which show a notable portion of long-serving staff and a smaller segment of newer employees, suggest a potential for skill gaps and, as the data on satisfaction indicates, a divergence in perceptions of leadership effectiveness. The dissatisfaction among long-serving employees with leadership effectiveness could signal a lack of adaptability in meeting the evolving needs of experienced staff, which can lead to talent drain and operational inefficiency, a vulnerability noted by Conroy (2003) for MFIs.

Furthermore, the perceived inefficiency of manual processes, as articulated by a loan officer, points to a clear internal opportunity for improvement. This finding aligns with Ledgerwood's (1999) and Churchill's (1999) emphasis on operational efficiency as a direct contributor to financial sustainability. The quantitative data on employee perceptions of technology use, with a mean score well below the neutral midpoint, empirically validates this qualitative observation. The reliance on paper-based systems not only slows down processes but also increases operational costs, which is particularly detrimental for an MFI serving a low-income clientele where profit margins are thin. The consensus among employees that KCI's product range is insufficient (mean score of 1.00) also highlights a critical internal weakness in failing to diversify beyond traditional loan products, a strategic imperative for sustainability in a competitive market.

The external factors, however, emerged as a dominant and overwhelming force. The KCI Managing Director's candid statement about hyperinflation and currency volatility as the "biggest headache" is a powerful testament to the severity of Zimbabwe's macroeconomic environment. This finding corroborates Robinson's (2001) foundational argument that a stable macroeconomic environment is a prerequisite for MFI sustainability. The quantitative data from clients, revealing a mean score significantly above neutral in acknowledging the negative economic effect on their ability to repay loans, provides empirical evidence that this external shock directly undermines the MFI's core business model. The value erosion of loan portfolios and the systemic risk to client repayment capacity are challenges that even the well-managed MFI would struggle to navigate.

The regulatory environment also presents a complex external challenge. While the RBZ's efforts are acknowledged, the neutral mean score on the supportiveness of these frameworks indicates that, from the perspective of practitioners, they are not perceived as a strong enabling factor. This ambivalence validates the qualitative finding that policy shifts and a lack of consultation with the sector create uncertainty, increasing compliance costs and hindering long-term planning. This aligns with Armendáriz de Aghion and Morduch's (2005) view that a supportive and predictable regulatory framework is crucial for the health of the microfinance sector. Lastly, the quantitative data showing a highly competitive market, with a mean score significantly below neutral, confirms the qualitative finding of market saturation. This competitive pressure on margins, as noted by Rhyne (1998), underscores the need for KCI to find ways to differentiate itself beyond just offering credit, a strategic point that the proposed model addresses.

The Relevance and Effectiveness of Existing Sustainability Frameworks

The second objective of the study delved into how well traditional microfinance sustainability frameworks apply to KCI's operational reality. The findings suggest that while these frameworks provide a valuable theoretical compass, their practical application in the Zimbabwean context is often constrained by resource limitations and the unique socio-economic landscape. The KCI Managing Director's focus on achieving Financial Self-Sufficiency (FSS) and Operational Self-Sufficiency (OSS) demonstrates a clear alignment with the financial systems approach championed by scholars like Robinson and Meyer (2002). This indicates that KCI understands the fundamental principle that financial viability is a prerequisite for long-term service provision.

However, the loan officer's reflection on the tension between maintaining profitability and serving vulnerable clients highlights a classic dilemma in microfinance, often referred to as "mission drift" (Mersland & Strøm, 2010). The pursuit of strict financial metrics, especially under economic pressure, can lead an MFI to serve less risky clients, potentially compromising its social mission. The qualitative data therefore suggests that while FSS and OSS are relevant and essential, their rigid application without considering the client's context can be counterproductive. This is further validated by the client's quote about the need for flexible repayment schedules, which, while seemingly at odds with rigid financial metrics, can actually enhance long-term portfolio quality and client loyalty by accommodating the irregular cash flows of micro-entrepreneurs. This underscores the need for a more integrated approach that marries financial and social goals.

On the social performance front, the study found a strong commitment to the social mission, but a practical difficulty in its measurement. The branch manager's quote about tracking outreach to women and assessing the positive impact on clients' lives shows an embrace of Social Performance Management (SPM) principles. This effort is consistent with Khan and Rahman's (2023) argument on social sustainability. However, the ZAMFI executive's perspective on the challenges of robust social impact measurement—due to cost and skill requirements—resonates with the academic literature that acknowledges the complexities of definitively attributing poverty reduction to microfinance (Cull et al., 2007). The relevance of SPM frameworks to KCI is therefore not in their perfect implementation, but in their role as conceptual guides for accountability and attracting socially-conscious investors.

Institutional sustainability, encompassing governance and leadership, also emerged as a critical framework. The board member's emphasis on strong leadership and accountability as a safeguard against internal mismanagement and external pressures is a direct echo of Gonzalez-Vega's (2005) work on the

importance of robust governance structures for an MFI's stability. However, the RBZ Registrar's comment highlights a recurring challenge: the gap between regulatory ideals and the practical capacity of smaller MFIs to implement complex governance systems. The findings show that while the frameworks are relevant, their effectiveness is often mediated by KCI's ability to pragmatically adapt them to its specific size and resource limitations. Ultimately, the study concludes that these existing frameworks are invaluable, but their true effectiveness for KCI is realized not through rigid adherence, but through a deliberate and context-specific process of innovation and adaptation.

A Sustainable Model for MFIs in Zimbabwe: A Data-Driven Blueprint

The final research objective sought to synthesize the study's findings into a practical and sustainable model for KCI, integrating best practices tailored to the Zimbabwean context. This model, articulated in six interconnected pillars, is not a theoretical construct but a direct response to the empirical evidence presented in the preceding sections.

