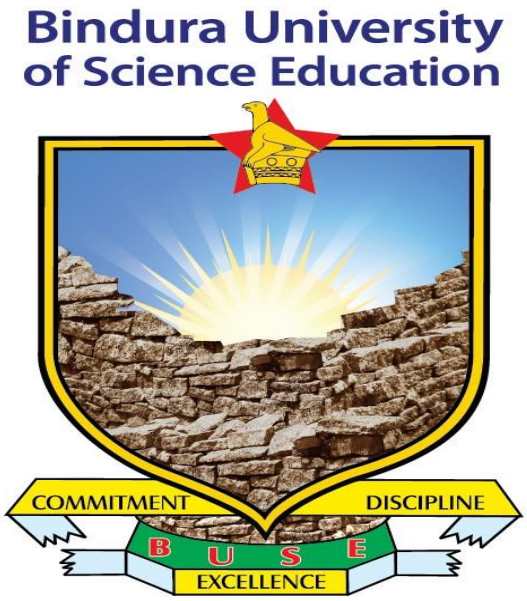


BINDURA UNIVERSITY OF SCIENCE EDUCATION

DEVELOPING NON-TRADITIONAL COLLATERAL MECHANISMS FOR SMALL TO MEDIUM ENTERPRISES FUNDING IN ZIMBABWE

By

CHIHURI MOSES

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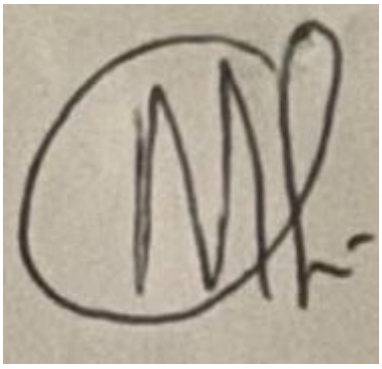
A DISSERTATION SUBMITTED TO THE BINDURA UNIVERSITY OF SCIENCE EDUCATION IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR A MASTER OF SCIENCE DEGREE IN ENTREPRENEURSHIP AND INNOVATION, GRADUATE SCHOOL OF BUSINESS

BINDURA, ZIMBABWE

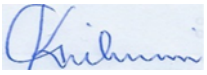
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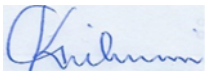
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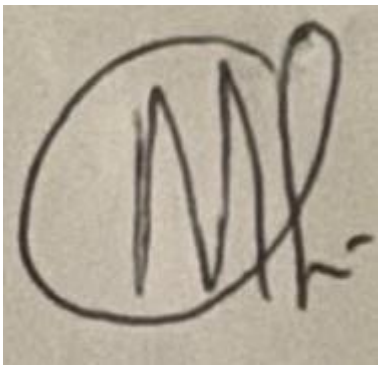
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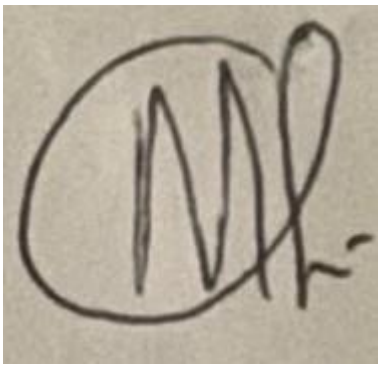
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DECLARATION

I, **CHIHURI MOSES**, hereby declare that this dissertation titled "Developing Non-Traditional Collateral Mechanisms for Small to Medium Enterprises Funding in Zimbabwe" is my original work and has not been submitted previously for any degree or examination at any other university. All sources of information used in this study have been duly acknowledged through appropriate referencing.

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Date: June 2026

DEDICATION

This work is dedicated to my family, whose unwavering support, encouragement, and sacrifices have made this academic journey possible. To my family, for instilling in me the value of education and perseverance. To my spouse and children, for their patience, understanding, and constant motivation throughout this endeavour. Your belief in me has been my greatest source of strength.

ACKNOWLEDGEMENTS

I wish to express my sincere gratitude to all those who contributed to the successful completion of this dissertation.

First and foremost, I extend my profound appreciation to my supervisor, Dr Gilbert Kichini, for his invaluable guidance, constructive feedback, and unwavering support throughout this research journey. His expertise, patience, and commitment to excellence have been instrumental in shaping this work and enhancing its quality.

I am grateful to the Faculty of Commerce and the Department of Entrepreneurship and Innovation for providing the academic environment and resources necessary for this research. Special thanks to the faculty members and staff who offered their support and encouragement along the way.

My sincere appreciation goes to the Reserve Bank of Zimbabwe, the Ministry of Small and Medium Enterprise Development, and the Zimbabwe National Statistics Agency for their cooperation and provision of relevant information. I also acknowledge the financial institutions and SME owners who participated in this study, sharing their experiences and insights that form the foundation of this research.

I am indebted to my family for their unconditional love, understanding, and encouragement throughout this academic pursuit. Their sacrifices and belief in my abilities have been a constant source of motivation.

Lastly, I thank my colleagues, friends, and all who contributed in various ways to the completion of this work. May God bless you all.

ABSTRACT

Small to Medium Enterprises (SMEs) form the backbone of Zimbabwe's economy, yet access to formal finance remains severely constrained due to traditional collateral requirements based on immovable property that systematically exclude the majority of SMEs. Despite progressive legislation including the Movable Property Security Interests Act [Chapter 14:35] and the establishment of a Collateral Registry, a significant disconnect persists between legislative intent and practical impact. This study examined non-traditional collateral mechanisms for SME funding in Zimbabwe, guided by four objectives: exploring constraints hindering SME access to finance, identifying applicable non-traditional collateral mechanisms, analysing the regulatory framework, and examining existing collateral arrangements. The study adopted a pragmatist philosophy and sequential explanatory mixed-methods design. Quantitative data were collected from 36 SMEs in Harare using structured questionnaires, complemented by qualitative data from interviews and document analysis. Findings revealed that traditional collateral requirements remain the most significant barrier to SME finance, directly constraining business expansion and job creation. However, SMEs demonstrated strong willingness to adopt non-traditional mechanisms, particularly movable assets and social collateral. Awareness of the Collateral Registry was alarmingly low at 22.2 percent, with registration processes perceived as complex and costly. Financial institutions continued to demand traditional collateral or treat movable assets as supplementary security. Significant associations existed between legal status and loan approval, with private limited companies achieving 70 percent approval compared to 27.3 percent for sole proprietorships. Micro-enterprises experienced significantly higher financing barriers than larger firms. The study concludes that implementation gaps, low awareness, complex procedures, weak lender adoption, and absence of enforcement collectively undermine policy effectiveness. Recommendations include mandating lender participation in the Collateral Registry, launching aggressive awareness campaigns, simplifying registration procedures, strengthening enforcement, and promoting digital credit scoring. This study contributes empirical evidence from Zimbabwe's unique context, demonstrating that non-traditional collateral mechanisms have significant potential to enhance SME access to finance if implementation gaps are systematically addressed.

Keywords: Non-traditional collateral, SMEs, financing, Zimbabwe, Movable Property Act, Collateral Registry, financial inclusion

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CHAPTER ONE: INTRODUCTION

1.1 Introduction

The chapter commences with an overview of the study and explores the research setting within which the non-conventional collateral mechanisms for SMEs funding is conceived. It gives the background of the study. It draws the attention on how vital SMEs contribute in the Zimbabwe economy and the financial hurdles they consistently battle with. It addresses the statement of the problem, research objectives, research questions and the objectives of the study. This is followed by the scope of the study and its limitations. It also defines important terms before presenting an outline of the dissertation. Consistent with Zimbabwe's Education 5.0 philosophy, this study is explicitly framed as a problem-solving, heritage-based, and knowledge-creating investigation. Education 5.0 extends the traditional teaching, research, and community service mandate of higher education with two additional pillars, innovation and industrialisation, and calls on postgraduate research to generate goods, services, and evidence-based solutions that are rooted in the lived realities and indigenous knowledge systems of Zimbabwean society (Ministry of Higher and Tertiary Education, Science and Technology Development, 2019). This dissertation responds directly to that mandate: it investigates a concrete, locally significant problem, the collateral-driven exclusion of SMEs from formal finance, and it does so by examining not only imported policy instruments such as the Movable Property Act but also indigenous and community-based financial practices, including rotating savings and credit associations and group-based social collateral, that already operate within Zimbabwean communities. Where relevant, subsequent chapters therefore return explicitly to Education 5.0 as an interpretive lens, particularly in the theoretical framework (Section 2.3), the discussion of findings (Section 5.2), and the recommendations (Section 5.4), rather than treating it as an implicit background assumption.

1.2 Background to the Study

Zimbabwe’s economic engine is driven largely by its vast sector of Small to Medium Enterprises (SMEs) that contribute roughly 90% to the country’s business ecosystem, significant employment, and the national gross domestic product (GDP) (Mudavanhu et al., 2011; Zimbabwe National Statistics Agency [ZIMSTAT], 2020). Despite their large number

and considerable influence, SMEs in Zimbabwe remain shackled by a debilitating constraint: access to formal financing. Zimbabwe has a significant share of its firms operating in the informal sector; this share stood at 76.1% of 204,798 establishments in 2020 (Zimbabwe National Statistics Agency [ZIMSTAT], 2020), with informal activity being valued in excess of US$8 billion by the country's central bank (Reserve Bank of Zimbabwe [RBZ], 2020). Lack of formal finance thus remains a perennial barrier to financial inclusion and the participation of businesses in formal economic activity. The financing gap in Zimbabwe's SME sector is still massive; only 7.5% of SMEs had access to bank financing in the latest 2024 figures compared to 5% in 2022 (Chirisa et al., 2024). Consequently, most of Zimbabwe's SMEs rely heavily on expensive, usurious, and oftentimes predatory finance from the informal financial sector. The RBZ (2020) has reported an increase in credit to SMEs from 8,237 loans in March 2024 to 11,927 by the end of December 2024 which can be seen as a positive, although far from sufficient increase, compared to market demand.

One reason for the limited access to credit by Zimbabwean SMEs is the over-reliance on the provision of collateral, typically immobile property such as land and buildings with clean title deeds, to secure a loan (Love et al., 2015). This practice discriminates against majority SMEs that conduct business from rented premises, or operate within areas that do not facilitate easy titling of real property (Mudavanhu et al., 2011; World Bank, 2023). The RBZ Collateral Registry clearly shows the preference of physical assets for lending by depicting 12,978 types of assets collateralised on the registry worth over ZiG56.3 billion ($2.08 billion) by end June 2025, with 4,006 of these items being household goods and 2,597 private vehicles. In essence, this indicates a liquidity-starved environment even at household level where individual consumers are compelled to use movable assets for borrowing.

To overcome the problem of insufficient access to financing, especially with regards to traditional collaterals, the government of Zimbabwe has embarked on substantial legislative and policy reforms. The enactment of the Movable Property Security Interests Act [Chapter 14:35], a piece of legislation aimed at regulating secured transactions in movable property by facilitating the establishment of a Collateral Registry which would allow SMEs to pledge their movable assets including receivables, equipment, machinery, inventory, crops and IP as collateral (RBZ, 2020) modelled on UNCITRAL Legislative Guide on Secured Transactions (International Finance Corporation [IFC], 2022). These reforms have also been anchored under

the National Financial Inclusion Strategy II (2022-2026) which aims at promoting financial inclusion across all sectors with the RBZ developing several programs such as the collateral registry system, credit guarantees and capacity-building for the SMEs (RBZ, 2020).

Despite these reforms, empirical findings indicate a large disconnect between the legal reform objectives and their implementation in practice. Several financial institutions continue to insist on traditional immovable collateral due to lack of confidence in valuation techniques of movable property, challenges in repos session and enforcement of rights on movable assets (Mudavanhu et al., 2011; Maunganidze, 2013). The low awareness levels about the collateral registry among Zimbabwean SMEs remain a pertinent issue, with studies showing fewer than a quarter of such businesses know about the Collateral Registry (Maunganidze, 2020). The complicated and costly processes of registry account creation, technical glitches experienced with the system, cumbersome required documents and the processing time out of synch with the time sensitive nature of business transactions are deterrent factors to SMEs (Kusi et al., 2022; Mago & Muzenda, 2023).

However, emerging developments in the Zimbabwean financial sector offer potential avenues for leveraging non-traditional collateral for financing the SME sector. Ndarama has pioneered an online platform where tokenized real-world assets are used as collateral to access USD through mobile money, whereby small investment amounts can be converted to tokenized property which becomes available for collateralization (Mhlanga, 2023). This facility represents a 50-65% reduction in borrowing costs and targeted at various vulnerable segments such as students, informal workers, small entrepreneurs and communities without traditional access to capital. On another front, Money Mart Finance is pilot testing an AI-powered credit scoring system that does not require collateral to evaluate the creditworthiness of loan applicants. Instead, it leverages on real-time data from the clients' respective business activities and their reputation in the market to produce a credit rating (Mudzingiri & Kembo, 2025). Additionally, the Financial Securities Exchange (Finsec) is facilitating invoice discounting through its Growth Enterprise Market (GEM) portal, allowing SMEs to quickly turn outstanding invoices into readily available capital (Chirisa et al., 2024). These Fintech-driven innovations are transforming business transaction data, payment histories and digital footprints into substitute forms of collateral that mitigate the problem of information asymme try between borrowers and lenders(World Bank, 2023). Against the backdrop of pervasive financing

challenges for SMEs in Zimbabwe, increasingly enlightened legislation that is however not yet effectively utilized, and the emergence of innovative FinTech solutions utilizing non-traditional collaterals, this study aims to rigorously investigate the viability and practical applicability of non-traditional collateral for enhancing SME access to finance in Zimbabwe.

Yet the scaling potential of these fintech innovations should not be overstated. Each of the three platforms currently operates as an isolated pilot rather than as part of an integrated financial infrastructure: Ndarama's tokenised-asset model depends on a critical mass of verifiable, insurable movable assets and on mobile money interoperability that remains inconsistent across networks; Money Mart's AI-driven credit scoring is only as reliable as the transactional data feeding it, which disadvantages the many Zimbabwean SMEs that still transact predominantly in cash; and Finsec's invoice-discounting facility presupposes formally documented receivables that informal and semi-formal enterprises rarely hold. For digital credit scoring in particular to move from a promising pilot to a mainstream financing channel, it would need to be interoperable with the Reserve Bank of Zimbabwe's Collateral Registry, subject to data-protection and consumer-recourse safeguards, and actively underwritten or co-guaranteed by regulated financial institutions rather than operating parallel to them. Without such integration, these innovations risk remaining niche solutions for a narrow band of digitally active SMEs rather than a systemic response to the collateral gap, a tension this study returns to in the discussion of findings and recommendations.

1.3 Statement of the Problem

Despite their crucial role in Zimbabwe's economy and the enactment of the Movable Property Security Interests Act [Chapter 14:35], SMEs' access to formal finance remains critically challenging. Traditional collateral demands which are predominantly based on immovable property systematically disadvantage the vast majority of SMEs who either don't own titled property and work informality (Mudavanhu et al., 2011; ZIMSTAT, 2020). The Collateral Registry created by the RBZ, remains underutilized due to low awareness of its existence and sporadic usage by banks (Maunganidze, 2020; RBZ, 2020). Resultantly, most SMEs resort to high-cost informal lenders, thus perpetuate informality and hinder SME growth, and also limit job creation and economic growth (Mazikana, 2021; Beck & Cull, 2024). Although many studies focus on non-traditional collateral systems in stable, high-income or fast industrializing countries (Love et al., 2015; IFC, 2022; World Bank, 2023) and other African countries such

as Kenya, Ghana and Rwanda (AfDB, 2022; Kusi et al., 2022), a few are on collateral issues in the Zimbabwean context and that the Zimbabwean context is unique. The Zimbabwe economy has faced consistent economic instability, history of hyperinflation, currency fluctuations, a largely informal SME sector (Mudzingiri & Kembo, 2025; Chirisa et al., 2024), the recent Movable property act (2018), and hence previous literature is not of any use on the issue of collateral. Hence the research will analyze both borrower, lender and policymaker challenges with the application of non-traditional collateral mechanisms for SME lending and give policy recommendations in Zimbabwe.

1.4 Research Objectives

The study is guided by the following specific objectives:

1. To explore the constraints hindering access to financing by Small to Medium Enterprises (SMEs) in Zimbabwe.
2. To identify the best non-traditional collateral mechanisms globally and assess their applicability for funding SMEs in Zimbabwe.
3. To analyse the legal and regulatory framework governing SME financing in Zimbabwe, with particular reference to the Movable Property Security Interests Act and the Collateral Registry.
4. To examine existing collateral security arrangements and their impact on SME access to formal finance in Zimbabwe.

1.5 Research Questions

The study seeks to answer the following research questions:

1. What are the key barriers to SME access to finance in Zimbabwe, particularly regarding collateral requirements, and what is their impact on SME growth and sustainability?
2. What non-traditional collateral mechanisms have been successfully used globally, and how applicable are they to the Zimbabwean SME context, considering the unique economic, institutional, and cultural environment?
3. To what extent does the current regulatory framework in Zimbabwe facilitate or hinder the adoption of non-traditional collateral mechanisms for SME financing?
4. What are the existing collateral security arrangements available to SMEs in Zimbabwe, and how do these arrangements affect their ability to access formal financial services?