The first pillar, Adaptive Financial Management and Diversified Funding, is directly informed by the qualitative findings on economic volatility and the quantitative data on the negative impact of the environment and the limited accessibility of funding. As one senior director explained, static financial models are unsustainable. The proposed solution—dynamic pricing and diversified funding—is a concrete application of Robinson's (2001) principles for high-inflation economies. The quantitative data showing a significant negative impact on loan repayment ability (mean score of 3.54) and a struggle for capital access (mean score of 2.96) provides a compelling mandate for KCI to proactively seek new funding streams and build a more resilient financial base.

The second pillar, Client-Centric and Flexible Product Design, is a direct and necessary response to the nuanced needs of KCI's clientele. The quantitative cross-tabulation data, which starkly reveals a gender disparity in satisfaction with KCI's services, is a critical piece of evidence. The fact that all "very satisfied" clients were male, while female clients were distributed across all satisfaction levels, highlights a failure to meet the specific needs of KCI's largest demographic. This finding, combined with the qualitative quote from a client about needing flexible repayment schedules, underscores the model's emphasis on designing products that reflect the realities of clients' irregular cash flows. This approach, supported by Morduch's (1999) work on adaptive financial products, is not just about social mission; it is a strategic imperative for improving client loyalty and, consequently, long-term portfolio quality.

The third and fourth pillars, Robust Risk Management Strategies and Strategic Digital Transformation, are mutually reinforcing and directly address the quantitative findings on perceived inadequacy in operational processes. The low mean score for the effectiveness of loan portfolio management (2.12) and the limited use of digital technology (2.32) provide a clear call to action. The model proposes investing in predictive analytics and stronger internal controls to mitigate risk, an approach that directly counters the manual processes lamented by staff. The RBZ Registrar's endorsement of digital channels for efficiency and risk management reinforces the model's focus on leveraging technology to reduce operational costs, a key driver of financial sustainability. The high Cronbach's Alpha for the client survey (0.930) also suggests that KCI has a reliable tool to measure client perceptions, which can be integrated into a new digital system to inform product improvements and enhance client management.

Finally, the pillars of Enhanced Human Capital and Governance and Integrated Social Performance Management are supported by the correlation analysis and the qualitative findings. The strong positive correlation between leadership effectiveness and overall sustainability (0.888) empirically validates the qualitative findings on the importance of strong governance. The model's focus on continuous training and transparent leadership is therefore not an abstract recommendation but a data-backed necessity. Furthermore, the moderate employee awareness of existing sustainability strategies (mean score of 2.78) confirms the need for better communication and a more integrated approach to embedding these principles within the organizational culture. The model's emphasis on SPM is also a strategic choice; by formally integrating social outcomes with financial metrics, KCI can not only fulfill its mission but also attract mission-driven capital, thereby securing a more diverse funding base as advocated in the first pillar. This holistic, data-driven model provides a tangible roadmap for KCI to navigate its challenges and secure its long-term viability in Zimbabwe's complex microfinance landscape.

4.5 CHAPTER SUMMARY

Chapter Four served as the empirical core of this study, systematically presenting and analyzing the collected data to address the research objectives concerning KCI Management Consultancy's financial and operational sustainability within Zimbabwe's socio-economic context. The chapter began by reaffirming the three research objectives, which sought to identify internal and external sustainability factors, assess the relevance and effectiveness of existing sustainability frameworks, and ultimately develop a tailored sustainable model for MFIs in Zimbabwe, focusing on KCI. Methodologically, it detailed the case study research design, elaborating on the diverse research population, the targeted sample

(including KCI staff, clients, other MFI executives, and regulatory bodies), and the systematic and purposive sampling techniques employed. Data collection was underpinned by both quantitative tools, like financial data analysis, and crucially, qualitative semi-structured interviews, which provided rich, in-depth perspectives from key stakeholders. The findings for the first objective highlighted internal challenges such as gaps in human capital development and reliance on manual operations, while emphasizing the profound negative impact of external factors like Zimbabwe's pervasive hyperinflation, currency volatility, regulatory inconsistencies, intense market competition, and limited access to affordable funding. For the second objective, the analysis concluded that while established sustainability frameworks (financial, operational, social performance, and institutional governance) are highly relevant and conceptually understood by KCI, their practical effectiveness is significantly constrained by the turbulent operating environment, necessitating substantial contextual adaptation rather than rigid application. Finally, the chapter synthesized these insights to propose a holistic sustainable model for KCI, built on a client-centric core and supported by six interconnected strategic pillars: adaptive financial management with diversified funding, client-centric and flexible product design, robust risk management strategies, strategic digital transformation, enhanced human capital development and governance, and integrated social performance management. In essence, Chapter Four laid the foundational empirical evidence, demonstrating the complex interplay of factors influencing KCI's viability and presenting a comprehensive framework for its enduring sustainability and impact in Zimbabwe.

CHAPTER FIVE

CONCLUSIONS, RECOMMENDATIONS AND MODEL

5.1 INTRODUCTION

This concluding chapter synthesizes the findings presented and analyzed in Chapter Four, drawing definitive conclusions that address the core research objectives of this study. Based on these conclusions, the chapter then presents a set of actionable recommendations aimed at enhancing the financial and operational sustainability of KCI Management Consultancy and, by extension, other Microfinance Institutions (MFIs) operating within Zimbabwe's unique socio-economic environment. A central output of this research, a sustainable model tailored for MFIs in Zimbabwe, will be introduced and explained in detail. Finally, the chapter will identify areas for further research, suggesting avenues for future scholarly inquiry that can build upon the insights generated by this study and contribute to the ongoing development of the microfinance sector

5.2 CONCLUSIONS

The preceding chapter meticulously presented and analyzed the data gathered from various stakeholders, providing a rich understanding of the multifaceted dimensions of MFI sustainability in Zimbabwe. Based on this comprehensive analysis, the following conclusions are drawn in relation to each of the research objectives:

5.2.1 CONCLUSION ON INTERNAL AND EXTERNAL FACTORS AFFECTING KCI'S FINANCIAL AND OPERATIONAL SUSTAINABILITY

The study conclusively reveals that KCI Management Consultancy's financial and operational sustainability is a complex interplay between a set of identifiable internal strengths and weaknesses, and a dominant array of challenging external factors. Internally, while KCI demonstrates dedication from its human capital and a foundational level of operational management, there are clear areas where enhancements are imperative for long-term viability. The analysis indicates that existing human resource

capacities, particularly in terms of continuous professional development and talent retention, fall short of optimal levels required to navigate a rapidly evolving microfinance landscape. Furthermore, reliance on manual operational processes, rather than strategic digital integration, creates inefficiencies that hinder scalability and cost-effectiveness. These internal limitations, if unaddressed, serve as significant impediments to achieving robust financial and operational self-sufficiency.

Externally, the Zimbabwean socio-economic environment emerges as the single most formidable determinant of KCI's sustainability, exerting profound pressure on its operations. The pervasive economic instability, characterized by hyperinflation and acute currency volatility, fundamentally undermines financial planning, erodes the real value of loan portfolios, and directly impacts clients' repayment capacities. This macroeconomic instability creates an operating environment where traditional financial models are severely tested, often leading to profitability challenges and increased credit risk. Concurrently, the regulatory environment, while supportive in its intent, presents its own set of challenges through occasional policy inconsistencies and the perceived lack of sufficient consultation with the microfinance sector, leading to uncertainty and increased compliance burdens. The intensifying competition within the microfinance market, particularly in urban areas, further compresses profit margins and necessitates greater differentiation. Lastly, the limited access to affordable, long-term funding sources within Zimbabwe's constrained financial markets remains a critical external bottleneck, restricting KCI's ability to expand its outreach and offer competitive products. In conclusion, KCI's sustainability is heavily influenced by systemic external risks that demand a highly adaptive and resilient internal operational framework. Its current internal capacities are not fully equipped to consistently withstand these external shocks without strategic interventions.

5.2.2 CONCLUSION ON THE EFFECTIVENESS OF EXISTING SUSTAINABILITY FRAMEWORKS AND THEIR RELEVANCE TO KCI MANAGEMENT CONSULTANCY

The research concludes that existing sustainability frameworks, particularly those emphasizing Financial Self-Sufficiency (FSS), Operational Self-Sufficiency (OSS), Social Performance Management (SPM), and Institutional Sustainability (governance and human capital), are indeed highly relevant to KCI Management Consultancy. KCI's management demonstrates a clear conceptual understanding and a commitment to these benchmarks, recognizing their importance for both financial viability and social mission. The consistent monitoring of FSS and OSS metrics within KCI, often driven by regulatory oversight from the RBZ, confirms their foundational role in assessing financial health. Similarly, KCI's

stated dedication to its social mission and efforts to track social outreach indicators underscore the relevance of SPM frameworks in guiding its non-financial objectives. The emphasis placed on strong governance by KCI's board further highlights the acknowledged importance of institutional sustainability in ensuring long-term resilience.

However, despite their clear relevance, the study concludes that the *effectiveness* of these frameworks in guiding KCI's actual practices is significantly moderated by the practical challenges of implementation within the turbulent Zimbabwean context. While conceptually sound, the rigid application of these global frameworks often proves difficult. For instance, achieving consistent FSS and OSS is severely complicated by hyperinflation and currency volatility, forcing compromises or requiring exceptional operational dexterity. The robust measurement of social impact, a core tenet of SPM, is constrained by resource limitations and methodological complexities, making it challenging for KCI to move beyond basic outreach indicators to comprehensive impact assessment. Furthermore, while the ideal of strong institutional governance is embraced, its full realization can be hampered by resource scarcity and the unique pressures of the local operating environment. Therefore, the conclusion is that while these existing sustainability frameworks provide an essential conceptual compass for KCI, their practical effectiveness is maximized not through rigid adherence, but through a deliberate and innovative process of contextual adaptation. Their value lies in guiding strategic decisions and fostering a mindset of continuous improvement, rather than serving as inflexible mandates.

5.2.3 CONCLUSION ON DEVELOPING A SUSTAINABLE MODEL FOR MFIS IN ZIMBABWE, FOCUSING ON KCI MANAGEMENT CONSULTANCY THAT INTEGRATES BEST PRACTICES FROM THE MICROFINANCE SECTOR

Based on the preceding analysis of internal/external factors and the nuanced effectiveness of existing frameworks, the study conclusively determines that a sustainable model for MFIs in Zimbabwe, specifically tailored for KCI Management Consultancy, must be holistic, adaptive, and deeply integrated with best practices. The fragmented application of isolated sustainability principles is insufficient to navigate the unique challenges of the Zimbabwean microfinance landscape. The research concludes that a truly sustainable model for KCI requires simultaneous and synergistic development across six critical pillars: Adaptive Financial Management with Diversified Funding, Client-Centric and Flexible Product Design, Robust and Proactive Risk Management Strategies, Strategic Digital Transformation, Enhanced Human Capital Development and Governance, and Integrated Social Performance Management.

Each of these pillars is not merely an optional addition but a fundamental requirement for KCI's long-term viability and impact. Adaptive financial management, encompassing dynamic pricing and diversified funding, is crucial for mitigating the pervasive macroeconomic risks. Client-centric and flexible product design is essential for maintaining client loyalty and repayment capacity amidst economic volatility. Robust risk management is non-negotiable for identifying, assessing, and mitigating the myriad of operational, credit, and market risks. Strategic digital transformation offers the most viable pathway to achieving efficiency, scalability, and improved client service. Furthermore, strengthening human capital and governance structures provides the foundational internal capacity for effective leadership, decision-making, and organizational resilience. Finally, integrating social performance management ensures that KCI's financial pursuit remains aligned with its core mission, fostering legitimacy and attracting value-aligned capital. In conclusion, the development of a sustainable model for KCI is not about choosing between financial and social goals, but about strategically integrating best practices across all these dimensions, creating a resilient, adaptable, and impactful institution capable of thriving in Zimbabwe's challenging yet opportunity-rich microfinance sector.