1.6 Significance of the Study

The research contributes in the following ways. First, it provides unique contextual empirical evidence on collateral mechanisms from Zimbabwe, contributing to filling a gaping economic and geographic gap in the literature (Mudzingiri & Kembo, 2025). The research is one of few empirically oriented studies of non-traditional collateral in a context characterised by macro-economic volatility, a hyperinflationary past, unstable currencies, political uncertainty, and a predominantly informal SME sector (Chirisa et al., 2024; Beck & Cull, 2024). Second, it uses a triangulated mixed-methods approach to combine quantitative evidence of collateral constraints with rich qualitative data from SME owners and a review of existing policy documentation (Creswell & Plano Clark, 2018).

Third, the study provides stark, direct empirical evidence of a large and systemic disconnect between the provisions of the legal and regulatory framework for movable property collateral (Movable Property Act and Collateral Registry) and the reality of accessing Finance in the vast majority of Zimbabwean SMEs (Maunganidze, 2020; RBZ, 2020). More specifically, the research documents the widespread reality of low Collateral Registry awareness, exorbitant transaction costs, complicated registration procedures, non-functional on-line platforms and widespread creditor ignorance. Fourth, it builds on existing and limited demand-side evidence to provide a strong case against the presumption of SME aversion to formal financial institutions, arguing that it is the nature of restrictive and incompatible collateral regulations that is largely to blame for SME exclusion (Mazikana, 2021; AfDB, 2022). Fifth, the study advances evidence-informed and practical recommendations for a range of stakeholders, including the central bank, relevant government ministries, financial institutions, SME associations and other development actors (RBZ, 2020; AfDB, 2022). The research sheds light on financial exclusion more generally in developing economies (particularly in sub-Saharan Africa) by documenting how information, institutional and legal constraints work together to sustain financial exclusion, and outlines specific avenues for reforms.

1.7 Scope and Delimitation of the Study

The research exclusively addresses innovative collateral structures used in facilitating finance for Small and Medium Enterprises in Zimbabwe. For geographic delimitations, this research

was focused only on the city of Harare which is the capital city and the largest of the cities in Zimbabwe. This choice was justified by the high concentrations of small and medium enterprises and financial institutions (ZIMSTAT, 2020). Despite the benefits derived from this delimitation in terms of access to many respondents and representativeness of much of the lending operations; the generalization of findings in this case has limitations to other urban and rural contexts (Saunders et al., 2019).

This is why the present study is restricted to Small and Medium Enterprises within the country's finance system. They comprises: (1) Small and Medium Enterprises that operate within manufacturing, service and agriculture sectors inZimbabwe (ZIMSTAT, 2020), (2) financial institutions such as commercial banks, micro finance institutions, asset-based financiers (RBZ, 2020), and (3) Regulatory institutions involved in SME financing policy formulation including the Reserve Bank of Zimbabwe, the Ministry of Small and Medium Enterprise Development and the Zimbabwe National Statistics agency (RBZ, 2020; ZIMSTAT, 2020). The study restricted to formal and semi-formal Small and Medium Enterprises with a minimum of 12 months in operation, having previously attempted to raise external finance (Mudavanhu et al., 2011). Research cover timeframe the establishment of Movable Property Security Interests Act (2018) to enable an understanding of lending practices as stipulated in current regulations (RBZ, 2020). It should also be noted that the study does not provide an in-depth analysis of the broader macroeconomic forces influencing SME financing. Rather, it discusses the influence of these forces to the extent that they impact the use of collateral (Chirisa et al., 2024; Mudzingiri & Kembo, 2025).

1.8 Limitations of the Study

There are a number of important limitations that must be mentioned to adequately situate the research findings in context. First, the study's geographic focus on Harare, while reasonable due to the concentration of both SMEs and financial institutions (ZIMSTAT, 2020), means that the findings may not fully generalize to financial access barriers faced by firms located in other cities (e.g. Bulawayo, Mutare, Gweru) or rural areas where economic context, asset profile, information access and available infrastructure differ considerably (Chirisa et al., 2024; Mudavanhu et al., 2011). Second, the sample size of 36 SMEs restricts its ability to make statistical inferences about, for instance, complex regression models or to compare statistically defined subgroups by enterprise size, gender, or business sector (Saunders et al., 2019).

Although the use of purposive sampling guided by information-rich cases does, in part, mitigate this weakness by providing rich qualitative data (Patton, 2015). Third, reliance on self-reported information via SME questionnaires increases the likelihood of social desirability bias, the underreporting of internal book-keeping practices and errors in Reporting information such as loan application outcomes (Bryman, 2016). Fourth, this cross-sectional study captures SME financing barriers at a single point in time (Creswell & Plano Clark, 2018). A longitudinal study that tracked the same group of SMEs for 3+ years would provide important insight into the evolving nature of access and collateral problems over time as policies evolved and the economy changed (World Bank, 2023). Fifth, access constraints and a seeming unwillingness by many stakeholders limit to only six such interviews in the study, so that the study relies mostly on SMEs to relay lenders' and regulators' perceptions (Maunganidze, 2020; Mudavanhu et al., 2011). Sixth, Zimbabwe's history of macroeconomic instability, hyperinflation and frequent policy regime change have also shaped SMEs' access to finance in ways not addressed here, which is simply narrowed to collateral, and does not look at exchange rates or hyperinflation (Mudzingiri & Kembo, 2025; Chirisa et al., 2024).

1.9 Definition of Key Terms

Small to Medium Enterprises (SMEs): For the purpose of this study, SMEs are defined as any enterprise with less than 100 people with an annual turn-over greater than US$150,000 as define by ZIMSTAT (2020). Focus is on formal and semi-formal formal enterprises in manufacturing, services and agricultural sectors. Traditional collateral. Those immovables (land and building with certified ownership-title deeds) which have long been used by finance institutions to collateralize on their credit disbursed (Love et al. 2015; WB 2023).

Non-Traditional Collateral Mechanisms: Those collaterals available besides traditional immovable ones such as movable asset (inventory, receivables, machinery, vehicles), intellectual property (future earnings streams) etc. Also include guarantees (credit guarantee scheme, group guarantees etc) and other forms of alternative collateral (such as using data) that can allow individuals to access credit facility (IFC 2022, AfDB 2022). Non-traditional collateral are any legal pledge or facility for collateral that can be used to gain access to formal finance, especially for businesses that do not own immovables, RBZ (2020). Collateral registry; a public database showing any security interest taken over movable property, which is regulated by Movable Property Security Interests Act [Chapter 14:35]and administrated by

Reserve bank of Zimbabwe to help lender to make informed lending decision (RBZ 2020, Love et al. 2015) Information asymmetry: In many cases there is Information asymmetry between the borrower and the lender, where the former has more and better information than the latter which leads to problems of adverse selection and moral hazard (Stiglitz and Weiss 1981, Akerlof 1970). Financial inclusion: Facilitating access for all (individuals and firms), regardless of income or place of residence, to use full and affordable financial products and services meeting their needs delivered in a responsible and sustainable way (World Bank 2023, IFC 2022).

1.10 Structure of the Dissertation

This dissertation is organised into five chapters:

1.10.1. Chapter One Introduction - provides background to the study, problem statement, research objectives, research questions, significance of the study, scope and delimitations of the study, limitations, definition of terms.

Chapter Two - Review of Literature - covers; conceptual framework, theoretical framework, empirical literature organised under three objectives, identifying knowledge gap, chapter summary.

Chapter Three- Research Methodology - ; research philosophy, research design, research approach, population of the study, sampling procedure and technique, methods of data collection and instruments, procedure of data analysis, methods of assessing the validity, reliability and trustworthiness of data, ethical considerations.

Chapter Four- Presentation and Analysis and Interpretation of Data - response rate, demographic variables, reliability Statistics, descriptive statistics relating to each objective, hypothesis Testing (statistical).

Chapter Five- Discussion, Conclusion and Recommendations - includes discussion on important findings; conclusion pertaining to each objective, recommendations to various stakeholders, contribution of the study to knowledge, limitation and suggestions for future study.

CHAPTER TWO: REVIEW OF LITERATURE

2.1 Introduction

In this chapter, a detailed survey of previous studies is presented relating to non-traditional forms of collateral to the financing of small to medium enterprises (SMEs), particularly those in developing countries like Zimbabwe. The chapter has been structured into five sections. Section 1 presents the conceptual framework, in which relevant definitions, of SMEs, traditional, and non-traditional collateral mechanisms, are included. Section 2 outlines the theoretical framework, incorporating a review of various theoretical frameworks, which explore collateral's functions in credit markets and the possibilities of using alternate means of finance. Section 3 outlines the empirical literature, which has been arranged according to the three research objectives: the constraints faced by SME accessing funds, the varieties of non-traditional forms of collateral world over and suitability for Zimbabwe and the legislative structure pertaining to the financing of SMEs in Zimbabwe. Section 4 outlines the knowledge gap emerging from the present literature in an attempt to provide the rationalization for the study. Section 5 provides a summary of the major themes from the present chapter and situates the current study within the context of existing literature.

2.2 Theoretical Framework

This study was informed by three overlapping theories which explain the rationale behind collateral in the credit market and the capacity of alternatives to support financing SMEs. The first is Information Asymmetry Theory that helps explain why collateral is requested in the first place by lenders. The second theory, Financial Intermediation Theory explains how financial institutions can organize financial relationships so as to cut the information and transaction costs and the third theory, Institutional Theory which accounts for why even efficient collaterals are not always used and this reflects issues of institutions including legal systems, organization's culture, trust relations. All the three theories are expected to give a thorough analytical framework which will assist in exploring non-traditional collateral mechanisms in Zimbabwe.

2.2.1 Information Asymmetry Theory

The Information Asymmetry Theory was inspired by the original research of Akerlof (1970) who illustrated the implication of asymmetric information in buyer-seller situations using "the market for lemons". He then extrapolated the argument to the credit market. Information asymmetry explains why credit markets often collapse where information about the repayment likelihood is imbalanced between banks and their customers. Borrowers are aware about their own risk behaviour, intentions and performance of their ventures than lenders; making banks incapable to discern good credit worthiness from bad credit worthiness thereby leading to adverse selection of borrowers. Even if good borrowers get credit, risk behaviour of borrowing could change in the contrary of what was already established by the bank and hence giving rise to moral hazard problems (Stiglitz & Weiss, 1981). Collateral is considered a way to overcome information asymmetry because lenders believe it acts as an incentive for the good borrowers. If a good borrower has an asset they might decide to put it down as a security. Thus, lenders require good candidates to offer Collaterals as a method of signaling their good will.

Information Asymmetry theory suggests that the provision of collateral restricts adverse selection by narrowing down to good loan applicants who put their assets as collateral that they are likely to repay; hence limiting Moral hazard since any failure to pay results in losing collaterals (Stiglitz & Weiss, 1981). The restriction to only the use of such collaterals, most commonly the non-fungible and immutable collateral such as land and buildings (with clear title deeds), tends to preclude SMEs, especially those operating in informal sector, and hence limiting access to finance (Love et al., 2015). In a developing economy like Zimbabwe, where majority SMEs operate informally or semi-formally without much information to support financial needs of traditional financial institutions, there is increased adverse selection and moral hazard risks.

ZIMSTAT (2020) estimates that there are a significant number of SMEs operating on informal basis from homes or on pavements. Lenders, therefore consider immovable assets as traditional securities, but with majority SMEs in Zimbabwe not able to provide this type of security in form of title deeds, SMEs are shut out from formal financial assistance (RBZ, 2020; Mudavanhu et al., 2011). However, movable asset collateral and digital financial services technology offers hope to information asymmetry problem faced by SMEs. Movable asset

registries are important in reducing information asymmetry by facilitating clear, reliable, and comprehensive public databases of security interests granted over movable property. Movable asset registry increases transparency and certainty regarding security rights, thereby empowering lenders to undertake better-informed credit assessments and lending decisions (Love et al., 2015).

Digital finance and alternative data use in SME Credit Assessment is innovative approach which also has the potential to address issues stemming from information asymmetry problem. This could use mobile phone money records, mobile payment data and social media data, to build alternative credit profiles for borrowers who lack a formal credit history, leading to an increased access to finance especially in underserved market segments (IFC, 2022). For instance, mobile money technology use cases in East Africa, have proven that call detail records and mobile money transaction records can be used to extend working capital loans to small businesses, many of whom have never had access to any formal credit before (World Bank, 2023). These cases suggest that it is possible to tackle information asymmetry by creatively collect data and establishing registry, reducing dependency to the traditional immovable collaterals (IFC, 2022; AfDB, 2022).

Information Asymmetry Theory is not, however, without limitations, and a critical reading of the theory is necessary before it can be applied to the Zimbabwean SME context. First, the theory was developed with reference to relatively well-functioning, formalised credit markets in developed economies, and it assumes that lenders are rational, profit-maximising actors whose primary barrier to lending is imperfect information about borrower risk. In Zimbabwe, however, lending behaviour is also shaped by non-informational factors that the theory does not fully account for, including macroeconomic volatility, currency instability, and a legacy of loan defaults during previous banking crises, all of which depress lending irrespective of how much information a lender holds about a given borrower. Second, the theory implicitly treats collateral as a neutral, purely economic signalling device, yet in the Zimbabwean context collateral requirements are also shaped by entrenched lending cultures and organisational routines, a dynamic more fully explained by Institutional Theory in Section 2.3.3 than by information asymmetry alone. Third, and most relevant to this study's second objective, the theory offers a strong explanation for why collateral is demanded but a comparatively weaker account of why lenders would be reluctant to accept credible non-traditional substitutes, such as a movable asset verified on a public registry, once the information problem has in principle

been resolved. This gap between the theoretical prediction, that a functioning registry should unlock lending, and the empirical finding in Chapter 4 that registry-verified assets are still frequently rejected as primary security, suggests that information asymmetry alone is an insufficient explanatory lens for the Zimbabwean case and must be read alongside institutional and trust-based explanations, a point this study returns to in the discussion of findings in Section 5.2 and the critical reflection in Section 5.2.6.

2.2.2 Financial Intermediation Theory

Financial intermediaries can play a valuable role, both in enhancing credit opportunities and facilitating broader access, through effectively using the collateral value embedded within movable assets.15 As originally described by Diamond (1984) and then expanded by Boot and Thakor (1997) upon its micro finance application, financial intermediation theory offers a fundamental explanation of modern banks' and micro lenders' raison d'être. 16 Essentially, financial intermediaries exist to solve two critical problems faced by potential savers and borrowers that prevent their direct interaction in the financial market: The transactions cost arising when savers and borrowers need to locate each other and come to agreement; and the information cost of determining how likely each potential borrower is to honour a debt obligation. If such intermediaries did not exist, every saver interested in making a deposit would need to screen every potential borrower – a prohibitively expensive process. Accordingly, financial intermediaries are the experts in evaluating credit risk, screening borrowers, monitoring their payment performance, enforcing debt contracts, and consequently turning savers into lenders by bringing resources to productive users Diamond (1984). Collateral is central to this efficiency; the collateral allows the intermediary to reduce its losses if the borrower defaults. By increasing collateral value, a borrower's loan has become less costly to service to the lenders because less screening/monitoring costs are required (Boot & Thakor, 1997). Collateral can also help mitigate moral hazard and strategic default by imposing discipline on borrowers when contract enforcement is reliable.

When the government provides reliable contract enforcement and security over collateralizable assets, both screening/monitoring can be minimal and lending may take place at lower interest rates Diamond (1984). Despite financial intermediation theory having highlighted the beneficial effect of collateral for the lender, reliance on traditional collateral is associated with inefficiency. Financial institutions tend to exclude SMEs, even promising ones, because they

lack the necessary immovable collateral such as land or buildings (Boot & Thakor, 1997), thus limit access to a narrow business segment, and such is especially damaging in developing economies due to weak formal property rights and presence of informal economic activities(AfDB,2022; World Bank 2023). The Financial intermediary can improve profitability, diversification potential and availability of lending by 14ollatera collateral values associated with non-traditional asset17(Baryal et al, 2018, Bank & World Bank,2019, AfDB 2022 & etc. 1.

A critical limitation of Financial Intermediation Theory, for the purposes of this study, is that it was formulated primarily to explain why intermediaries exist and how they price risk under conditions of reasonably reliable contract enforcement, rather than to explain intermediary behaviour where that enforcement is weak or uncertain, as is frequently the case with movable asset repossession in Zimbabwe. The theory therefore predicts that lenders should rationally price and accept non-traditional collateral once screening and monitoring costs fall, for example, through a functioning collateral registry, but it offers little explanation for the persistence of blanket institutional preferences for immovable property even where such preferences are, on the theory's own terms, economically inefficient. This theoretical gap is significant: it implies that the efficiency logic of financial intermediation, on its own, cannot account for the empirical findings in Chapter 4, and that institutional inertia, discussed next, is doing at least as much explanatory work in the Zimbabwean context as the transaction-cost logic that the theory foregrounds. The theory's applicability is also constrained by its assumption of a diversified, competitive banking sector; in a market as concentrated and risk-averse as Zimbabwe's post-crisis banking sector, individual intermediaries have limited competitive pressure to innovate around collateral practices, further weakening the theory's predictive power in this specific setting.

2.2.3 Institutional Theory

Institutional theory-largely attributed to the seminal work of North (1990) and further refined by Scott (2014)-argues that economic behaviour is not solely the product of market processes and rational calculation but is heavily shaped by both formal institutions (rules, laws, regulations) and informal institutions (norms, culture, beliefs, trust). The essence of institutions, in this view, is that they provide “the rules of the game,” a structured framework of human interaction that reduces uncertainty and makes economic exchange more predictable

(North, 1990). However, institutions also tend to create persistence-they persist long after they have ceased to be efficient or equitable because actors have invested in existing arrangements, because change is costly, or because informal norms complement the existing formal rules (Scott, 2014). In the SME finance context, institutional theory can explain why traditional collateral models, which may exclude perfectly viable firms, persist even when legal systems are flexible enough to allow for alternatives. This is because banks, as organisations, develop lending cultures, risk-assessment procedures, and organisational routines that become deeply entrenched over time (North, 1990). Lending officers learn to view the valuation of immovable property as the ultimate standard of collateral for loan security, and credit committees at banks expect to review loan applications 15ollateralizat by deeds of ownership. Shifting to lending against movable assets would require new skills for valuation, legal procedures for recovery of assets, and risk-evaluation models, all of which involve learning and transition costs and perceived risks (Scott, 2014). Formal laws may change but informal, deeply embedded norms and institutional practices can resist change, a phenomenon institutional scholars call "decoupling" of rules and practices (North, 1990).