5.3 RECOMMENDATIONS

Based on the comprehensive findings and conclusions drawn from the study regarding KCI Management Consultancy's financial and operational sustainability in Zimbabwe, the following strategic recommendations are proposed. These recommendations are designed to address the identified internal weaknesses and external challenges, fostering resilience and long-term viability for KCI and, by extension, other Microfinance Institutions (MFIs) operating in similar contexts.

Firstly, to directly counter the pervasive impact of macroeconomic volatility, it is strongly recommended that KCI implements highly adaptive financial management strategies. This entails moving beyond static financial planning to embrace dynamic pricing models that can rapidly adjust to inflationary pressures and currency fluctuations, thereby protecting the real value of its loan portfolio and ensuring capital preservation. KCI should explore and adopt advanced financial instruments where feasible, such as inflation-indexed lending or hedging strategies, to mitigate currency risks. Concurrently, a deliberate and aggressive strategy for diversifying funding sources is paramount. Reliance on single or high-cost funding streams leaves KCI vulnerable. It is recommended that KCI actively pursues long-term, patient capital from international development finance institutions, explores partnerships for blended finance solutions, and critically, investigates the feasibility of developing innovative local resource mobilization

mechanisms, such as structured savings products or investment bonds tailored for the Zimbabwean market, where regulatory frameworks permit. This multi-pronged approach to funding will enhance KCI's liquidity, reduce its cost of capital, and provide stability for expansion.

Secondly, in response to the clear demand for client-centricity and flexibility, KCI must undertake a comprehensive review and redesign of its loan products to be inherently more flexible and adaptive to clients' unpredictable income streams. This includes introducing variable repayment schedules that align with agricultural cycles or informal sector cash flows, offering grace periods during documented periods of economic hardship or unforeseen client challenges, and exploring the provision of smaller, short-term emergency loans alongside traditional microcredit. Beyond credit, it is recommended that KCI strategically integrates relevant non-financial services, such as enhanced financial literacy training, basic business development support, and linkages to broader market opportunities. These value-added services not only empower clients to better utilize loans but also foster deeper relationships and improve repayment rates, moving beyond a transactional model to a partnership approach that builds long-term client loyalty.

Thirdly, given the high-risk operating environment, the establishment of robust and proactive risk management strategies is critical. KCI should invest in developing a sophisticated risk management framework that encompasses credit risk, operational risk, market risk, and regulatory risk. This involves strengthening internal control systems, implementing rigorous borrower assessment methodologies that account for macroeconomic instability, and developing clear contingency plans for various adverse scenarios. Regular, comprehensive risk assessments, utilizing predictive analytics where possible, should become a core operational practice. Furthermore, KCI should explore risk-sharing mechanisms, such as credit guarantees or partnerships with larger financial institutions, to mitigate exposure to systemic risks, thereby safeguarding its portfolio and operational continuity.

Fourthly, to enhance operational efficiency, expand outreach, and improve data-driven decision-making, it is strongly recommended that KCI embarks on a strategic digital transformation initiative. This involves a phased but committed investment in appropriate technological infrastructure. Key areas for focus include upgrading its Management Information System (MIS) to allow for real-time data collection, analysis, and reporting, which is crucial for agile decision-making in a volatile environment. The adoption of mobile banking solutions for loan disbursements and repayments can significantly reduce transaction costs, improve convenience for clients, and expand reach into underserved areas. Additionally, KCI should explore digital platforms for streamlined loan applications, client communication, and the delivery

of financial literacy content. While initial investment may be substantial, the long-term benefits in terms of efficiency, scalability, and improved client experience are indispensable for future sustainability.

Fifthly, recognizing human capital as a vital internal asset and strong governance as a foundational pillar, it is recommended that KCI prioritizes enhanced human capital development and governance frameworks. This includes establishing structured, continuous professional development programs for all staff, from frontline loan officers to senior management, focusing on areas such as advanced risk assessment, digital literacy, and adaptive leadership. Retention strategies, including competitive remuneration, performance-based incentives, and clear career progression paths, are essential to maintain a skilled and motivated workforce. Concurrently, KCI's governance structure should be strengthened by ensuring the board possesses a diverse mix of expertise, including financial management, risk, technology, and social development. Regular board training, strict adherence to best practices in corporate governance, and fostering a culture of transparency and accountability from the top down are critical for ensuring sound strategic direction and safeguarding the institution's integrity and long-term viability.

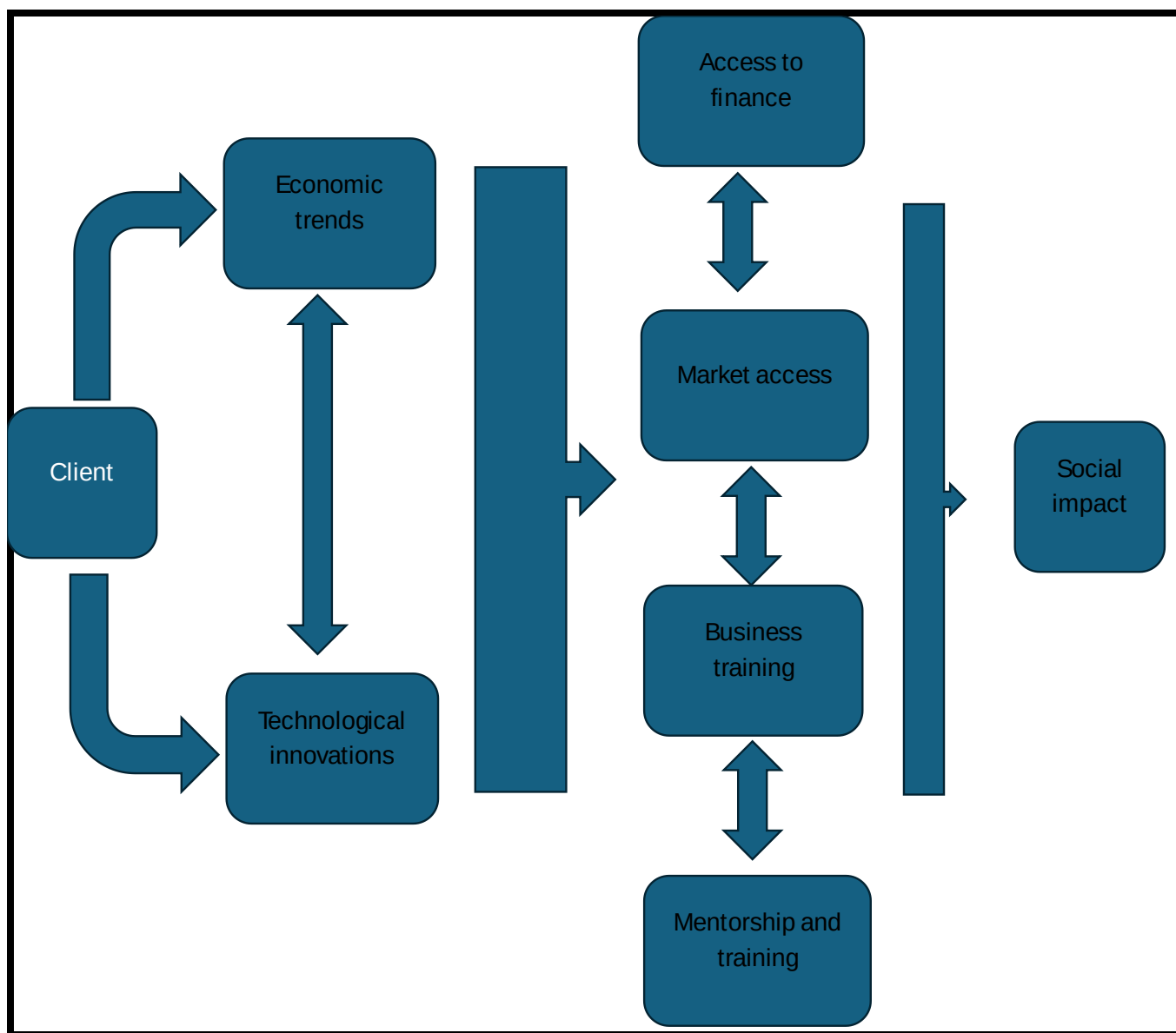
Finally, to fulfill its dual mandate and attract value-aligned capital, KCI must commit to integrating Social Performance Management (SPM) comprehensively into its operations. This extends beyond mere outreach numbers to systematically measuring and assessing its actual impact on client well-being and poverty reduction. It is recommended that KCI develops clear social performance indicators, collects robust data on client outcomes (e.g., changes in income, asset accumulation, household resilience), and utilizes this data to refine its products and services. Transparent reporting on both financial and social performance will not only enhance accountability but also strengthen KCI's legitimacy and appeal to social investors and donors. This integrated approach ensures that KCI's pursuit of financial sustainability remains deeply intertwined with its mission of fostering positive social change, ultimately creating a more sustainable and impactful institution.

5.4 THE KCI SUSTAINABLE MICROFINANCE MODEL FOR ZIMBABWE

Drawing upon the confluence of challenges and opportunities identified in this study, a comprehensive and adaptive sustainable model for Microfinance Institutions (MFIs) in Zimbabwe, with KCI Management Consultancy as its focal point, is proposed. This model is designed not merely as a theoretical construct but as a practical framework for operationalizing resilience and impact in a volatile

socio-economic environment. Conceptually, the model can be envisioned as a multi-layered structure with a Client-Centric Core, supported by Four Strategic Pillars (Financial Resilience, Operational Excellence, Institutional Strength, and Risk Intelligence), all operating within and adapting to the overarching External Environment. The ultimate aim is to achieve both Enduring Financial Viability and Profound Social Impact.

Figure 2 Conceptual illustration of KCI model



Source (Researcher's own compilation utilizing image software)

Explanation of the Model's Components

At the Core of the Model is The Client/Micro-Entrepreneur. This signifies that all strategies, products, and operational processes must be designed with the ultimate user's needs, realities, and vulnerabilities at

the forefront. As microfinance is inherently about empowering individuals and small businesses, a true sustainable model cannot lose sight of its primary beneficiaries. KCI's success will ultimately be measured by its ability to genuinely uplift its client base, fostering trust and loyalty that in turn contribute to repayment rates and sustained engagement. This core emphasizes the value proposition from the client's perspective, advocating for services that are accessible, affordable, relevant, and flexible, allowing the client to thrive even in challenging conditions.

Supporting this client-centric core are Four Interconnected Strategic Pillars:

Pillar 1: Financial Resilience (Adaptive Financial Management & Diversified Funding)

This pillar underpins the economic viability of KCI. It goes beyond simple profitability, emphasizing the capacity to withstand external shocks. It encompasses:

- Dynamic Pricing Models: Continuously adjusted interest rates and fees to account for inflation and currency depreciation, ensuring the real value of the loan portfolio is maintained. This draws from Robinson (2001)'s work on financial sustainability in unstable environments.
- Proactive Portfolio Management: Continuous monitoring of loan quality, aggressive management of arrears, and strategic re-evaluation of lending policies in response to economic shifts.
- Diversified Funding Strategies: Active pursuit of a mix of funding sources, including international development finance, local commercial banks (where favorable), equity investments, and potentially client savings mobilization, to reduce reliance on any single, potentially volatile, source. This aligns with Porteous (2006)'s insights into robust MFI funding structures.
- Strong Capital Adequacy: Maintaining sufficient capital buffers to absorb unexpected losses and support growth, a key regulatory and prudential standard.