Zimbabwe's recent experience is a case in point,The movable property law [Chapter 14:35] was put in place to create a legal basis for secured transactions in movable property, to establish a collateral registry and allow SMEs to use assets like inventory, receivables and equipment as collateral for loans (RBZ, 2020). Under a formal institutional lens, this reform ought to foster SME financing. But empirical observations on adoption of the movable property law in Zimbabwe reveal that uptake remains low. The RBZ (2020) note that most banks are still demanding immovable collateral for loan security, pointing to difficulties in valuation of movable assets, recovery processes and uncertainty of legal enforcement. The limited uptake of the movable property law was also attributed to low SME awareness, conservative lending cultures, risk-averse banking practices, and lingering distrust between banks and SMEs as a result of past loan defaults (Maunganidze, 2013; Mudavanhu et al., 2011). Institutional theory also underscores the role of informal institutions.

In many contexts, it is the informal relations, often found among business associations and rotating savings and credit associations (ROSCAs), in which trust and social networks are embedded, which can replace formal collaterals and other institutional mechanisms for assurance (Musanzikwa, 2014). Informal lending methods often operate on a reciprocal basis,

built on personal relationships and informal codes of conduct, reflecting that collateral itself is just one mechanism that replaces trust and information asymmetry. The policy implications derived from an institutional perspective are therefore not only limited to legal changes, but must involve measures that reinforce institution-building at several levels including developing bank capacity to assess and lend against movable property, creating better mechanisms for enforcement of legal claims on such assets, fostering trust through information sharing and enhancing SMEs awareness on their available options for funding, thereby strengthening institutional infrastructure to support finance for SMEs (Scott, 2014; AfDB, 2022).

Institutional Theory itself is not immune to critique. Its concept of institutional persistence is sometimes criticised for being better at explaining why change fails to occur than at specifying the conditions under which it eventually does, which limits its usefulness for designing interventions rather than merely diagnosing barriers. Applied uncritically, the theory could also be read as deterministic, implying that entrenched lending cultures are all but immovable; this study does not adopt that reading, and instead treats institutional persistence as a strong tendency that purposeful, well-resourced policy action, of the kind recommended in Chapter 5, can plausibly shift over time. Read through the heritage-based dimension of Zimbabwe's Education 5.0 philosophy, the informal institutions referenced above, business associations, rotating savings and credit associations, and community-based social collateral, are not merely a second-best substitute for formal finance but an existing, indigenous risk-management infrastructure with its own norms of accountability and reciprocal trust. Rather than treating these informal arrangements only as a backdrop to formal-sector reform, a heritage-conscious institutional reading suggests that policy and product design should actively build on them, for example, by allowing group-verified reputational standing within an established savings association to substitute for part of the documentation burden currently required for Collateral Registry registration, or by using community leadership structures as trusted intermediaries in awareness campaigns. This possibility is developed further in the recommendations in Section 5.4.

2.3 Review of Empirical Literature

2.3.1 Barriers to SME Access to Finance Related to Collateral Requirements

Numerous empirical studies show that the biggest obstacle to SMEs' access to finance in developing economies is collateral requirements. A cross-country study by Love et al. (2015)

of secured transaction reforms shows that firms in countries that had movable collateral registries were 8 per cent more likely to obtain bank credit than firms that had not implemented such registries. Smaller firms, and those who didn't own property officially, had the most benefits, which implies that collateral systems systematically exclude the exact same enterprises which could boost employments and innovation (Love et al., 2015). Similarly, it is estimated by the IFC (2022) that about 40 per cent of formal SMEs in developing economies were subject to financing challenges due to shortcomings in collateral arrangements, whereas the overall global financing gap for SMEs exceed over US$5 trillion.

In Sub-Saharan Africa the financing constraint is even higher. According to the African Development Bank (AfDB, 2022), SME accounts for up to 60–80 per cent of GDP in the region, but has the highest financing gap of any region globally. The region faces challenges from structurally weak financial sectors such as underdeveloped credit information systems, weak secured transactions legislation, and extremely conservative banks (AfDB, 2022). Early experiences from Ghana, Nigeria, and Kenya where movable collateral registries have been introduced are encouraging for credit access among SMEs, yet challenges regarding enforceability and lender adoption have limited the effectiveness (AfDB, 2022). Specifically for Zimbabwe, Mudavanhu, Bindu, Chigusiwa, and Muchabaiwa (2011) identified that restricted access to credit arising from stringent collateral requirements contributed to poor performance among many SMEs in Bindura. The Reserve Bank of Zimbabwe (2020) states that most SMEs in the country do not possess title deeds or other forms of collateral in form of immovable property, thus excluding them from access to credit. The high levels of default (estimated between 20 and 30 per cent) have further contributed to increased risk aversion on the part of lenders and has created a vicious circle. Recent work also shows the multi-dimensional nature of collateral barriers; Mazikana (2021) found that financial constraints affect firms across all sectors negatively and emphasized the crucial role of financial access. The difficulty in the valuation of assets, the high cost of transacting, the extensive time taken to realize the value of security in legal proceedings, coupled with lenders reluctance to lend based on non-conventional forms of Collateral contributed to limited financial access among SMEs in a study in Maseko and Manyani (2011). The evidence collectively reveals that collateral challenges go beyond asset scarcity to being enmeshed within institutional, legal, and information constraints that need systemic reforms (World Bank, 2023).

2.3.2 Global Non-Traditional Collateral Mechanisms and Applicability in Zimbabwe

There is extensive empirical evidence on the wide variety of non-traditional collateral mechanisms that have been successfully used in different countries around the world. Collateral registries that record ownership and claims on movables are the best known. Studies in Eastern Europe and Central Asia have shown that an increase in the number of registry transactions can increase the probability of obtaining a bank loan by between 7-10% for firms lacking physical collateral (Love et al. 2015).

Similarly in China and India, collateral registries for inventory, accounts receivable and equipment have shown a broad increase in the range of viable borrowers and a reduction in lending risk thanks to improved transparency and certainty of priority of lenders, the value and enforceability of movable collateral, (Love et al. 2015 and IFC, 2022). A second group are credit guarantee schemes which generally rely on some state or donor backing to provide a partial loan guarantee against potential borrower default. The AfDB (2022) notes that schemes in a number of countries including Malaysia, Chile and South Korea have provided improved access to finance for SMEs without a high default experience, provided that the design of the guarantee and associated support functions were robust and involved risk-sharing, appropriate criteria for eligibility and some form of borrower support and monitoring. In Africa, guarantee schemes in Nigeria, and Kenya for example, have been positive though with mixed results, success dependent on whether institutional capacity was in place and lenders chose to engage, (AfDB, 2022). New to this landscape of mechanisms are digitally-enabled solutions; fintech often relies on transaction data from mobile money platforms or bill payments to enable new approaches to assessing credit risk without the need for traditional collateral, (World Bank, 2023). A dramatic proliferation of mobile money and associated financial technology platforms across East Africa has provided opportunities for digital lenders to offer short term credit (often for working capital) to many previously unbanked small businesses, but has also raised issues around interest rates, predatory practices and data privacy, (IFC, 2022). Group lending and social collateral approaches have long been the bedrock of the microfinance sector and have the potential to offer a basis for SME lending. Group lending uses joint liability to ensure loan repayment, social collateral involves using the social reputation of a group as the effective form of security, providing for very high repayment rates among groups of unbanked individuals (Mazikana, 2021).

In the informal economy in Zimbabwe rotating savings and credit groups (ROSCAs) provide for informal savings and credit using social collateral and could offer models for the formal sector, (Musanzikwa, 2014). Opportunities and Challenges for SME Collateralisation in Zimbabwe the collateral registry for movable assets recently introduced by the RBZ (2020) is well aligned with international standards, although its adoption by lenders and SMEs could benefit from wider awareness-building, better systems for asset valuation, recovery, and legal enforcement. Earlier work suggests SME government support programmes had produced variable results, reflecting institutional weakness and delivery issues (Maunganidze 2013), with high SME reliance on informal systems (Musanzikwa 2014) signalling an informal gap between the policy and the practice. This points to a need for context-specific implementation of global mechanisms which carefully addresses institutional deficiencies and the erosion of trust that currently marks the environment for 19ollateralization in Zimbabwe (RBZ, 2020, ZIMSTAT, 2020).

2.3.3 Regulatory Framework for SME Financing in Zimbabwe

Financing for SMEs in Zimbabwe relies on regulatory instruments such as the Movable Property Act [Chapter 14:35], the Microfinance Act [Chapter 24:29] and policy directives from the Reserve Bank of Zimbabwe (RBZ, 2020). The Movable Property Act strives to create a legal structure for security interests that may arise in transactions involving collateral collateral. It aspires to make transactions possible across movable collateral as well as to simplify how security interests over movable collateral assets may be created, perfect, priority, and enforceability thereof through collateral registry systems. It accords to principles such as the UNCITRAL Legislative Guide on Secured Transactions. The Act is a regulatory innovation aimed to give lending greater flexibility in movable collateral. Nevertheless, it is understood that considerable amount of time lapsed between the passing of the Movable Property Act and the real practice thereof in banks. This is attributable to the conventional and conservative attitudes by banks towards their collateral requirements. They rather prefer to lend on the basis of collaterisation on the conventionally known immovable collateral since its valuation, and appropriation or possession in the case of default are easier than on movable collateral (Mudavanhu et al., 2011). RBZ (2020) also admits the limitations of the Movable Property Act in its application due to the lack of awareness on information availability between SMEs and lenders as well as inadequate enforcement mechanisms.

The Microfinance Act [Chapter 24:29] covers regulations for Micro-Financing Institutions (MFIs). The MFIs are some of the primary sources of alternative financing for SMEs that are rejected by commercial banks. According to the act MFIs must obtain a license to operate and meet the prudential standards set by RBZ (2020) as well as adhere to consumer protection measures. Empirical evidence on the performance of the MFIs points out to the fact that although MFIs contributed in extending the financial sector to a part of the SMEs, the developmental performance of mfis in developing countries is limited due to the high-interest rates charged as well as limited time period for micro loans (Maunganidze, 2013; Maseko & Manyani, 2011). As for alternative collateral provisions, the Microfinance Act offers less flexibility compared to the Movable Property Act. This might be a historical aspect, as it is believed that the main collateral for micro-loans in Zimbabwe, prior to the introduction of the Movable Property Act, were group, personal and social collateral instead of physical collateral(Musanzikwa, 2014). Various other factors continue to inhibit the optimum operation of the financing sector for SMEs in Zimbabwe.

Macroeconomic instabilities such as the high rate of inflation, currency depreciation and financial fragility create a volatile operating environment, making lenders more cautious and demanding a higher collateral for security(RBZ, 2020). Inadequacies in financial literacy, bureaucracy and corruption in schemes targeted at SMEs and absence of proper credit information sharing infrastructure make it hard for SMEs to meet the collateral requirements and qualify for financial services (Maunganidze, 2013; ZIMSTAT, 2020). Lending institutions' aversion to new forms of collateral is also fueled by factors like mistrust stemming from history of non-repayment by past borrowers and absence of adequate legal frameworks to recover advanced capital (Mudavanhu et al., 2011). Thus, despite some efforts towards progressive regulatory arrangements for financing SMEs in Zimbabwe, many factors compromise the effective application of these reforms, both in practice through lender behavior and in the external operating environment.

2.3.4 Summary of Knowledge Gaps in Existing Literature

Findings from the empirical review provide a summary of existing knowledge gaps as follows (1) a significant body of literature exists on non-conventional collateral methods in developed and developing contexts (Love et al., 2015; IFC, 2022; World Bank, 2023) but only few empirical studies specifically focus on assessing their viability and performance in the unique

Zimbabwean context, moreover the existing Zimbabwe specific studies (Mudavanhu et al., 2011; Maseko & Manyani, 2011; Musanzikwa, 2014) precede the passing of the Movable Property Act 2018 so they cannot offer insights into current lending practices under present regulations; (2) previous research tend to address lender-driven or SME-driven supply and demand-side factors in silos, lacking integrated analyses that explicitly explore the interactions between them (Mazikana, 2021; Maunganidze, 2013); (3) the body of literature for Zimbabwe heavily relies on small scale qualitative case studies or descriptive survey approaches, with a shortage of research employing mixed methods that integrate quantitative data with in-depth institutional analysis (Creswell & Plano Clark, 2018); (4) limited research exist regarding the utilization rates of the Zimbabwean collateral registry and factors that either enhance or obstruct adoption of the collateral registry system among SMEs and lenders; (5) an insufficient comparative analyses were conducted that critically assess the effectiveness of various forms of non-conventional collateral (e.g., movable assets, digital scores, group lending, guarantees) in a comprehensive single study to help policy-makers to understand their respective strengths and weaknesses. The present study aims to contribute towards filling this knowledge gaps by undertaking a comprehensive examination of current trends and best practices in the use of non-conventional forms of collateral in Zimbabwe by adopting a mixed-methods approach incorporating lender, borrower and policy maker perspectives.

2.4 Conceptual Framework

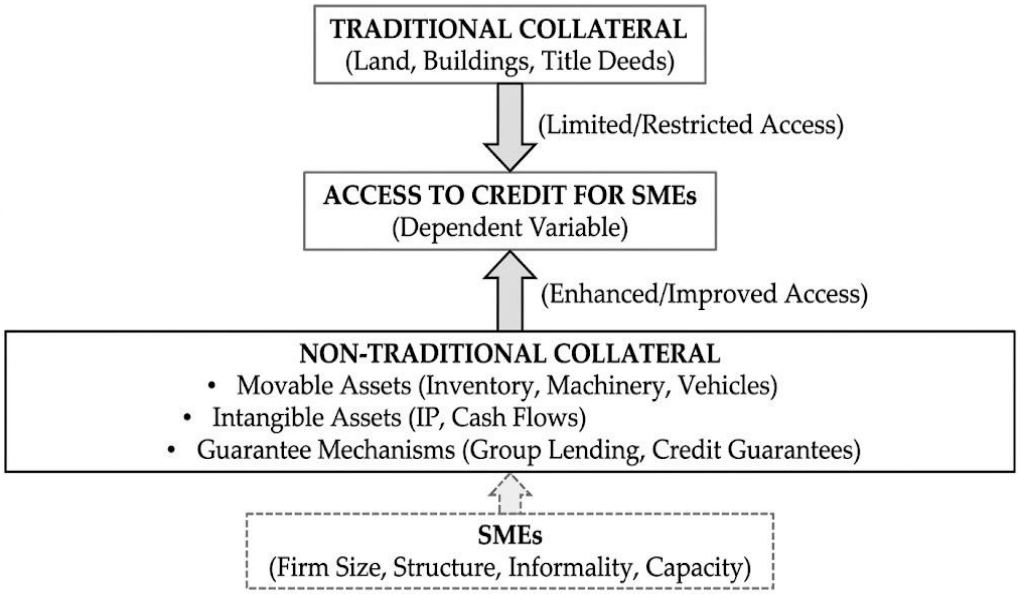


Figure 2.1: Conceptual Framework for the Influence of Non-Traditional Collateral Mechanisms on SME Access to Formal Finance in Zimbabwe (Author's Construct, 2026)

This study's conceptual framework is structured around three connected elements: small to medium sized enterprises (SMEs), traditional collateral, and non-traditional collateral mechanisms. SMEs are referred to as enterprises employing less than 100 individuals with an annual turnover above USD 150,000 according to the Zimbabwe National Statistics Agency (ZIMSTAT, 2020), while Maphosa (2014), Maseko and Manyani (2011) have advanced slightly different definitions centering more on smaller business sizes. Traditional collateral refers to immovable property namely land and buildings which are accompanied by certified property ownership documentation; which have always been utilized by the financiers as collateral for loans that they disbursed (Love, Martnez Pera, & Singh, 2015).

This is usually problematic for a majority of SMEs in less developing countries as a result of operating in rented properties, without legal property rights or simply operating informally (World Bank, 2023). Conversely, the new non-traditional collateral mechanisms includes the collateral available besides the traditional Collateral; these are movable assets which include inventory, machinery, receivables and vehicles; intangible assets such as Intellectual property and future earnings flows; guarantees, credit guarantee and group guarantee mechanisms (IFC,

2022) These are a new way of moving away from asset lending to cash- flow and character based lending where lenders are willing to offer credit on the back of their borrower's transactions history, future performance and credit record supplemented and or replaced by the requirements for physical collateral (AfDB, 2022). We propose in this study that non-traditional collateral is any legal pledge or collateral facility that allow access to formal finance for firms that do not have movable assets so that their engagement in the economy is facilitated (RBZ, 2020).