Pillar 2: Operational Excellence (Efficient Processes & Digital Transformation)

This pillar focuses on the internal efficiency and scalability of KCI's operations. It seeks to optimize resource utilization and expand outreach effectively. Its components include:

- Streamlined Operations: Continuous review and optimization of internal processes, from loan application to disbursement and repayment, to minimize bottlenecks and reduce administrative costs.
- Strategic Digital Transformation: Phased but committed adoption of technology, including a robust Management Information System (MIS) for data-driven decision-making, mobile banking solutions for enhanced accessibility and reduced transaction costs, and digital channels for client engagement and financial education. This directly addresses the need for efficiency highlighted by Kauffman and Ma (2020).
- Cost Management: Vigilant monitoring and control of operating expenses without compromising service quality or outreach.

Pillar 3: Institutional Strength (Strong Governance & Human Capital Development)

This pillar relates to the foundational organizational capacity and leadership necessary for long-term survival and responsible growth.

- Robust Corporate Governance: An independent and diverse Board of Directors providing strategic oversight, ensuring accountability, transparency, and ethical conduct. This reflects Gonzalez-Vega (2005)'s emphasis on strong institutional foundations.
- Effective Leadership: Visionary and adaptive management capable of navigating complexity, fostering innovation, and steering the institution through turbulent times.
- Continuous Human Capital Development: Investing in ongoing training and professional development for all staff to enhance skills in areas like risk assessment, digital literacy, client relationship management, and adapting to new products. This builds on Conroy (2003)'s views on human resource importance.
- Performance-Based Culture: Cultivating an organizational culture that values performance, learning, integrity, and client focus, supported by fair compensation and clear career paths.

Pillar 4: Risk Intelligence (Proactive Risk Management & Adaptability)

This pillar is distinct due to the extreme volatility of the Zimbabwean context, elevating risk management from a sub-component to a core strategic pillar.

- Comprehensive Risk Framework: Establishing a structured system for identifying, assessing, monitoring, and mitigating credit, operational, market, regulatory, and systemic risks.
- Predictive Analytics & Contingency Planning: Utilizing available data to anticipate potential risks and developing clear contingency plans and crisis response protocols.
- Adaptive Strategies: Embedding a culture of continuous learning and adaptation, allowing KCI to swiftly adjust its strategies, products, and operations in response to unforeseen internal or external shocks. This is critical in the volatile environment as per Lapenu and Zeller (2002).

Surrounding these pillars, and exerting constant influence, is the External Environment. This represents the broader socio-economic, political, regulatory, and competitive landscape in Zimbabwe. The model acknowledges that while KCI cannot control this environment, it must constantly monitor it, understand its dynamics, and adapt its internal strategies accordingly. The successful interplay between the strategic pillars and the responsiveness to the external environment ultimately drives the model towards its overarching goals.

The Ultimate Goals of the Model: Enduring Financial Viability and Profound Social Impact.

These two outcomes are mutually reinforcing and represent the dual bottom line of the KCI Sustainable Microfinance Model.

- Enduring Financial Viability signifies KCI's ability to operate profitably, cover all its costs (including cost of capital), generate sufficient revenue to grow sustainably, and attract necessary funding without perpetual reliance on subsidies.
- Profound Social Impact refers to KCI's effectiveness in achieving its social mission, including reaching the intended target population (depth of outreach), empowering clients, fostering financial inclusion, contributing to poverty reduction, and enhancing the overall well-being of the communities it serves.

The model posits that achieving one without the other leads to an incomplete or short-lived form of sustainability. An MFI that is financially viable but fails its social mission risks losing its legitimacy and unique value proposition. Conversely, an MFI with strong social intent but lacking financial viability will ultimately cease to exist. Therefore, the KCI Sustainable Microfinance Model emphasizes that true sustainability in the Zimbabwean context is the harmonious and dynamic equilibrium between these two critical outcomes, achieved through a client-centric approach supported by the four strategic pillars, all operating with continuous adaptation to the external environment.

5.5 AREAS FOR FURTHER RESEARCH

While this study has provided a comprehensive analysis of KCI Management Consultancy's sustainability within Zimbabwe's socio-economic conditions and developed a tailored sustainable model, several avenues for further research emerge. These areas address remaining gaps in knowledge, explore new dimensions of sustainability, and could offer deeper insights into the complex dynamics of the microfinance sector, particularly in volatile economies. Given the profound impact of hyperinflation and currency volatility highlighted in this study, future research could delve into the effectiveness of specific financial hedging strategies and inflation-indexed products for MFIs in hyperinflationary environments. While the study broadly recommended adaptive financial management, a more granular investigation into the practical implementation, regulatory implications, and client acceptance of such complex financial instruments would be highly valuable. For instance, an in-depth case study comparing MFIs that successfully implement inflation-linked loans versus those that struggle could yield critical lessons. This would build upon existing literature that notes the challenges of pricing in high-inflation environments (e.g., Chikoko and LeRoux, 2012).

The proposed model emphasizes strategic digital transformation. Future research could explore the socio-economic impact of digital financial services (DFS) adoption specifically on microfinance clients in rural and underserved areas of Zimbabwe. This would move beyond the operational efficiency gains discussed in this study to critically assess how DFS affects clients' financial behavior, their ability to manage shocks, and their overall well-being. Research could also investigate the barriers to DFS adoption among different client segments (e.g., gender, age, literacy levels) and explore effective strategies for digital literacy training tailored for these groups, given the observed digital divide (as noted by Mashizha et al., 2025 in their work on rural digital banking adoption).

While the study briefly touched upon the increasing competition in the Zimbabwean microfinance sector, further research could conduct a detailed competitive landscape analysis, focusing on the impact of market saturation on MFI profitability and client over-indebtedness. This could involve comparative studies between different types of MFIs (e.g., traditional, bank-affiliated, digital-first) and their strategies for differentiation and market positioning. Understanding how heightened competition influences lending practices, interest rates, and ultimately, client welfare, is crucial for fostering responsible financial inclusion. This would contribute to the ongoing global debate on market saturation in microfinance, as highlighted by Rabinovych (2023).

The identified challenges in robust social impact measurement. Future research could focus on developing and piloting context-specific, cost-effective methodologies for assessing the genuine social impact of microfinance interventions in Zimbabwe. This could involve longitudinal studies tracking client outcomes, utilizing participatory approaches to capture client perspectives on change, or exploring the application of new data analytics techniques to existing MFI data for inferring social impact. Such research would address a significant gap in the literature and provide practical tools for MFIs to better understand and report on their social performance.

A critical area for further exploration is the role of regulatory policy and its effectiveness in fostering a truly enabling environment for sustainable microfinance in Zimbabwe. This could involve a deeper analysis of the impact of specific RBZ policies (e.g., interest rate caps, reporting requirements, capital adequacy regulations) on MFI operational autonomy, financial innovation, and ultimately, their outreach to underserved populations. Research could also explore the effectiveness of regulatory "sandboxes" or adaptive regulatory frameworks in promoting innovation while safeguarding financial stability, particularly in an economy prone to rapid change. This would contribute to the broader discourse on optimal regulatory approaches for microfinance in challenging developing country contexts, as discussed by scholars like Christen (2001).

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APPENDICES

Appendix 1: Questionnaire for KCI Employees

BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE



1 July 2025

Dear Respondent

My name is Michael Mavhima, a final year student at Bindura University of Science Education at the Graduate School of Business, student number B240167A and doing a postgraduate degree, Master in Business Leadership. As part of my degree program, I am required to do a research project, and therefore request for your assistance to this end. My research project is titled **“A WORKING MODEL TOWARDS SUSTAINABILITY OF MICROFINANCE INSTITUTIONS IN ZIMBABWE (MFIs). A CASE OF KCI MANAGEMENT CONSULTANCY”**. I therefore kindly ask you to respond to the questions provided and the responses will be solely used by myself to complete this research. The questionnaire is made up of mostly open-ended questions, therefore feel free to express yourself in your own words. Your corporation in participating in this interview will be greatly appreciated and all the information you give will be treated in the strictest confidence.

Thank you in advance.

Contacts

Phone: +263 773 236 035; **Email:** michaelmavima@gmail.com

Section A: Background Information of Respondents

Tick [✓] inside the box corresponding to one most applicable answer for each question in this section

1. What is your gender?

Male []

Female []

2. What is your age range?

18-30 years []

31-45 years []

45-60 years []

60+ years []

3. What is your marital status?

Married []

Widow/er []

Divorced/Separated []

Single []

4. What is your level of experience at KCI?

0-5 years []

6-10 years []

11-15 years []

16-20 years []

21-25 years []

26-30 years []

30+ years []

Section B: Internal Factors Affecting Sustainability

3. How would you rate the effectiveness of leadership and governance at KCI Management Consultancy?

- ☐ Very effective
- ☐ Effective
- ☐ Neutral
- ☐ Ineffective

- Very ineffective
4. How adequate is the financial oversight and management in ensuring operational efficiency?
- Highly adequate
 - Adequate
 - Neutral
 - Inadequate
 - Highly inadequate
5. How well does KCI manage the quality of its loan portfolio (e.g., minimizing defaults)?
- Very well
 - Well
 - Neutral
 - Poorly
 - Very poorly
6. Does KCI offer a diverse range of financial products besides loans (e.g., savings, insurance)?
- Yes
 - No
7. How effectively is digital technology used to improve services and reduce operational costs?
- Very effectively
 - Effectively
 - Neutral
 - Ineffectively

- Very ineffectively

Section C: External Factors Affecting Sustainability

- How has the current economic environment (inflation, currency fluctuations) affected your ability to operate or repay loans?
 - Very positively
 - Positively
 - Neutral
 - Negatively
 - Very negatively
- How supportive are the regulatory and legal frameworks governing microfinance in Zimbabwe?
 - Very supportive
 - Supportive
 - Neutral
 - Unsupportive
 - Very unsupportive
- How accessible is capital or funding to KCI to support its operations?
 - Very accessible
 - Accessible
 - Neutral
 - Inaccessible
 - Very inaccessible

- How competitive is the microfinance sector in your area?
 - Very competitive
 - Competitive
 - Neutral
 - Less competitive
 - Not competitive
-

Section D: Sustainability Framework and Model

12. Are you aware of any sustainability strategies or frameworks currently implemented at KCI?
- Yes
 - No
13. How effective do you think these frameworks are in ensuring long-term sustainability?
- Very effective
 - Effective
 - Neutral
 - Ineffective
 - Very ineffective

THE END: THANK YOU FOR PARTICIPATING

Appendix 2: Questionnaire for KCI Clients

BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE



1 July 2025

Dear Respondent

My name is Michael Mavhima, a final year student at Bindura University of Science Education at the Graduate School of Business, student number B240167A and doing a postgraduate degree, Master in Business Leadership. As part of my degree program, I am required to do a research project, and therefore request for your assistance to this end. My research project is titled **“A WORKING MODEL TOWARDS SUSTAINABILITY OF MICROFINANCE INSTITUTIONS IN ZIMBABWE (MFIs). A CASE OF KCI MANAGEMENT CONSULTANCY”**. I therefore kindly ask you to respond to the questions provided and the responses will be solely used by myself to complete this research. The questionnaire is made up of mostly open-ended questions, therefore feel free to express yourself in your own words. Your corporation in participating in this interview will be greatly appreciated and all the information you give will be treated in the strictest confidence.

Thank you in advance.