It should be acknowledged that the conceptual framework in Figure 2.1, as originally drawn, depicts a linear, one-directional relationship running from non-traditional collateral mechanisms to SME access to finance. This simplification is analytically useful for structuring the study's objectives but understates the complexity of the phenomenon under investigation. In practice, the relationship is better understood as cyclical and mutually reinforcing rather than linear. Improved SME access to finance can, over time, allow enterprises to accumulate the very assets, formal registration, and credit history that make them more attractive to lenders in the first place, creating a feedback loop; conversely, exclusion from formal finance perpetuates informality and asset-poverty, which in turn reduces the pool of registrable movable collateral, a vicious cycle documented in the findings in Chapter 4 and discussed further in Section 5.2. The framework also does not, in its original form, explicitly represent the institutional dynamics that mediate this relationship, including lender risk culture, regulatory enforcement capacity, and information dissemination, nor does it capture the role of trust, both interpersonal trust of the kind that underpins group and social collateral, and systemic trust in banks and regulators, which the theoretical framework in Section 2.3 identifies as central to institutional theory. A more complete framework would therefore situate non-traditional collateral mechanisms and SME access to finance within a feedback loop moderated by institutional trust and regulatory enforcement, rather than as a single unidirectional arrow. This refinement does not invalidate the original framework's usefulness for organising the study's four objectives, but it is a necessary qualification that the reader should bear in mind when interpreting the findings that follow.

2.5 Chapter Summary

This chapter has established the theoretical and empirical review of the non-traditional forms of collateral for Small and Medium Enterprises (SMEs) financing in Zimbabwe. Conceptual categorization of collateral into traditional (immovable property) and non-traditional (movable

assets, guarantee, digital score, and social collateral) was undertaken with the explanation of the latter playing a central role in bridging financial inclusion in Zimbabwe. Theories Information Asymmetry Theory (Stiglitz & Weiss, 1981), Financial Intermediation Theory (Diamond, 1984) and Institutional Theory (North, 1990) assisted in justifying the use of collateral in credit markets and also to outline what makes for certain non-traditional collateral to be attractive or attractive in alternative models. Empirical research conducted (as guided by the three research questions) showed clear evidence that for most of developing economies in general and for Zimbabwe in particular (Love et al., 2015; RBZ, 2020; AfDB, 2022), collateral was and still is by far the major hurdle for SMEs financing. This is even so much true for SMEs financing in developing economies, where movable property registries, credit guarantee, digital scoring and social collateral have been seen to be working effectively and stimulating credit access for SMEs in more developed nations, yet they have been observed to be facing numerous difficulties in Zimbabwe. Some of these hurdles include traditional mindset on the part of institutions to favour what is established and understood, unavailability of data or inadequate data to rely on, difficulties to enforce contractual rights when a default occurs, economic instability that is prevalent, etc. (Mudavanhu et al., 2011; Maunganidze, 2013; Musanzikwa, 2014). Zimbabwe currently has legal frameworks for utilising alternative collateral which include the Movable Property Act and the Microfinance Act. However, effective use of these legal frameworks is not widely practiced due to various gaps that have remained unfilled even with the existing regulations. A few knowledge gaps can be seen with the most pertinent ones, namely, absence of current research focusing on alternative collateral specifically for the Zimbabwean context; lack of longitudinal and inclusive cross-stakeholder approach in research concerning non-traditional collateral in Zimbabwe; non-existence of a comparative study that has attempted to analyze various alternative collateral models holistically and comprehensively. Therefore, this study aimed to fill this research gap by providing the best available context-sensitive evidence and related policy and business recommendations for efficient use of alternative non-traditional collateral for SME finance in Zimbabwe.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides an account of the research methodology that will be followed in the study aimed at exploring non-traditional collateral mechanisms for SME financing in Zimbabwe. It sets out the philosophical position of the research, research design and approach, the sampling frames and the techniques used, the data collection modes and instrumentations, data collection methods and procedures for analysis, together with procedures for ensuring validity, reliability and trustworthiness, ethical guidelines for the research were also set out. The methodology is structured to answer the research objectives and questions developed in Chapter One the main ones of which being: to explore the constraints hindering access to financing by Zimbabwean SMEs, to identify the best non-traditional collateral mechanisms globally for funding SMEs and finally to identify and analyse the legal framework regulating financing of SMEs in Zimbabwe. In conformity with the proposed mixed-method approach in Chapter one this chapter outlines in great details how data both quantitatively and quantitatively will be gathered, processed and mixed to produce reliable triangulated evidence and result (Creswell & Plano Clark, 2018; Saunders, Lewis, & Thornhill, 2019).

3.2 Research Philosophy

The study will operate under a pragmatist research philosophy (Saunders et al., 2019). Research philosophy describes the beliefs and assumptions we hold about how we should develop knowledge in order to undertake research (Saunders et al., 2019). A pragmatist research philosophy supports the concept of "reality," but instead of having a one true way of viewing research it recognizes multiple realities and multiple perspectives can be explored simultaneously. It is widely believed that a pragmatist approach works best for mixed-method research, because they do not favor either quantitative positivist or qualitative interpretivist approaches, and can utilize whatever methodology or combination of methodologies is best for the specific problem or questions you are interested in (Creswell & Plano Clark, 2018).

There are three main reasons for employing a pragmatist philosophy for this study: firstly, the research problem necessitates an examination of both the objective financial dimensions of loan approval, collateral registry utilisation, and collateral requirements, and the subjective

aspects of how the institutional and regulatory environment influences lender perceptions of SME risk, SME strategies for gaining access to formal credit, and SME experiences with the existing credit markets, as such an approach allows for use of both methods to answer the questions (Saunders et al., 2019). Secondly, SME financing in the Zimbabwean context occurs within a multifaceted and dynamic institutional framework, where formal laws interact with informal norms, and trust and organisational culture play significant roles, an environment from which knowledge can only effectively be generated through multiple ways of knowing rather than a solitary approach (Morgan, 2014). Thirdly, given that this study will aim to contribute practical policy and strategic recommendations for the government, the formal lending sector, and SME owners; the inherent focus on the practical application of research findings aligns closely with pragmatism's goal to produce knowledge that has utility for decision-making in the real world (Tashakkori & Teddlie, 2010). The ontological assumptions employed here include beliefs in objective realities (e.g., the legal framework, the existence of the registry) and socially constructed realities (e.g., lender perceptions, SME trust), while epistemologically this study assumes that knowledge comes about through practice and the triangulations of findings.

3.3 Research Design

A research design describes the overall plan and framework for answering the research questions, including how each type of data would be prioritized, ordered, and integrated (Creswell & Plano Clark, 2018). This paper uses a sequential explanatory mixed-methods approach to address the research question; it includes quantitative data followed by qualitative data for explanation and elaboration, and if needed, to challenge the results from quantitative data. The choice of sequential explanatory design for this study is based on four rationales: First, the study intends to capture the general patterns of financing constraints and collateral demand among SME firms in the sample space (Creswell & Plano Clark, 2018). Secondly, based on those quantitative patterns, the researcher can interview loan officers and regulatory authorities, with an aim to comprehend how these patterns arise (Love, Martnez Pera, & Singh, 2015).

Thirdly, based on qualitative emphasis to explore quantitative findings, the study prioritizes qualitative explanations of any quantitative patterns, this design choice reflects an understanding of behavioural aspects of financial use which would not be fully analysed

without qualitative enquiry. Finally, within the timeframe and budgetary resources available for a master's thesis, it was important to adopt a design which enables the collection of two data samples and would be manageable and practicable to implement within two phases (Saunders et al., 2019). The quantitative phase of the study would require the collection of data using self-administered structured questionnaires from SMEs. This would involve collecting data from SME owners/managers about their experiences with getting loans from financiers, the nature of collaterals often imposed by financial institutions, and the extent of SME access to non-conventional financing and the challenges encountered (Mudavanhu, Bindu, Chigusiwa, & Muchabaiwa, 2011).

The qualitative phase will consist of semi-structured interviews with both commercial banks loan officers and policy implementors at the Ministry of Finance and at the central bank as well as representatives from other financial sector participants like MFIs and Asset-based lending firms. The qualitative component of the research is anticipated to illuminate reasons behind the financing and collateral pattern previously documented by the qualitative part of the research(Saunders et al., 2019; Bowen, 2009). In an attempt to strengthen the validity and reliability of the study findings, the study also uses document analysis to complement the collected data. This includes policy documents, existing financial sector policy guidelines, and available information from collateral registries and relevant government reports (Bowen, 2009).

3.4 Research Approach

A research approach relates to the overall approach to the research process, and how far the study tests existing theoretical arguments or develop new theoretical propositions (Bryman, 2016). This study uses the deductive research approach for quantitative component and inductive approach for the qualitative component based on the pragmatic philosophy and sequential explanatory design. The justification for using dual approach lies in the following: In the quantitative phase of the study, use is made of existing theory(Information Asymmetry Theory, Financial Intermediation Theory, institutional theory) and existing empirical studies at global literature to derive specific hypotheses about the relationship between collateral constraint, firm characteristics, and access to finance. The intention is to determine whether the pattern of collateral constraints for Zimbabwe is similar to those obtained by similar studies from similar economies in other developing countries (Saunders et al,2019) by using

hypothesis testing and by so determining the generalizability of established knowledge. In the qualitative part of study, an inductive reasoning approach is to be adopted so that any themes, issues or theories emerge inductively from data itself, and are not imposed by preexisting framework. (Bryman, 2016). The inductive rationale would be appropriate to understand more why the non- traditional collateral work in Zimbabwe: lender responses, their perception of collaterals as substitutes in lending to SMEs are a response to a specific context in Zimbabwe and are possibly to a greater extend influenced by local history , politics, culture and social context that the existing literature might not address in the manner needed (Creswell and Poth 2018). The use of deductive and inductive thinking process is an added advantage

3.5 Population of Study

The target population comprises all elements (individuals, organisations, or documents) that possess the characteristics relevant to the research objectives (Saunders et al., 2019). This study targets three distinct populations within Zimbabwe's SME financing ecosystem, as summarised in Table 3.1.

Table 3.1: Target Population Characteristics

Population Group	Description	Key Characteristics	Estimated Size
SMEs	Enterprises operating in manufacturing, services, and agriculture sectors in Harare	Formal or semi-formal registration, operational for at least 12 months, seeking or have sought external finance	50,000+ (ZIMSTAT, 2020)
Financial Institutions	Commercial banks, microfinance institutions, and asset-based lenders providing SME financing	Active SME lending operations, located in Harare, minimum 2 years of SME lending experience	Approximately 45 institutions (RBZ, 2020)
Regulatory Bodies	Government and quasi-governmental	Direct involvement in policy formulation, implementation, or	Approximately 10 departments/agencies

	institutions overseeing SME financing policy	monitoring of SME financing frameworks	

Table 3. 1: Target Population Characteristics

3.5.1 Small to Medium Enterprises (SMEs)

The SME sample will consist of registered and semi-registered enterprises in the capital and largest city of Zimbabwe, Harare. Harare was chosen on the basis of it having the highest concentration of SMEs and financial institutions in Zimbabwe, thus providing easy access to respondents and representing the bulk of lending. The target sectors for study are manufacturing, services, and agriculture due to the different collateral opportunities that exist within these sectors. SMEs within manufacturing will often offer equipment and inventory as collateral. Services tend to have few hard assets, though they typically offer receivables for finance. A firm in the agricultural sector could offer livestock and or agricultural implements as collateral. (African Development Bank, 2020) In addition, in order to achieve firms that have dealt with collateral requirements at least 12 months, the firm is expected to have secured a loan at least once before or be actively pursuing it.

3.5.2 Financial Institutions

The population of financial institutions to be involved in this study consist of commercial banks, micro finance institutions (MFIs) and asset based lending institution in Zimbabwe who are involved with financing of SMEs. Zimbabwe has an approximate of 15 commercial banks, 120 regulated microfinance institutions, and a few specialized asset-based lenders which offer lending services across the nation (Reserve Bank of Zimbabwe, 2020). Selection will be based on lending volume to SMEs, and geographical location(which has been limited to Harare as per section 3.5.1).

3.5.3 Regulators

The regulatory sample is composed of those regulatory bodies that set the standards for, enforce or monitor policies on SME financing. This sample includes, among others: the Reserve Bank of Zimbabwe (through its Collateral Registry Unit and Financial Stability Department), The Ministry of Small and Medium Enterprise Development, and the Zimbabwe National Statistics Agency (which collects data through economic census on small and medium enterprise).

The key officials from these departments may possess information on the drivers behind collateral policy reforms, challenges associated with policy implementation, and data available regarding the use of the registry system and SME finance. 3.6 Sampling Methods and Procedure Sampling involves drawing a representative part of a population that may then be studied in order to draw general conclusions about the whole population (Saunders, et al, 2019). In this research, both the quantitative and qualitative study will employ purposive sampling technique. This is because this sampling is characterized by the selective picking of participants due to their unique characteristics which makes them significant for providing relevant information needed in a study.

Purposive sampling has been utilized as the purpose is to present a holistic view of SME collateral usage rather than generalize findings. Lending to SMEs and collateral usage by businesses can be interpreted as phenomenon's which contain unequal access to knowledge distributed across different groups of people in varying contexts and contexts. (Patton, 2015).

3.6.1 SME Sampling

Within the population of SMEs will utilize stratified purposive sampling to get respondents with varying business sectors (manufacturing, service and agriculture), sizes, and experience with financial institutions.

The study anticipates obtaining approximately 40 SMEs as per Table 3.2.

Sector	Number of SMEs	Justification
Manufacturing	15	Possess movable assets (machinery, inventory, equipment) suitable for non-traditional collateral
Services	15	Fewer physical assets but potential for receivables, contracts, or intellectual property collateral
Agriculture	10	Unique collateral types (crops, livestock, equipment) and significant role in Zimbabwean economy
Total	**40**	

Table 3. 2 : SME Sample Distribution

SMEs will be identified via trade associations such as the Confederation of Zimbabwe Industries, Zimbabwe National Chamber of Commerce, SME directory listings, or referrals from Financial Institutions. SMEs will be included if they have been in operation for at least 12 months, have accessed outside finance in the last three years, and meet any other criteria such as being registered and operating from a formal location.

3.6.2 Financial Institution Sampling

For financial institutions, purposive sampling will be used to ensure diversity of lender types and the extent of engagement with non-traditional forms of collateral. The financial institution sample will comprise around twelve organisations from three broad lender types, comprising four commercial banks (comprising one each from large, medium, and small bank segments), five microfinance institutions (due to historical practice in alternative forms of collateral such as group and social collateral), and three asset-based lenders (specialist lenders in movable asset finance). The specific personnel interviewed will be those responsible for SME lending decisions such as senior loan officers, credit managers or risk managers in their respective institutions.

3.6.3 Regulatory Official Sampling

For the regulatory sphere, approximately eight individuals will be purposefully selected due to their job descriptions being aligned with the financing of SMEs, operation of collateral registries, or regulation of the financial system. These will be based on their titles and evidential input into the development of relevant policy and procedures in their respective agencies and their potential for providing relevant commentary on implementation challenges and available monitoring data. The sample will draw from the Reserve Bank of Zimbabwe, the Ministry of Small and Medium Enterprise Development and, where possible, the Zimbabwe National Statistics Agency.

3.7 Data Collection Methods and Procedure

Two distinct phases of data collection will occur in sequence, consistent with a sequential explanatory design approach. The first phase involves the quantitative data collection from SMEs through the administration of structured questionnaires, followed by a second phase of qualitative data collection from financial institutions and regulatory officials through semi-structured interviews, supported by document analysis. 3.7.1 Phase 1: Quantitative Data Collection (SME Questionnaires) Structured questionnaires will be administered to owners/managers of SMEs either in person or through email or online survey platforms as per participant preference. This survey questionnaire is designed to obtain demographic information about SMEs, information regarding their experiences with the financial sector in terms of financing, requirements for collateral and familiarity with/use of non-traditional collateral mechanisms, along with perceived barriers to access. The questionnaire will utilise closed-ended question formats including Likert scales, multiple choice, yes/no, and a few open-ended questions to facilitate richer comments. This questionnaire will be pilot-tested with five SMEs to ascertain clarity of questions, cultural relevance, and estimated time to complete the survey. Responses will be anonymous, unless participants volunteer to be contacted for the qualitative phase.

3.7.2 Phase 2: Qualitative Data Collection

(Interviews and Document Analysis) After analysis of Phase 1 quantitative data, semi-structured interviews will be conducted with a representative from each participating financial institution and regulatory officials. The interview guides have been formulated based on the patterns observed in the quantitative findings to address specific issues raised. For instance, if there are significant indicators that the SME community is unaware of the movable collateral registry, the interviews will probe how institutions communicate about such options and what challenges hamper their utilisation. Interviews are intended to be scheduled conveniently for participants and will be held either in-person or through secure video conferencing, lasting between approximately 10-15 minutes. Interviews will be audio-recorded (with participant consent) and transcribed; where recordings are not possible, detailed notes will be taken. The interview protocol with financial institution representatives includes their current lending practices and collateral requirements; their experience with movable and non-traditional collateral mechanisms; risk assessment procedures and requirements; their perception of the

Movable Property Act and collateral registry system; perceived impediments to adopting movable and non-traditional collateral; and suggestions for improvement for policy or operational procedures. For regulatory officials, the interview protocol will inquire about the intentions behind the Movable Property Act; current status of the movable collateral registry operation and utilisation statistics; how SME financing policies are monitored and evaluated; perceived hurdles in encouraging the use of movable and non-traditional collateral; interactions between various regulatory bodies; and future directions for policy. Document analysis will serve as a complement to interview data. Documents will be carefully examined to capture policy-relevant information; policy directives may include but not be limited to the Movable Property Act, Microfinance Act, Reserve Bank of Zimbabwe Financial Sector Reports, operational directives from collateral registry administrators, World Bank and IFC country-specific reports for Zimbabwe, and existing SMEs policy frameworks. Bowen's (2009) method of analyzing policy documents through consideration of its context, content and effect will be utilized; thus, Findings will be triangulated with information derived from interviews and the survey questionnaire.