Contacts

Phone: +263 773 236 035; **Email:** michaelmavima@gmail.com

Section A: Background Information of Respondents

Tick [✓] inside the box corresponding to one most applicable answer for each question in this section

1. What is your gender?

Male []

Female []

2. What is your age range?

18-30 years []

31-45 years []

45-60 years []

60+ years []

3. What is your marital status?

Married []

Widow/er []

Divorced/Separated []

Single []

4. How long is your borrowing relationship with KCI?

0-5 years []

6-10 years []

11-15 years []

Section E: Client-Specific Questions (For Borrowers Only)

5. How satisfied are you with the loan products and services offered by KCI?

- Very satisfied
- Satisfied
- Neutral
- Dissatisfied
- Very dissatisfied

6. How easy is the loan application and approval process?

- Very easy
- Easy
- Neutral
- Difficult
- Very difficult

7. Have you received any financial literacy or business training from KCI?

- Yes
- No

THE END: THANK YOU FOR PARTICIPATING

Appendix 3: Interview Guide for KCI Directors

BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE



1 July 2025

Dear Respondent

My name is Michael Mavhima, a final year student at Bindura University of Science Education at the Graduate School of Business, student number B240167A and doing a postgraduate degree, Master in Business Leadership. As part of my degree program, I am required to do a research project, and therefore request for your assistance to this end. My research project is titled **“A WORKING MODEL TOWARDS SUSTAINABILITY OF MICROFINANCE INSTITUTIONS IN ZIMBABWE (MFIs). A CASE OF KCI MANAGEMENT CONSULTANCY”**. I therefore kindly ask you to respond to the questions provided and the responses will be solely used by myself to complete this research. The interview questions are made up of mostly open-ended questions, therefore feel free to express yourself in your own words. Your corporation in participating in this interview will be greatly appreciated and all the information you give will be treated in the strictest confidence.

Thank you in advance.

Contacts

Phone: +263 773 236 035; **Email:** michaelmavima@gmail.com

Section A: Background Information of Respondents

Tick [☐] inside the box corresponding to one most applicable answer for each question in this section

1. What is your gender?

Male [☐]

Female [☐]

2. What is your age range?

18-30 years [☐]

31-45 years [☐]

45-60 years [☐]

60+ years [☐]

3. What is your marital status?

Married [☐]

Widow/er [☐]

Divorced/Separated [☐]

Single [☐]

4. How long is your borrowing relationship with KCI?

0-5 years [☐]

6-10 years [☐]

Over 10 years [☐]

Section B: Internal and External Factors Affecting Sustainability

17. In your view, what are the key internal factors that influence the financial and operational sustainability of MFIs?

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18. How effective do you find the current governance and leadership structures at KCI in promoting sustainability?

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19. What challenges does KCI face in managing its loan portfolio quality and reducing default rates?

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20. How important is product diversification and innovation (including digital transformation) in sustaining the operations of KCI and other MFIs?

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21. Can you comment on the adequacy of financial oversight and risk management practices within KCI?

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22. How do Zimbabwe’s macroeconomic conditions (e.g., inflation, currency fluctuations) impact the sustainability of MFIs like KCI?

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23. What role do regulatory frameworks and policies play in either supporting or hindering the sustainability of microfinance institutions?

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24. How accessible is funding or capital for MFIs in Zimbabwe, and what are the main challenges in this regard?

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25. How does competition in the microfinance sector affect KCI's ability to remain sustainable?

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Section C: Evaluation of Current Sustainability Frameworks

26. Are you aware of any sustainability models or frameworks currently implemented by KCI or other MFIs in Zimbabwe? Please describe.

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27. How effective are these frameworks in ensuring long-term sustainability while balancing social goals such as poverty alleviation and financial inclusion?

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28. What are the strengths and weaknesses of the current sustainability approaches being used ?

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Section D: Developing a Sustainable Model

14. Based on your experience, what key elements should be included in a working model to enhance the sustainability of MFIs, specifically for KCI?

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15. How can KCI improve its operational efficiency and financial viability without compromising its social mission?



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16. What role do partnerships, technological innovation, and capacity building play in sustaining MFIs?

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17. Are there any best practices from other MFIs or countries that you think could be adapted to the Zimbabwean context?

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Thank you very much for your time and valuable insights.

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THE END: THANK YOU FOR PARTICIPATING

RESEARCH ETHICS COMMITTEE



P. Bag 1020
BINDURA, Zimbabwe
Email : rid@buse.ac.zw

BINDURA UNIVERSITY OF SCIENCE EDUCATION [BUSE]

16 October 2025

Michael Mavhima (B240167A)
Bindura University of Science Education
Graduate School of Business
P. Bag 1020
Bindura

Dear Michael Mavhima

RE: INSTITUTIONAL RESEARCH COMMITTEE ETHICAL CLEARANCE-APPROVAL NUMBER: BUSEREC/0076/2025

Your application for research ethical clearance related to the topic '**A working model towards sustainability of microfinance institution in Zimbabwe: A case of KCI Management Consultancy.**' has been approved and allocated approval Number: **BUSEREC/0076/2025**. You are to quote this approval number for all correspondences inclusive of consent forms and any other documents as and when appropriate. The approval period is as stated below:

Type of Meeting	:	18 th BUSEREC meeting
Approval Date	:	16/10/2025
Expiry date	:	15/10/2026

The project will automatically discontinue on the expiry date. You can apply for renewal three months before the expiry date. The renewal application should be accompanied by a progress report.

You are not expected to make any changes/adjustments to the protocol including the consent documents. Any trials involving drugs, devices and biologics require approval of the Medicines Control Authority of Zimbabwe before commencement. All problems to do with the safety of participants must be reported to BUSEREC (buserec2022@buse.ac.zw) within three (3) working days.

Upon termination of the study, a report has to be submitted to BUSEREC.

Yours sincerely

A handwritten signature in black ink, consisting of a stylized, elongated loop followed by a series of small, connected strokes.

BUSEREC CHAIRPERSON