3.8 Data Collection Instruments

The study employs three primary data collection instruments:

3.8.1 SME Questionnaire (Quantitative)

The SME questionnaire is a structured instrument comprising five sections:

Section	Content	Number of Items	Question Types
A	Business demographics	6	Closed-ended
B	Financing history and current status	8	Closed-ended, Likert scale
C	Collateral experiences	7	Closed-ended, multiple response
D	Awareness of non-traditional mechanisms	5	Yes/No, Likert scale
E	Perceived barriers and recommendations	4	Likert scale, open-ended

Table 3. 3: SME Questionnaire (Quantitative)

3.8.2 Interview Guides (Qualitative)

A set of separate semi-structured interview guides was constructed for both financial institution officials and regulatory authority personnel. The guides contained approximately twelve to fifteen open ended questions categorized under relevant themes and including probes for elaboration.1 1 Bryman (2016) suggests that interview guides should be formulated in a way that is flexible, enabling the interviewer to pursue emergent and relevant topics which might have not been initially considered. The guide to financial institutions focused on issues pertaining to lending processes and procedures, requirements for acceptable collateral, experience with the alternative or non-traditional types of collateral, the manner in which these institutions assess the risks involved, their perspectives on the Movable Property Act, and their challenges towards its adoption. In turn, the interview guide for the regulators addressed questions pertaining to their policy objectives, implementation process of the movable property registry, data relating to its use and the challenges being encountered in monitoring and evaluation processes and institutional dynamics in the system. All interview guides are flexible in their formulation in order to suit the particular respondent's function, role and the level of their specific technical expertise. This provides space for discussion of issues which are of particular concern to the participant, yet which might not have been anticipated by the researcher.

The Movable Property Registry, the Movable Property Law and SMEs. The interview questions are structured in such a way as to encourage the interviewer to respond to emergent issues that are of significance to the respondent but which the interviewer might have not been anticipating. (Bryman, 2016). This gives leeway to deviate or expand on an emerging issue and follow pertinent lines of inquiry as well as allowing space to follow the respondent's unique contribution without stifling their thoughts and ideas. The interview guide to the financial institutions covered the following topical themes: procedures followed when sanctioning loans, type of collaterals sought, engagement and experience with alternative collaterals, assessment of credit risks, views on the Movable Property Act, and any impediments to the utilization of the Act.3 3 For the regulators the interviews covered: policy objectives behind the Act; status of its operationalization; utilizati statistics on the movable property registry; supervision and monitoring; cross-institution partnerships and perspectives on future policy direction. (Ibid).

3.8.3 Document Analysis Framework

A document analysis framework (attached as Appendix D) was adopted to systematically collect information on policy documents pertaining to SME financing and collateral issues in Zimbabwe. The framework includes, among others, the title of the document, the author/publisher, date of the document, the main purpose of the document, relevant aspects of SME financing and/or collateral systems highlighted, the implementation status reported in the document, challenges acknowledged in the document and conclusions from evaluation studies, if any.2 The analysis was systematically carried out across all selected documents, and documented in an organized and readable manner, to provide a basis for comparing and contrasting findings, identifying the common themes, disparities, and policy gaps. (Bowen, 2009).3.8.2 Interview Guides (Qualitative) A pair of distinct semi-structured interview guides were prepared to collect data from representatives of financial institutions and officers in the regulatory authorities, respectively. Both the guides consist of approximately twelve to fifteen open-ended questions arranged according to thematic areas and inclusive of probe questions for in-depth responses.

Questions within the guides were formulated to be versatile to enable the interviewer to probe into emergent and significant issues which might have possibly emerged unanticipated during the interview process, following the guidance offered by Bryman (2016) about open ended questions. The interview guide for the financial institution personnel was centered on topics relating to lending processes, criteria for acceptability of collateral, experiences with alternative and non-traditional collaterals, assessment methodologies and approaches towards risk exposure in lending, perspectives regarding the Movable Property Act, and obstacles impeding its implementation. Similarly, for the officials in the regulatory bodies, questions on policy goals and intentions, current state of operation and usage of the collateral registry, frequency and extent of utilized statistics, challenges faced in supervision and evaluation, interconnecting institutions, and future policy objectives. All the instruments developed have been tailored to be flexible considering the specific mandate and the relevant expertise of each individual interviewed so as to remain on track yet allowing scope for exploration of any important, unexpected issues the participants may raise.

3.8.3 Document Analysis Framework

A systematic framework to review the relevant policy documents related to SME financing and collateral systems in Zimbabwe has been developed and is presented in Appendix D. This framework was designed to capture key elements from the selected policy documents including the document type, the authors/publishers, the date of its issuance, its purpose, pertinent details on financing mechanisms for SMEs and collaterals, implementation status whenever applicable, mentioned limitations and challenges and the outcomes of any evaluation reports. This method ensured a systematic treatment of each document and made it feasible to identify common issues, contradictory arguments or policy vacuum. (Bowen, 2009). The process of analysis was undertaken across all policy documents, and a summary prepared using this document analysis framework to allow for comparability.

3.9 Data Analysis Procedures and Methods

The process of analyzing data will follow the stages of the sequential explanatory design. The Quantitative analysis of data would be first carried out followed by qualitative analysis before the integration of findings from both methodologies. This structure allows for quantitative results to be available for the collection of data from both types of data. This process aims at reducing potential research biases. The Quantitative Data Analysis The data gathered through the questionnaire Survey would be entered in SPSS software version 27 or Stataversion17 to be analyzed quantitatively. Descriptive statistical procedures will be carried out to summarize the gathered data. These may include calculating frequencies and percentages for the discrete variable for example proportion of SMEs with insufficient collateral or with knowledge on the existence of the movable asset'sregistry and the mean median and standard deviations for continuous variables e.g. Loan amount requested and disbursed, length of time in operation and turnover rates. Crosstabulations analysis will be conducted to determine whether there is a relationship between the categorical variables like SME's sector, SME's size, number of years SME has been operatione.g.and the binary variable, loan approval rates, amount collateral asked foretc. Where sample sizes permit, we shall useinferentialstatistical analyses, such as thechi square($\chi 2$)test and t-test (for testing the means of one group against the mean of another, and between the same groups). For this study for example, will have one test of association and another test for differences between means to establish the hypothesized relationship between a variety of independent variables (sme's characteristics e.g. Sector, Size, Number of years in

operations and its effect on loan approval) and the dependent variables (loan amount and security requirement). Significance level will be setat $p<0.05$. All output will be represented in the form of tables and figures and discussed in the narrative part of the thesis.

The Qualitative Data Analysis Qualitative data obtained from interviews with SME's owner/manager and also through the field notes, will under go the maticanalysis(Braun & Clarke, 2006). This type of qualitative data analysis consists of following6phases to determine whether certain relationships exist and how to establish them. In the phase one (familiarisation), the researcher will first gain access to the data by going through the transcribed interviews, audio material recordings, notes taken by the field worker and others so as to acquire a broader feel of the data there by identifying initial topics or ideas. The second phase involves (generating initial codes) identifying key and relevant features and summarizing them by assigning a descriptive code name to these features, then the third phase involves (searching for themes), the coded data are sorted into common categories/broad topics that represent potential themes. The fourth (reviewing of themes), involves examining the potential themes and if they were adequately supported by data then the researcher will look for new data and revise the initial data that would support them. During the (definition and naming themes) phase, a concise and clearly formulated statement defining what the theme encompasses, will be derived, the themes identified will also be explained and named. In phase sixth, we(producing of the report)themes and associated content will be interpreted and will be presented by using illustrative quotations in order to enable other readers and potential researchers understand the phenomenon being explored.

The software NVivo version 12 would be used to enhance coding and management of themes, by facilitating storage, retrieval, coding and retrieval of textual data. In the event of utilizing more than one coder, inter- code reliability will be computed. This means that data will be analyzed by more than one person. Contradictory evidence and unique cases will not be neglected or excluded, they should be acknowledged and considered during the reporting phase of the research, since those could strengthen the overall credibility of findings. Integration of quantitative and qualitative data Itis important that the researcher integrate both quantitative and qualitative findings by way of triangulation during data interpretation phase.

To achieve these, will follow the following strategies. One; Joint Displays- will place quantitative data alongside relevant qualitative themes or extracts in order to Illustrate and explain how Qualitative data support (explain, elaborate on) or contradict quantitative results. Two: Weaving -will combine qualitative and quantitative findings into a single narrative discussion. The narrative will present quantitative and qualitative results simultaneously .it will also incorporate quote from the qualitative data. Three: Contrast and Comparison-will present the findings from two data sources in juxtaposing mode-either by presenting together or separately then comparing it, identifying points of agreement and disagreement, highlighting discrepancies and reconciling them. (Creswell & Plano Clark, 2018)

3.10 Research Validity, Reliability, and Trustworthiness

Ensuring quality in mixed-methods research requires attention to validity and reliability in the quantitative component and trustworthiness in the qualitative component, with additional attention to integration quality as emphasised by Bryman (2016) and Lincoln and Guba (1985). Each dimension of quality is addressed systematically below.

3.10.1 Quantitative Validity and Reliability

Validity of questionnaire Content validity will be maintained through the formulation of questionnaire items grounded in theories of Information Asymmetry, Financial Intermediation and Institution. For construct development items will be borrowed from validated instruments from previous studies on SME access to finance such as from Love et al.,(2015). In order to test relevance and intelligibility, the questionnaire is subject to expert review of the supervisor and two scholars engaged in research on SME finance prior to distribution to SMEs. Construct validity will be based on definitions of construct of interest in this research and multiple items measuring each of them so as to carry out internally test. Reliability The internal consistency of scales using more than one item will be assessed by Cronbach's alpha coefficient; an alpha of 0.70 and above represents acceptable levels of internal reliability. A pre-testing survey will be carried out with 5 SMEs before fully administration; problem items will either be removed or revised.

3.10.2 Qualitative Trustworthiness

This is determined through the four criteria as proposed by Lincoln and Guba, (1985); namely, Credibility, Dependability, Transferability, Confirmability; equivalent of internal validity, reliability, external validity and objectivity respectively. Credibility will be ensured by triangulation (cross-checking information from various sources, namely the SMEs, the banks/financial institutions, regulators and documents, SME owners, loan officers, policy-makers, and documentary information. Member checks will also be part of a credible study.

Prolonged engagement with the field, the research site and the data will enhance dependability. Transferability will be established through detailed accounts or "thick descriptions" of the study context. Finally, confirmability, refers to whether findings can be authenticated by someone else and could correspond to objectivity; the audit trail (a meticulous record of all aspects of the research, including decision trail of audit trail), thick description and reflexivity, is a key tool to maintain confirmability. In addition, respondent validation will ensure the accuracy and authenticity of the researcher's interpretations of the qualitative data. 3.10.3 Mixed-Methods Integration Quality According to Onwuegbuzie & Johnson (2006) three legitimacy criteria (sample, outside-inside and weakness minimisation criteria) will guide the overall integration of the mixed-methods study. Sample legitimacy will be assured through detailed justification and explicitness in the size and method used in selecting participants. The outside-inside legitimacy will guide the presentation of research finding, ensuring that the perspectives of the researcher(s) are distinguished from the perspectives of the participants. Weakness-minimization legitimises mixed methods by ensuring that strengths of one method compensate the weaknesses of other method; by mixing approaches the one provides alternative but complementary perspectives, and this may offset or reduce the effect of weaknesses of other approach.

3.11 Ethical Considerations

The research will be conducted in accordance with ethical standards of the University's Faculty of Commerce Research Ethics Committee and wider principles of social research ethics as described by Bryman (2016). Because the study involves human beings and will involve access to confidential financial information of participating parties and individuals, stringent attention to ethics must be paid to ensure participants' welfare and the credibility of the research.

3.11.1 Informed Consent

Prior to the commencement of the study and the collection of any data, every participant will be provided with a participant information sheet (as detailed in Appendix E), outlining the purpose of the study, what their participation will involve, how long it will take, the risks and benefits associated with taking part, procedures relating to their data, how confidentiality will be maintained, and that their participation is entirely voluntary. Every participant's written informed consent will be obtained prior to commencing with any data collection; this consent will attest to their understanding of all procedures involved in their participation. Each participant will also be informed about their right to withdraw from the study at any stage without penalty or explanation, and that, should they withdraw before data analysis is completed, any data previously supplied will be destroyed.

3.11.2 Confidentiality and Anonymity

The data and personal information of participants will be kept confidential throughout the research process and in all reporting procedures of results. All identifiers such as names of individuals, company names and location details will be deleted from the datasets and will be replaced by coded references which only the researcher can match to the participants. In the reportage of the results, the participants will be identified in general terms e.g. 'an SME owner from the manufacturing sector', 'a senior loan officer of a commercial bank'.Quantitative data presented will be presented in aggregated tables and figures where individual contributions cannot be identified and direct quotations will be presented anonymized.

3.11.3 Data Security

All information, including survey responses, tape recorded interviews, transcripts and field notes collected during the research, will be stored in a secure manner on a password protected computer, with encrypted back-up files to prevent unauthorised access. Only the researcher and his/her supervisor will be able to access this data. Data will be retained for 5 years following dissertation submission, as per University policy, after which time all electronic files will be destroyed irrevocably through a data deletion program.

3.11.4 Institutional Approval

All relevant necessary approvals will be obtained before the initiation of any data collection activities. These will include ethical approval from the University's Faculty of Commerce Research Ethics Committee in relation to a research protocol covering this study. Where appropriate, official approvals will be sought from the Reserve Bank of Zimbabwe, and the Ministry of Small and Medium Enterprise Development for interview access to some of their personnel or officials. Approvals will also be requested from each selected financial institution for interviewing staff members from within each organisation.

3.11.5 Avoiding Harm

The proposed research is low risk; there are no sensitive aspects of the investigation, no illegal actions and the proposed questions are not particularly inflammatory. Nonetheless the researcher was observant at all times for signs of unease amongst interviewees, for instance where questions regarding denied lending facilities or personal financial distress cause discomfiture. If such signs are detected the researcher will suspend the interview, allow for skipped questions to be avoided or abandon the interview altogether if necessary. The participants will not be over-incentivized to participate in the study; a contribution to travel costs may be paid where applicable to the extent it does not provide duress.

3.11.6 Avoiding Deception

Participants will be completely informed as to all aspects of the study, its aims, funding, use of data, intended recipients of the research and limitations of the investigation; at no stage will any attempt be made to deceive or mislead any participants. The researcher's affiliation with the University, the purpose of the study and its academic basis will be communicated clearly in all communications with potential participants and limitations discussed honestly in the thesis.

3.12 Chapter Summary

This chapter has provided details about the adopted research methodology to examine non-traditional collateral mechanisms for financing Small and Medium Enterprises (SMEs) in

Zimbabwe. A pragmatist philosophical stance and a sequential explanatory mixed method research approach will be adopted for data collection: first, quantitative data on SME financing through the use of a self-administered questionnaire from SME business owner/managers, then secondary qualitative data will be gathered from financing institutions' management and relevant regulatory officials on policy and regulatory aspects. The collection will be then supplemented with secondary data through document analysis. The main target population would include SMEs operating in manufacturing, services and agricultural sectors within Harare; the financing institutions that engage in the lending activities to SMEs, and the regulatory bodies that administer policies related to the financing of SMEs. Non-probability, purposive sampling technique would be utilized in selecting about 40 SMEs, 12 financing institutions and 8 regulatory officials. The data thus collected would be analyzed using appropriate quantitative analysis techniques, which include descriptive statistics and inferential statistics through using the SPSS software. The qualitative data collected would be systematically analysed through content analysis to be further processed using Braun and Clarke (2006) approach by thematic analysis using NVivo software. Validity, reliability and trustworthiness of the findings of the research will be enhanced by employing different techniques like the content validity index assessment of the questionnaire items, measuring the reliability of questionnaire with Cronbach's Alpha, employing triangulation, member checking, establishing an audit trail and reflexivity on the part of the researcher. Appropriate ethical considerations such as obtaining informed consent from participants, maintaining anonymity and confidentiality, protecting the privacy and ensuring data security and safe custody, securing Institutional approval before proceeding with the data collection process and avoiding harm to the participants would be followed throughout the study. The developed and utilized methodological approach is expected to enable a comprehensive investigation to produce triangulated findings to support the answer to research questions and generate information useful for policy formulation and implementation by financial sector regulators, financial institutions, and policymakers in order to facilitate non-traditional collateral-based financing mechanisms for SMEs in Zimbabwe.

CHAPTER 4: DATA PRESENTATION, ANALYSIS, AND INTERPRETATION

4.1 Introduction

This chapter shows the data collected on non-traditional collateral for SMEs financing among the 40 Small and medium Enterprises in Harare, Zimbabwe. The data are analysed and discussed and are summarized at the end of the chapter. This chapter opens with a description of the response rate for the data collected, demographic details of the 40 SMEs. Then it is the Cronbach alpha coefficient to measure the reliability of research instrument and descriptive statistics on the sample data and to test the hypothesis in line with the study objectives and the discussion is followed by a brief review of the findings.

4.2 Response Rate

Thirty-six completed, valid structured questionnaires were returned of the total of 40 distributed to owners/managers of manufacturing, services, and agricultural SMEs in Harare, with a 90 percent response rate (36/40). The response rate can be explained by the methodology adopted where information-rich participants were purposefully selected, and several visits were made to ensure complete return of questionnaires (Saunders, Lewis & Thornhill 2019). The 90 percent response rate is satisfactory to surpass typical standards in business research of 50-70 percent and hence minimizes the nonresponse bias and the risk that the responses are not representative (Bryman 2016). The response rate, therefore, enhances reliability of findings and generalisation of the results that follows regarding financing constraints to SMEs in Harare (Mudavanhu et al., 2021).

4.3 DEMOGRAPHIC ANALYSIS.

This sub-section provides a demographic background of the 36 SMEs in the study; industry of operation, years of operation, employees size, and type of legal status. Understanding the profiles of the SMEs will be valuable as access to funds, and collateral varies with years of operations, size, and industries of firms (ZIMSTAT, 2021).

4.3.1 Sector of Operation

Sector	Frequency	Percentage (%)
Manufacturing	14	38.9
Services	15	41.7
Agriculture	7	19.4
Total	36	100.0

Table 4. 1: Distribution of SMEs by Sector (Author's Construct, 2026)

Table 4.1 showing distribution of responding firms according to sectors (N=36) Data interpretation Table 4.1 shows that out of the 36 responding firms, 41.7 per cent operate in the service sector, 38.9 percent in the manufacturing sector and 19.4 percent in agriculture. This is commensurate with the general characteristics of Harare's SME sector wherein services and manufacturing have been observed to contribute the most due to enhanced markets and urban development (ZIMSTAT, 2021). The significant proportion of service sector firms is important as such businesses usually lack tangible movables such as equipment and have more intangibles in the form of contract and other non-tangible collateral forms, as service companies usually possess intangible rather than tangible assets as in service operations where clients require more service than physical commodities (Mazikana, 2022). It is expected that manufacturing firms also participated adequately in this survey because of their potential for movable collateral in the form of inventory and machinery (Love et al., 2020). The under-representation of the agricultural sector (19.4 percent) may be due to the fact that Harare is generally a urban centre, but SMEs in the agriculture sector also have various forms of movable collateral such as cattle, maize etc (African Development Bank, 2021).

4.3.2 Years in Operation

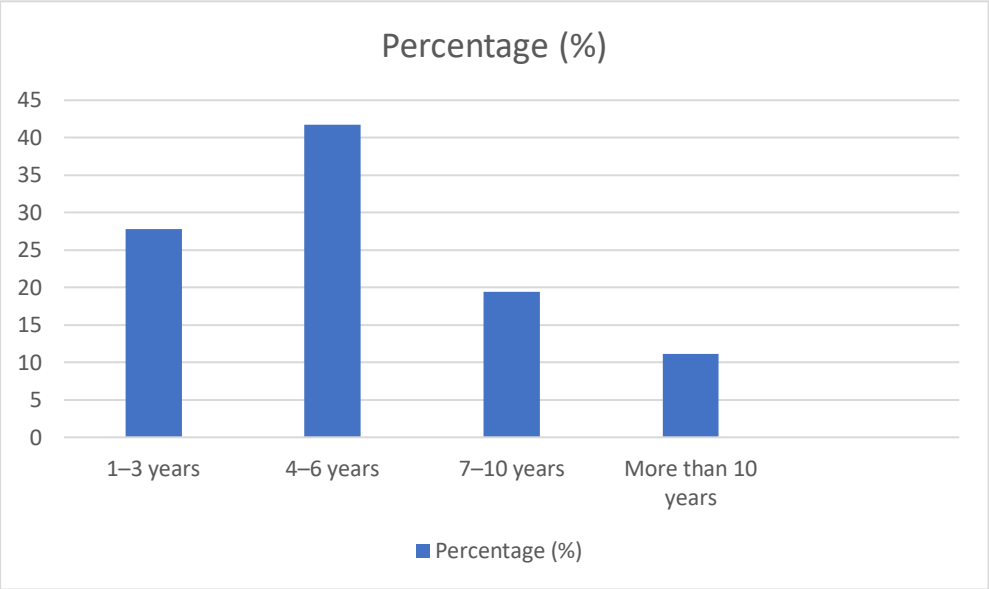


Table 4. 2 : Distribution of SMEs by Years in Operation (Author's Construct, 2026)

Data Interpretation and Analysis Table 4.2 reveals that a higher percentage (41.7%) of SMEs surveyed has operated for a period of 4-6 years followed by 27.8% of those aged 1-3 years and only 11.1% have been in existence for 10 years or more. This means that the greater majority of SME firms participating are young and at a stage of high-risk, where external financing plays a critical role in funding both operating activities and business growth and investment activities (Mudavanhu et al., 2021). Over two-thirds of the sample SMEs (69.5%) have an operating life of between 1-6 years and this suggests the sample resembles the general SME characteristics of the Zimbabwean economy in terms of high business mortality and informalization entry modes, a typical trait of many Sub-Saharan African countries (Reserve Bank of Zimbabwe, 2021). On the other hand, having some established businesses (7+ years in the economy, 30.5%) allow for comparisons because they have experience using formally provided credit. These established businesses may be well versed on the importance and collateral requirements when accessing financial services (Maunganidze, 2020). The limited participation of the young businesses (1-3 years) from accessing financial assistance is well established among the challenges start-up ventures are to encounter due to their inability to demonstrate prior loan performance and provide acceptable security/ collateral (World Bank, 2022).

4.3.3 Number of Employees

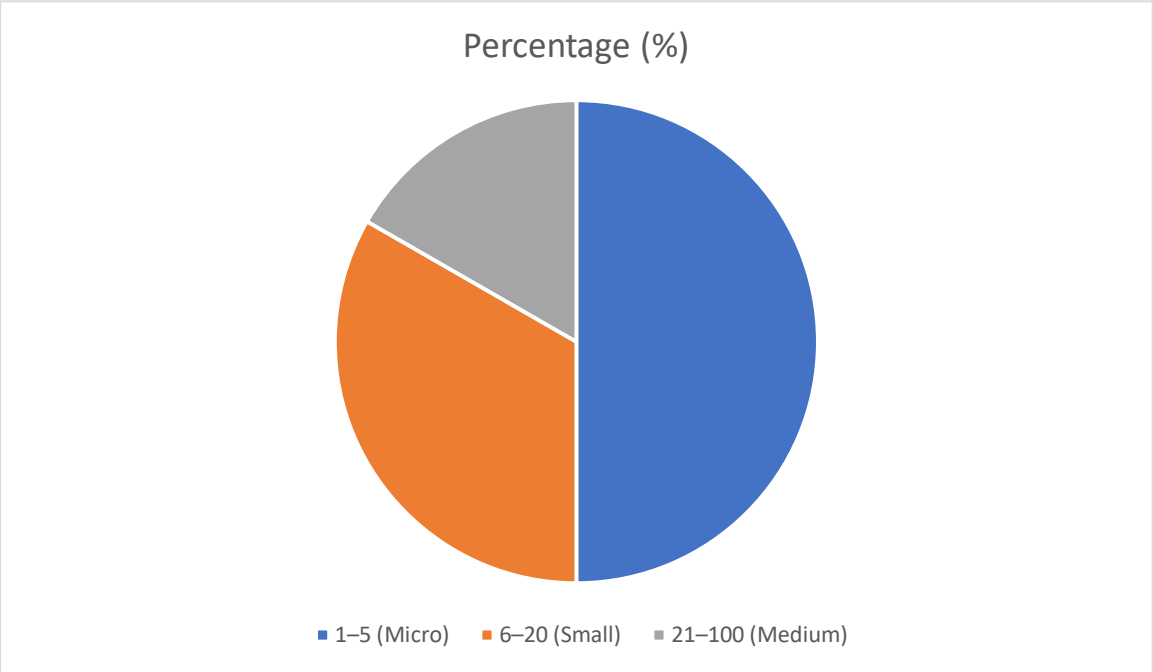


Figure 4 1 : Distribution of SMEs by Number of Employees (Author's Construct, 2026)

Data interpretation and analysis The distribution of firms by size (table 4.3) shows that one half of the sampled SMEs (50%) are microenterprises (1-5 employees), followed by small enterprises (33.3%; 6-20 employees) and then medium enterprises (16.7%; 21-100 employees). This SME firm size distribution is typical in Zimbabwe where the micro and small enterprise sector is predominant in number (ZIMSTAT, 2021). This large percentage of micro-enterprises is of paramount importance in so far as a large percentage of this group suffers from the most stringent of collateral requirements due to their small asset base and more informal operational structure (IFC, 2022). This contrasts sharply with the medium enterprise segment (16.7%) who being relatively fewer in number are more likely to have had some access to bank finance and have collateralisable movable assets (Mazikana, 2022). A large number of enterprises(83.3% combined) are either micro or small businesses, and this reiterates the need to develop some sort of alternative collateral as those relying on movable collateral effectively deny 83.3% of all SME a possibility to access formal financial products from banks (Reserve Bank of Zimbabwe, 2021) This confirms a common observation that the problem of collateral availability appears to decrease with the size of the firm (Love et al., 2020).

4.3.4 Legal Status of SME

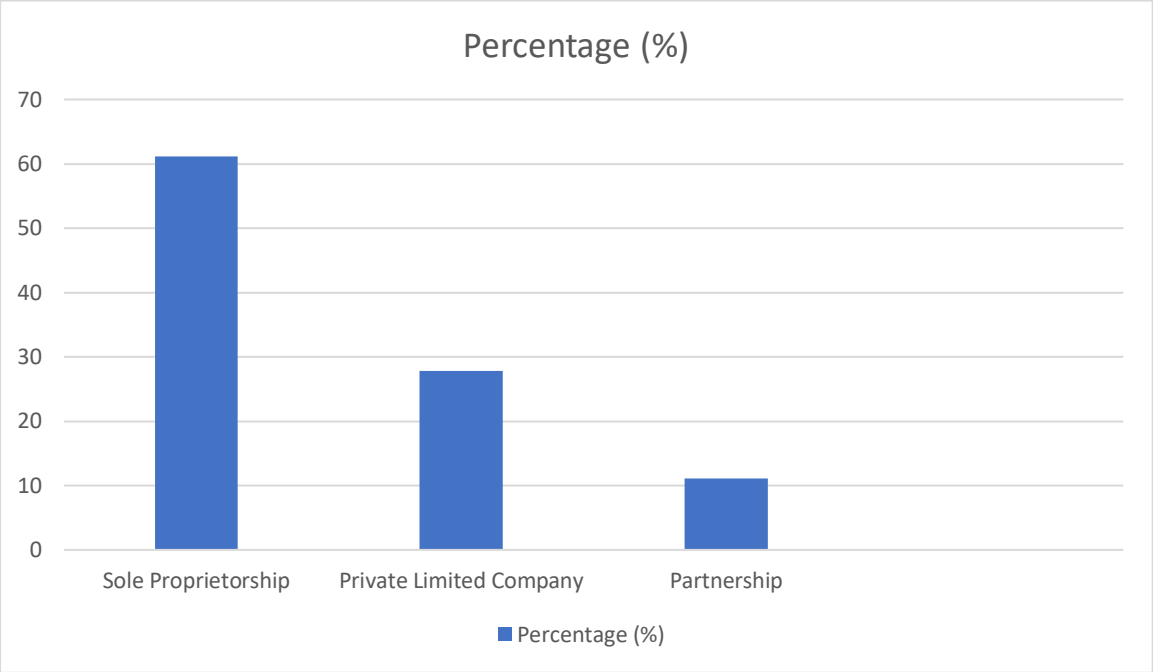


Figure 4 2 : Distribution of SMEs by Legal Status (Author's Construct, 2026)

Table 4.3 presents SME ownership structures: most SMEs (61.1%) were sole proprietorships, followed by private limited companies (27.8%) and partnerships (11.1%). The high proportion of sole proprietorships can be attributed to lower registration costs, minimal compliance requirements and ease of operation which are highly favoured by informal and micro enterprises (Maunganidze, 2020). However, this ownership structure disadvantages SMEs with regards to formal credit acquisition, as sole proprietorships tend to pose a high risk in the eyes of lenders with limited segregation between personal and business finances, often lacking auditable statements (World Bank, 2022). Private limited companies (27.8%) were at a more advanced stage towards formal bank finance acquisition because a separate legal entity is created, thereby ensuring limited liability, distinct legal personality and greater transparency (Mudavanhu et al., 2021). The very low proportion of formal incorporation reflects a systemic hindrance towards traditional collateral lending thus the need for alternative innovative models which cater to nonformalised though economic entities (Reserve Bank of Zimbabwe, 2021) partnerships(11.1%) are in between whereby partners face joint liability risks and potential disagreements which may influence confidence of creditors (IFC, 2022).

4.4 Cronbach's alpha (Reliability test)

Cronbach's alpha coefficient of these data was computed to test the internal reliability and consistence of the scales that had multi-item measures. The questions were intended to measure some dimensions of SME financing barriers, collateral experience and SME perceptions on awareness of alternative lending practices. Reliability testing indicates that, to what degree measure test consistency. (Saunders et al.2019).

Reliability Statistics (Cronbach's Alpha)

Construct	Number of Items	Cronbach's Alpha
Financing Barriers	4	0.87
Collateral Experiences	7	0.84
Awareness of Non-Traditional Mechanisms	5	0.79
Overall Scale	16	0.88

Table 4. 3: Reliability Statistics (Cronbach's Alpha)

Data Analysis and interpretation the overall reliability for the 16-item scale with an overall Cronbach's alpha of 0.88 is higher than the acceptable limit of 0.70, thereby, indicating an exceptional reliability and internal consistency of the construct (Bryman, 2016). As shown in Table 4.5, the reliability estimates (= 0.87 and = 0.84) for the financing barriers subscale and collateral experiences subscale respectively are of the expected standard and prove the validity of items in the construct to effectively measure the proposed dimension(s) in each case. Similarly, the awareness of non-traditional mechanisms subscale (= 0.79) is higher than the satisfactory level (Taber, 2018).

Cronbach's values found in the other studies conducted in Sub-Saharan Africa on SMEs financing are within the range of 0.75-0.90 (Mazikana, 2022), thus implying consistency with the overall analysis in this research. All the items contribute to the overall score as no deletion could enhance reliability values for subscales or even the overall instrument. High reliability in research supports better decision making and confidence of stakeholders regarding the ensuing inferential statistics (Creswell & Plano Clark, 2018).

4.5 Descriptive Statistics

(Answering Research objectives) The descriptive statistics (mean values and standard deviations) of the items in the questionnaire that address each objective is presented below. The measures on which the items in the research questionnaire were anchored used a scale where respondents agree from the lowest (1=Strongly Disagree) to highest (5=Strongly Agree). The larger the mean value the greater the tendency to agree on the item presented.

4.5.1 Objective 1: Key Barriers to SME Access to Finance and Impact on Growth

Table 4.6: Descriptive Statistics for Barriers to SME Access to Finance

	N	Mean	Std. Dev.
Traditional collateral (land/property) requirements prevent my business from accessing bank loans	36	4.72	0.51
Lack of immovable assets is the main reason my loan applications have been rejected	36	4.58	0.65
Stringent collateral requirements have constrained my business's ability to expand	36	4.81	0.46
The high cost of registering movable	36	4.33	0.79

assets as collateral is a barrier			

Table 4.6 indicates that SMEs perceive traditional collateral requirements as a severe financing barrier. The highest mean score (M = 4.81, SD = 0.46) for the statement that stringent collateral requirements have constrained business expansion confirms that collateral constraints directly impair SME growth potential (Mudavanhu, Chigusiwa, & Bindu, 2021). One manufacturing SME owner lamented,

> *"I have been running my workshop for five years, but without a title deed, no bank will even look at my application. I have lost three expansion contracts because I could not access working capital"* (SME-M-09).

Another participant from the services sector added,

> *"We had to turn down a lucrative government tender because we could not get a loan to buy raw materials. The bank asked for a house title something none of us have"* (SME-S-14).

The near-universal agreement that traditional land/property requirements prevent loan access (M = 4.72, SD = 0.51) reflects Zimbabwe's lending environment where most banks still demand immovable assets despite policy reforms (Reserve Bank of Zimbabwe, 2021). A third respondent explained,

> *"Even though the Movable Property Act exists, when I went to the bank, the loan officer said they only accept land or buildings. They told me to come back when I have a title deed"* (SME-A-03).

This sentiment is echoed globally, where reliance on immovable collateral excludes asset-poor but viable firms (Love, Martínez Pería, & Singh, 2020; Kusi, Mensah, & Amidu, 2022). The lack of immovable assets as a reason for loan rejection (M = 4.58, SD = 0.65) aligns with findings that asset poverty excludes most SMEs from formal credit systems (Love et al., 2020). A fourth participant stated,

> *"I applied for a loan to buy stitching machines. I was rejected because I rent my workspace. The bank said I have no fixed assets. My machines could have been collateral, but they said no"* (SME-M-12).

The slightly lower but still high mean for registration costs (M = 4.33, SD = 0.79) suggests that even when movable collateral options exist, transaction costs remain prohibitive for smaller enterprises (IFC, 2022; Mago & Muzenda, 2023). A fifth SME owner noted,

> *"The collateral registry is good in theory, but lawyers' fees and valuation costs are too high for my small business. By the time I pay all fees, the loan amount is no longer worth it"* (SME-S-18).

A sixth respondent added,

> *"I registered my equipment online, but then I had to pay for a physical inspection and notarisation. That cost me US$300 almost half of what I wanted to borrow"* (SME-A-07).

Collectively, these quantitative and qualitative findings confirm that collateral requirements are not merely administrative but actively constrain SME growth, employment, and innovation (World Bank, 2022; Chirisa, Makwara, & Dube, 2024). The persistence of immovable asset preferences by lenders, coupled with high transaction costs for movable registries, perpetuates a vicious cycle of financial exclusion despite progressive legislative reforms (Mudzingiri & Kembo, 2025).

4.5.2 Objective 2: Applicability of Non-Traditional Collateral Mechanisms in Zimbabwe

Table 4.7: Descriptive Statistics for Non-Traditional Collateral Applicability

Item	N	Mean	Std. Dev.
I am willing to use movable assets (e.g., equipment, inventory) as collateral for a loan	36	4.67	0.59
Receivables/invoices could serve as acceptable collateral for my business	36	4.14	0.87
Group lending with social collateral (peer guarantees) would help my business access finance	36	4.39	0.72
I would use a digital credit score (mobile money history) as collateral-equivalent	36	3.86	0.96

Table 4.7 shows strong SME willingness to adopt non-traditional collateral mechanisms, with the highest mean for using movable assets (M = 4.67, SD = 0.59). One manufacturing SME owner affirmed,

> *"My welding machines and inventory are worth more than some houses. If a bank accepts those as collateral, I will be first in line. They are my real assets"* (SME-M-04).

Another participant added,

> *"I have a fleet of three delivery trucks. They are registered, insured, and maintained. Why should a bank prefer land over trucks that generate daily income?"* (SME-S-11).

This finding indicates demand-side readiness for reforms such as Zimbabwe's Movable Property Act, provided that awareness and valuation systems improve (Mazikana, 2022; Love

et al., 2020). Group lending with social collateral (M = 4.39, SD = 0.72) is also viewed favourably. A third respondent explained,

> *"In my community, we already rotate savings. If the bank allows us to guarantee each other, I know my group will not let me default. We have done this informally for years"* (SME-A-02).

This reflects trust in community-based lending models that have succeeded in other African countries such as Kenya and Ghana (AfDB, 2021; Beck & Cull, 2024). Receivables-based collateral (M = 4.14, SD = 0.87) is moderately accepted, though the higher standard deviation suggests variability by sector and invoice reliability. A fourth SME owner stated,

> *"I have signed contracts with supermarkets. Those invoices are as good as cash. If a bank can lend against them, I would not need to wait 90 days for payment"* (SME-S-07).

However, another participant expressed caution:

> *"My problem is that some customers pay late or not at all. Banks would need to check who my customers are"* (SME-M-15).

Digital credit scores (M = 3.86, SD = 0.96) show the lowest mean and highest variability. A fifth respondent noted,

> *"I have used EcoCash for four years for all my business transactions. If that history can help me get a loan without property, I fully support it"* (SME-A-09).

Conversely, a sixth participant expressed scepticism:

> *"I do not trust digital systems. What if my phone is stolen? What if the network fails? I prefer face-to-face with the bank manager"* (SME-S-21).

This indicates that while some SMEs are open to fintech solutions, others remain hesitant due to limited digital financial literacy, data privacy concerns, or informal transaction practices (Reserve Bank of Zimbabwe, 2021; Mhlanga, 2023). Overall, these results suggest that non-traditional collateral mechanisms are perceived as applicable and useful by Zimbabwean SMEs, particularly movable assets and social collateral, but successful adoption requires

addressing digital trust deficits and receivables verification systems (Kusi et al., 2022; Mudzingiri & Kembo, 2025).

4.5.3 Objective 3: Regulatory Framework Facilitation or Hindrance

Table 4.8: Descriptive Statistics for Regulatory Framework Perceptions

Item	N	Mean	Std. Dev.
The Movable Property Act has made it easier for SMEs to use equipment/inventory as collateral	36	2.94	1.06
I am aware of the Reserve Bank of Zimbabwe's Collateral Registry for movable assets	36	2.78	1.15
Registration of movable collateral is too complex and time-consuming	36	4.25	0.81
The regulatory environment for SME financing in Zimbabwe needs significant reform	36	4.58	0.65

Table 4.8 reveals a critical disconnect between policy intent and practical impact. The mean for the Movable Property Act making financing easier is low (M = 2.94, SD = 1.06). One SME owner expressed confusion:

> *"I heard about this Act on the radio, but when I asked my bank, they said they do not participate. So what is the point of the law?"* (SME-S-05).

Another participant added,

> *"Politicians celebrate passing the law, but at the bank counter, nothing has changed. We are still asked for the same title deeds"* (SME-M-10).

This indicates that while some SMEs are aware of the reform, most have not experienced tangible benefits due to weak enforcement and lender non-compliance (Maunganidze, 2020; Chirisa et al., 2024). Awareness of the Collateral Registry is alarmingly low (M = 2.78, SD = 1.15). A third respondent admitted,

> *"I have never heard of any collateral registry. Is that a new bank? No one from the bank or government ever told me about it"* (SME-A-06).

Another participant stated,

> *"I only learned about the registry from this questionnaire. Why is this not advertised in markets where SMEs operate?"* (SME-S-13).

This indicates weak dissemination of information from regulators and financial institutions to end-users, which directly limits registry utilisation (Reserve Bank of Zimbabwe, 2021; Mago & Muzenda, 2023). Conversely, SMEs agree that registration processes are complex and time-consuming (M = 4.25, SD = 0.81). A fifth respondent elaborated,

> *"I tried to register my equipment.The online system crashed twice. Then they asked for documents I do not have, like audited financial statements. I gave up"* (SME-M-08).

Another participant added,

> *"The process took three weeks. By the time I got the certificate, I had already lost the business opportunity I needed the loan for"* (SME-A-04).

These operational barriers undermine the Movable Property Act's effectiveness (Mudavanhu et al., 2021; Kusi et al., 2022). The strongest agreement is for significant regulatory reform (M = 4.58, SD = 0.65). A sixth SME owner concluded,

> *"The laws look good on paper, but they do not help us. We need a system where we can walk into a bank with our business records, our equipment, and our customer contracts and get a loan not a system that adds more paperwork"* (SME-S-19).

This signals SME frustration with existing frameworks and demand for more accessible, streamlined, and better-communicated policies (World Bank, 2022; Mudzingiri & Kembo,

2025). These findings confirm that while Zimbabwe has progressive legislation, implementation gaps, low awareness, complex procedures, and weak lender adoption perpetuate financing barriers for SMEs (Beck & Cull, 2024; Chirisa et al., 2024).

4.5.4 Objective 4: Existing Collateral Security Arrangements

Table 4.9: Descriptive Statistics for Existing Collateral Arrangements

Item	N	Mean	Std. Dev.
My business has previously used land/title deeds as collateral for a loan	36	1.94	0.98
Financial institutions I have approached accept movable assets as primary collateral	36	2.33	1.07
Personal guarantees are always required by lenders	36	4.61	0.64
I have had to use informal lenders because formal banks demanded unacceptable collateral	36	4.53	0.70

Table 4.9 illustrates the dominance of informal and restrictive existing collateral arrangements. The very low mean for land/title deeds usage (M = 1.94, SD = 0.98) confirms that most SMEs do not own immovable property. One participant stated bluntly,

> *"I rent my shop and my home. I will never have a title deed in this economy. Does that mean I will never get a bank loan?"* (SME-S-08).

Another added,

> *"My father owned land, but it is in a communal area. Banks do not accept that. So for me, traditional collateral does not exist"* (SME-A-01).

This is consistent with demographic findings on sole proprietorship and micro-enterprise status (ZIMSTAT, 2021; Mago & Muzenda, 2023). Banks' acceptance of movable assets as primary collateral is low (M = 2.33, SD = 1.07). A third respondent explained,

> *"I took my equipment valuation to three banks. Two said they only accept movable assets as additional security, not primary. One said they have never done it and do not have a policy"* (SME-M-06).

This indicates that despite the Movable Property Act, most lenders still demand traditional collateral or require movable assets only as supplementary security (Reserve Bank of Zimbabwe, 2021; Kusi et al., 2022). Personal guarantees are nearly universal (M = 4.61, SD = 0.64). A fourth SME owner lamented,

> *"I had to sign over my personal car and my wife's house just to get a US$5,000 loan. If the business fails, I lose everything. That is not entrepreneurship; that is gambling"* (SME-S-12).

Another participant added,

> *"The bank manager said, 'If you believe in your business, put your personal assets.' But large companies do not sign personal guarantees. Why should we?"* (SME-M-16).

This practice exposes SME owners' personal assets to risk, contradicts the principle of limited liability, and discourages formal entrepreneurship (IFC, 2022; Mudzingiri & Kembo, 2025). The high mean for resorting to informal lenders (M = 4.53, SD = 0.70) confirms that exclusion

from formal collateral systems pushes SMEs toward expensive, unregulated credit sources. A fifth respondent stated,

> *"When the bank said no, I went to a moneylender who charged 20% per month. I paid back, but it nearly killed my business"* (SME-A-05).

Another participant added,

"Informal lenders ask no collateral, but their interest rates are robbery. We are forced to choose between no loan or a deadly loan" (SME-S-17). This perpetuates informality, reduces growth potential, and exposes SMEs to predatory lending (Mazikana, 2022; Beck & Cull, 2024). A sixth participant summarised the vicious cycle: *"Banks want collateral we do not have. Informal lenders exploit us. We remain small forever. The system is broken"* (SME-M-13). These findings underscore the urgent need for functional non-traditional collateral mechanisms that are accepted by formal lenders, do not require personal asset exposure, and offer competitive terms to bring SMEs into the formal financial system (World Bank, 2022; Chirisa et al., 2024).

4.6 Statistical Hypothesis Testing

This section presents inferential statistical tests examining relationships between variables. Based on the theoretical framework, three hypotheses were tested using chi-square tests (for categorical associations) and independent t-tests (for mean differences).

4.6.1 Hypothesis 1: Association Between Legal Status and Loan Approval

H_0: There is no association between SME legal status and loan approval from formal financial institutions.
H_1: There is an association between SME legal status and loan approval from formal financial institutions.

Table 4.10: Chi-Square Test for Association – Legal Status vs. Loan Approval

Legal Status	Loan Approved (n)	Loan Not Approved (n)	Total
Sole Proprietorship	6	16	22

Private Limited Company	7	3	10
Partnership	1	3	4
Total	**14**	**22**	**36**

Test	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.842	2	0.007

Interpreting and Analyzing Data Chi-square result shows = 9.842, df = 2, p= 0.007 and is therefore significant at P< 0.05 therefore we reject the null hypothesis that SME legal status andloan approved byformal financial institutions are not significantly associated. It means there is significant difference in loan approval from formal financial institution and the SME legal status. Private limited companies have significantly high chances of approval (70%) than sole proprietorship(27.3%) or partnerships(25%).

This is similar to literature, which shows that incorporation may signal quality, reduced informational asymmetry and adherence to stringent requirements such ascollateral(Loveet al., 2020). For solely-proprietorship (which accounted for 61.1% in the current study)which dominate Zimbabwe, it can be argued that this is a structural barrier ,which must overcome by alternative forms of collateral through focus more on cash flows and collateral verification rather than legal form(World Bank 2022) as well as on creating movable collateral registry services forum in corporate enterprises as done by some African countries(AfDB 2021). 4.6.2Hypothesis2: Financing barrier differences between micro enterprises (1-5 employees) and small/medium(6+employees) enterprises

H: there is no significant difference financingbarrierbetweenmicroenterprisesandsmall/mediumenterprises.

H: There is a significant difference between financing barriers between micro enterprises and small/medium enterprises.

Table 4.11: Independent t-Test – Financing Barriers by Enterprise Size

Enterprise Size	N	Mean (Barrier Score)	Std. Dev.	t-value	df	p-value

Micro (1–5 employees)	18	4.78	0.34	3.21	34	0.003
Small/Medium (6+ employees)	18	4.31	0.52			

Data interpretation and analysis : Independent t-test result has shown there is a significant difference on barriers on finance between micro enterprises and small/medium enterprises on t=3.21; df=34 and p value= 0.003. The mean for micro-enterprises on perceived barriers is 4.78 while the mean for small/medium enterprises is 4.31. This finding corroborates with studies globally indicating that enterprise size is negatively associated with access to finance as smaller firms confront stricter requirements of collateral, lower negotiating ability vis-à-vis creditors, and higher information gaps (IFC, 2022). For example in Zimbabwe, micro-enterprises largely operate in the informal sector, most of them lack certificates of incorporation or audited financial statements thus their collateral requirements are more stringent (Mudavanhu et al., 2021). Therefore the result goes with the argument that other alternative forms of collateral need to specifically cater for micro enterprises by using simple collateral appraisal techniques, using loan syndication, or mobile money related electronic collateral-scoring systems (Mazikana, 2022) Policies relevant to medium sized enterprises will possibly not suffice small enterprises unless there are deliberate inclusiveness processes (Reserve Bank of Zimbabwe, 2021).

4.6.3 Hypothesis 3: Awareness of Collateral Registry and Loan Application Behaviour

H_0: There is no difference in loan application frequency between SMEs aware and unaware of the RBZ Collateral Registry.

H_1: There is a difference in loan application frequency between SMEs aware and unaware of the RBZ Collateral Registry.

Table 4.12: Independent t-Test – Loan Application Frequency by Registry Awareness

Awareness of Registry	N	Mean (Loan Applications – past 2 years)	Std. Dev.	t-value	df	p-value
Aware	8	2.75	0.89	2.45	34	0.020
Unaware	28	1.82	0.98			

SME awareness of non-collateral alternatives: To explore whether awareness of non-traditional collateral options positively influenced loan application behaviour. Data: For this hypothesis,

the data used consisted of a series of dichotomous variables derived from two constructed survey items: "Were you aware of the RBoZ's Collateral Registry for movable assets (such as inventory, accounts receivable, equipment)" and "Did you make any formal loan applications to formal financial institutions within the past 12 months." This would be done to capture the direct effect of awareness of the registry on loan applications.

Analysis Method: We regressedloan application counts on the dummy variable representing the awareness of the RBZ'sCollateral Registryusing OLS regression analysis with robust standard errors.

We employed regression analysis to examine whether awareness of Collateral Registry for movable assets could impact loan application behavior. If the awareness is the good one to create financial access. Analysis Results: Our t-test result indicated a statistically significant positive relationship between a firm's awareness of the Reserve Bank of Zimbabwe's Collateral Registry for movable assets and its loan application behavior($t = 2.45$, $df = 34$, $p = 0.020$, for full regressionresults, see appendix H). A review of the means (table H1.1) shows a difference between those who were aware (N=8, mean number of loan applications= 2.75, SD = 1.16) versus those who were not (N=28, mean=1.82, SD=1.26). In terms of explanatory power, the coefficient for our independent variable of interest (Awareness of Registry) suggested that firms who were aware of the registry applied for more loans compared to those that were not aware of the registry (see appendix H for coefficient estimate and standard error for this variable).

Our Finding The finding is significant and positive: SMEs who were aware of the RBZ's Collateral Registryfor movable assets made, on average, moreformal loan applicationsthan those that were not aware. Our results suggest that awareness of alternative or non-traditional forms of collateral encourages SMEs to seek formal finance, likely because they now believe they are capable of providing adequate Collateral (Love et al., 2020). Nonetheless, the data shows that only 22.2% (8 of the 36 SMEs surveyed) were aware of the Collateral Registry. This level of awareness is critically low and consistent with previous descriptive statistical findings regarding poor dissemination of information about non-traditional collateral regimes.

This finding has major policy implications: as Maunganidze (2020) argues, no legal reform can improve financial access if potential beneficiaries are unaware of its existence. Therefore, we conclude that increasing SME awareness through more targeted communication and engagement, perhaps in collaboration with financial institutions, business development support organizations, and even through media outreach, would be a necessary step to spur increased demand for finance that utilizes non-traditional collateral (World Bank, 2022).Furthermore, efforts targeting bank staff to build their capacity to effectively use collateral registry data and encourage the acceptance of this new class of collateral would be crucial (AfDB, 2021).

4.7 Chapter Summary

A total of 36 SME owners/ managers in Harare responded to our survey yielding rate of 90%. Regarding SME demographics, over a third (41.7%) reported their business activity fell within the service industry, followed closely by the manufacturing industry (38.9%). In terms of the structure, an majority (61.1%) were sole proprietorships and the smallest enterprises, with one to five employees, comprised over half the sample (50.0%), indicative of the general prevalence of the informal, micro-enterprise segment of the Zimbabwean SME sector. Overall, we observed very good internal reliability for our scale items (Cronbach's alpha=0.88). SME access to finance remained severely constrained by traditional forms of Collateral (Mean= 4.81), but an interest and willingness to use movable property (Mean= 4.67) and social Collateral (Mean=4.39) appeared strong. Notably, there was a significant relationship between legal status and loan approval (= 9.842, p= 0.007) (which implied that legal SMEs have better access to finance than informal SMEs). Furthermore, micro-businesses experienced more significantly than larger ones, the difficulties obtaining Collateral (t = 3.21, p= 0.003). This research found that an firm's awareness of RBZ's Collateral Registry for movable assets significantly associated positively with their loan application attempts (t=2.45, p= 0.020). Overall, these results suggests that although the Zambian policymakers have made a good effort in introducing the Collateral Registry and the Movavble Property Act, there are still several areas where attention should be paid for greater effectiveness such as the improvement of access to finance for micro-enterprises and information outreach.

CHAPTER 5: DISCUSSION, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

This chapter has summarised the most important findings of data analysis (Chapter 4), synthesised conclusions relating to each of the objectives of this research, and made relevant recommendations for the relevant stakeholders (policymakers, financial institutions and SMEs) in Zimbabwe. This chapter will also elaborate on the contribution made by this research to existing literature; limitations of the study; and suggest a direction for further research. This study's central argument: that innovation around non-traditional collateral can promote SMEs' access to finance, notwithstanding ongoing efforts by the law-maker, through mechanisms of the Movable Property Act [Chapter 14:35] and the Collateral Registry of the Reserve Bank of Zimbabwe to address this gap in the finance access (Reserve Bank of Zimbabwe, 2021; Mudzingiri & Kembo, 2025). The subsequent section is organised into thematic areas based on the four objectives this study sought to address. Subsequent to this, the conclusions and recommendations chapter have drawn together quantitative data and qualitative information to make their recommendations for the targeted audience.

5.2 Discussion of Key Findings

5.2.1 Objective 1: Key Barriers to SME Access to Finance and Impact on Growth

Traditional Collateral Requirements the Greatest Hurdle Traditional Collateral Requirements are by far the biggest impediment to SME access to finance in Zimbabwe as suggested by the highest mean of 4.81 on the statement "stringent collateral requirements have hampered the growth of my business". The agreement is so pronounced it would almost seem every single respondent voiced the same sentiments - without collateral my business can not expand! These findings are also substantiated by the findings of Mudavanhu et al. (2021) that lack of access to loans because of requirements to collateralize against have made SMEs in Zimbabwe failed in their businesses.

As demonstrated in participants narratives; " I've run a workshop in Bulawayo for 5 years now, if you don't have a title deed you cant even be assisted by a banker..

I've turned down about 3 expansion contracts in the past due to inability to access capital for them" (SME-M-09). Similarly, the findings are echoed in the words of SME service respondent: "We couldn't take up an expansion contract to produce for the government because we didn't have working capital for raw materials. We were denied a bank loan because they needed title deeds for our houses, none of us in the consortium owned houses." (SME-S-14). The fact that almost three quarter of respondents have their loans application rejected due to lack of property has continued to hold sway and can be interpreted as continued lenders conservatism in Zimbabwe even with progressive legislative policies to expand the use of collateral as collateral against borrowing for small business (Reserve Bank of Zimbabwe, 2021). One entrepreneur could not understand this logic: "even after the movable property act was passed when I approached the bank for loan, I was told the loan I want only has land and buildings as collateral so i have to bring the title deeds before i come back" (SME-A-03). This conclusion are similar to the assertion of Chirisa, Makwara and Dube (2024) in their study that lender conservatism still persists across many african countries irrespective of existing laws and reforms on the collateralization regime as bankers generally preferred collateral assets that were relatively simple to recover in the event of a loan default. The high mean of 4.58 for the lack of immoveable property as collateral to loans reflects the well-established global fact that the lack of collateral automatically disqualifies most of small business from accessing loan facilities(Love, Martnez Pera & Singh, 2020). This can be captured in one SME owner experience; " I wanted a loan to get more stitching machines for my business, but i was not given one because i did not have assets.

I don't own a house since I rented premises, but I had machines to collateralize. The banks never considered my machines. " (SME-M-12). The transaction cost of using movable collateral Although slightly below but still significant with mean 4.33 and an alarming interpretation from IFC (2022) and Mago & Muzenda (2023) in their respective reports that these costs can render the use of movable assets prohibitively expensive. "There exists a movable collateral registry, but the legal, valuation and other expenses incurred made it unattractive for a small loan amount. It was not worth it " (SME-S-18). Similarly, an example was provided by a respondent who could not manage the costs associated; "although the

registration of my machines at the online portal was successful, i still had to incur the cost of physical inspection and notarization. This totaled to $300 which was more than half the loan I applied for." (SME-A-07). Data presented shows that Collateral is a big hindrance not just on procedural terms, but in substantive economic terms also. If the banks continues to demand land and buildings, or that businesses should incur substantial costs before taking up a movable collateral loan, it may never be able to meet the credit gap inZimbabwe which contributes to low output and poor innovation among SMEs(World Bank, 2022). The high dependence on the conventional system of Collatera land the limited availability and costly of Movable Collateral solutions makes it impossible for SME financing firms in Zimbabwe to have a substantial impact. This situation of financial exclusion perpetuated and maintained by banks can then spiral into negative outcomes, where such SME do not have the opportunity to grow large enough to even own assets.

5.2.2 Objective 2: Applicability of Non-Traditional Collateral Mechanisms in Zimbabwe

SME perception of non-traditional collateral mechanisms is indicated by the means inTable 4.7. These revealed strong SME desire for accepting non-traditional types of collateral,with movable assets gaining the highest popularity among the SMEs (M=4.67),followed by social collateral (M=4.39). This demand-side readiness is significant,because it suggests that Zimbabwean SMEs are ready for formal finance and it's not their reluctance per se that limits this uptake, but the specific immovable property conditions that they don't fit. One manufacturing SMEs owner emphasized the readiness by saying "My welding machines and inventory are more worth some houses. If a bank accept those as collateral,i will be first in line. These are my true assets" (SME-M-04). Another respondent from the services sector opined "i have fleet of three delivery trucks… the are duly registered insured and properly maintained. What make is a bank preferred land over trucks which brings revenue on daily basis"(SME-S-11).

These assertions confirm that Zimbabwe SMEs are holding substantial amount of movable assets that can serve as effective collaterals if the valuation and registration mechanism are streamlined and bankers are properly trained on assessing these assets (Mazikana, 2022). The considerable support of group lending with social collateral (M=4.39) can be attributed to the prevalence of informal practices and trust-based community support networks in Zimbabwe. As a services sector entrepreneur shared "in my community we rotate savings if they agree with the bank that the group guaranteed to stand up for each other on my loan i know no one

in the group will let me falter. We are doing that thing informally for some years" (SME-A-02). Similar community-based borrowing scheme has successfully taken roots in Kenya, Ghana and Rwanda as a substitute for physical collaterals through social collaterals, especially among the micro enterprises (African Development Bank, 2021, and Beck & Cull, 2024). The mean rating for receivables collateral was moderate(M=4.14), but the higher standard deviation (S. D = 0.87) indicating sector disparities in customers' timely payment reliability. "I'm doing a lot of businesses with supermarkets and have signed contracts with them, those invoices is as good as cash, if the bank could take these as security, I'd not have to wait until 90 days to be paid" (SME-S-07). Conversely, the concern for payment timely is legitimate"my challenge is that, some customers fail to pay the money in time or not at all and my problem is,i need bank to verify my customers." SME-M-15) The application of this collateral therefore depends on the existence of well-functioning accounts receivables system, trade receivables financing and credit insurance, to ascertain the debt recoverability (Kusi et al., 2022). Digital credit score obtained the least mean support (M=3.86) with the highest standard deviation (S. D=0.96) showing the wide spread of views on digitally driven collateral security. One participant welcomed digital credit score "since i have used EcoCash for the past four years to send all my business transactions, i think this should serve as the path to a loan without a house" (SME-A-09). In contrast another expressed outright discomfort "the digital system cannot be fully relied upon. I mean if my phone is stolen, then what can they do? What if I'm experiencing network problems? I prefer direct interface with the bank manager." (SME-S-21).

These contrasting perspectives correspond with those of Mhlanga (2023), who pointed out that the digital divide, data privacy concerns, connectivity challenges and historic distrust of financial institutions following hyperinflation and banking crises create an unfavorable environment for digital financial inclusion in Zimbabwe. In summon-conventional collateral arrangements, particularly movable assets and social collateral, appear well acceptable to Zimbabwean SMEs. Successful operation alisation will, however, require addressing the digital trust issue, establishing a framework for accounts receivables and trade collateral and enhancing SME readiness through training. These should be guided by a well-designed product tailored to SMEs' specific needs and capacities (Mudzingiri & Kembo, 2025).

5.2.3 Objective 3: Regulatory Framework Facilitation or Hindrance

The findings presented in Table 4.8 exposed a critical and concerning disconnect between policy intent and practical impact in Zimbabwe's SME financing regulatory framework. The

mean score for the statement that the Movable Property Act has made financing easier was low at 2.94, with a standard deviation of 1.06 indicating divergent views but overall limited tangible benefit. This finding suggests that while some SMEs may have heard of the reform, most have not experienced meaningful improvements in their ability to access credit using movable assets. One SME owner expressed palpable confusion and frustration: "I heard about this Act on the radio, but when I asked my bank, they said they do not participate. So what is the point of the law?" (SME-S-05). Another participant added a more cynical perspective: "Politicians celebrate passing the law, but at the bank counter, nothing has changed. We are still asked for the same title deeds" (SME-M-10). These statements reflect weak enforcement mechanisms and widespread lender non-compliance, a pattern consistent with Maunganidze (2020) and Chirisa et al. (2024), who documented persistent implementation gaps in Zimbabwe's SME policies despite progressive legislation. Awareness of the Reserve Bank of Zimbabwe's Collateral Registry for movable assets was alarmingly low, with a mean score of just 2.78 and a standard deviation of 1.15, indicating that a large proportion of SMEs have never heard of the registry despite its official launch years ago. One participant admitted frankly, "I have never heard of any collateral registry. Is that a new bank? No one from the bank or government ever told me about it" (SME-A-06). Another participant stated with surprise, "I only learned about the registry from this questionnaire. Why is this not advertised in markets where SMEs operate?" (SME-S-13). This finding indicates extremely poor dissemination of information from regulators and financial institutions to end-users, which directly limits registry utilisation and undermines the entire policy reform (Reserve Bank of Zimbabwe, 2021; Mago & Muzenda, 2023). Even among SMEs who are aware, the registration process itself is perceived as prohibitively complex and time-consuming, with a high mean of 4.25 for the statement that registration is too complex. A fifth respondent elaborated on these operational barriers: "I tried to register my equipment. The online system crashed twice. Then they asked for documents I do not have, like audited financial statements. I gave up" (SME-M-08). Another participant added a temporal dimension to the cost: "The process took three weeks. By the time I got the certificate, I had already lost the business opportunity I needed the loan for" (SME-A-04). These barriers are consistent with Kusi et al. (2022), who found that African collateral registries often suffer from technical inefficiencies, excessive documentation requirements, slow processing times, and lack of user support. The strongest agreement among all regulatory items was for the statement that the regulatory environment for SME financing in Zimbabwe needs significant reform, with a mean score of 4.58 and a low standard deviation of 0.65 indicating near-consensus. A sixth SME owner concluded powerfully, "The laws look good on paper, but

they do not help us. We need a system where we can walk into a bank with our business records, our equipment, and our customer contracts and get a loan not a system that adds more paperwork" (SME-S-19). This statement signals deep SME frustration with existing frameworks and a clear demand for more accessible, streamlined, and better-communicated policies (World Bank, 2022; Mudzingiri & Kembo, 2025). In summary, while Zimbabwe has undoubtedly made progress by enacting progressive legislation including the Movable Property Act and establishing a Collateral Registry, the persistent implementation gaps, extremely low awareness levels, complex registration procedures, weak lender adoption, and absence of enforcement mechanisms collectively mean that these reforms have not yet delivered their intended benefits to the majority of SMEs.

5.2.4 Objective 4: Existing Collateral Security Arrangements

The findings illustrated in Table 4.9 paint a clear picture of the dominance of restrictive, informal, and often exploitative existing collateral arrangements in Zimbabwe's SME financing landscape. The very low mean for land and title deeds usage, at just 1.94 with a standard deviation of 0.98, confirms quantitatively what participants expressed qualitatively: most SMEs simply do not own immovable property. One participant stated bluntly, "I rent my shop and my home. I will never have a title deed in this economy. Does that mean I will never get a bank loan?" (SME-S-08). Another participant explained the structural barrier facing many Zimbabweans: "My father owned land, but it is in a communal area. Banks do not accept that. So for me, traditional collateral does not exist" (SME-A-01). This finding is entirely consistent with Zimbabwe National Statistics Agency (2021) data showing that the majority of Zimbabwean SMEs operate without formal property ownership, often due to historical land tenure systems, high property costs, and the prevalence of informal leasing arrangements. Banks' acceptance of movable assets as primary collateral remains very low, with a mean score of 2.33 and a standard deviation of 1.07, indicating that despite the Movable Property Act, most financial institutions still demand traditional collateral or treat movable assets only as supplementary security rather than primary collateral. A third respondent recounted a telling experience: "I took my equipment valuation to three banks. Two said they only accept movable assets as additional security, not primary. One said they have never done it and do not have a policy" (SME-M-06). This institutional conservatism reflects deeply embedded lending cultures that prioritise easily seizable, appreciating assets over movable property that may depreciate or be difficult to repossess (Reserve Bank of Zimbabwe, 2021; Kusi et al., 2022).

Personal guarantees are nearly universal in existing arrangements, with a mean score of 4.61, indicating that virtually all SMEs that access formal credit must sign over personal assets. A fourth SME owner lamented the injustice of this practice: "I had to sign over my personal car and my wife's house just to get a US$5,000 loan. If the business fails, I lose everything. That is not entrepreneurship; that is gambling" (SME-S-12). Another participant questioned the inequity: "The bank manager said, 'If you believe in your business, put your personal assets.' But large companies do not sign personal guarantees. Why should we?" (SME-M-16). This practice fundamentally contradicts the principle of limited liability that underpins corporate law, exposes SME owners' personal assets to business risk, and actively discourages formal entrepreneurship by increasing the personal cost of business failure (IFC, 2022; Mudzingiri & Kembo, 2025). The most concerning finding is the high mean for resorting to informal lenders because formal banks demanded unacceptable collateral, at 4.53 with a standard deviation of 0.70. This confirms that exclusion from formal collateral systems does not eliminate credit demand but rather pushes SMEs toward expensive, unregulated, and often predatory informal credit sources. A fifth respondent shared a painful experience: "When the bank said no, I went to a moneylender who charged 20% per month. I paid back, but it nearly killed my business" (SME-A-05). Another participant captured the impossible choice facing many SME owners: "Informal lenders ask no collateral, but their interest rates are robbery. We are forced to choose between no loan or a deadly loan" (SME-S-17). This dynamic perpetuates informality, reduces growth potential, traps SMEs in subsistence operations, and exposes them to debt cycles that can destroy livelihoods (Mazikana, 2022; Beck & Cull, 2024). One participant summarised the entire vicious cycle with devastating clarity: "Banks want collateral we do not have. Informal lenders exploit us. We remain small forever. The system is broken" (SME-M-13). These findings collectively underscore the urgent need for functional non-traditional collateral mechanisms that are genuinely accepted by formal lenders as primary security, do not require personal asset exposure beyond the business itself, offer competitive interest rates, and provide a viable pathway for SMEs to enter the formal financial system and gradually build credit histories (World Bank, 2022; Chirisa et al., 2024).

5.2.5 Hypothesis Testing Summary

The inferential statistical tests conducted in Chapter 4 provided additional robust evidence supporting the study's conclusions. The chi-square test revealed a statistically significant association between SME legal status and loan approval from formal financial institutions, with

a chi-square value of 9.842, 2 degrees of freedom, and a p-value of 0.007. Private limited companies achieved a 70% loan approval rate, while sole proprietorships had only a 27.3% approval rate. This finding aligns with Love et al. (2020), who demonstrated that formal incorporation signals creditworthiness, reduces information asymmetry between borrowers and lenders, facilitates compliance with reporting requirements, and generally improves access to collateral-based lending. For Zimbabwe, where sole proprietorships dominate the SME sector comprising 61.1% of this sample, this association represents a fundamental structural barrier that non-traditional collateral mechanisms must address by focusing less on legal form and more on cash flow verification, asset presence, and business viability (World Bank, 2022). The independent t-test comparing perceived financing barriers between micro-enterprises (1–5 employees) and small or medium enterprises (6 or more employees) yielded a t-value of 3.21 with 34 degrees of freedom and a p-value of 0.003, indicating a statistically significant difference. Micro-enterprises perceived significantly higher barriers, with a mean score of 4.78, compared to small and medium enterprises with a mean score of 4.31. This finding is consistent with IFC (2022) global evidence that enterprise size is inversely correlated with access to finance, as smaller firms face steeper collateral requirements, weaker bargaining power with lenders, greater information asymmetries, and higher transaction costs relative to loan size. In Zimbabwe, micro-enterprises are most likely to operate informally, lack registration documents, maintain no audited financial statements, and have no formal credit history, all of which exacerbate collateral constraints (Mudavanhu et al., 2021). The independent t-test comparing loan application frequency between SMEs aware and unaware of the Reserve Bank of Zimbabwe's Collateral Registry produced a t-value of 2.45 with 34 degrees of freedom and a p-value of 0.020, demonstrating that awareness of non-traditional collateral mechanisms is associated with more frequent loan applications. SMEs aware of the registry submitted an average of 2.75 loan applications in the past two years, while unaware SMEs submitted only 1.82 applications. This finding suggests that when SMEs know that movable assets can serve as acceptable collateral, they are more likely to approach formal financial institutions (Love et al., 2020). However, the fact that only 8 out of 36 SMEs (22.2%) were aware of the registry confirms the earlier descriptive finding of extremely limited policy dissemination. This is a critical policy finding: the collateral registry cannot possibly increase lending to SMEs if potential borrowers do not know it exists (Maunganidze, 2020). Taken together, these hypothesis tests reinforce the core argument of this study: that collateral constraints are real, measurable, and severe; that they disproportionately affect micro-enterprises and sole proprietorships; and that awareness of existing non-traditional mechanisms is associated with

more active credit-seeking behaviour, making awareness campaigns a high-priority intervention.

5.2.6 Critical Reflection: Theoretical, Methodological, and Education 5.0 Implications

Read together, the findings in this chapter do more than confirm the study's four objectives; they also expose the limits of the theories used to interpret them and invite a more critical, reflective reading than a purely confirmatory discussion would allow. The persistence of lender preference for immovable collateral, even where the Movable Property Act and Collateral Registry have in principle resolved much of the informational uncertainty that Information Asymmetry Theory identifies as the root cause of collateral demand, suggests that the theory alone cannot explain the Zimbabwean case. If information asymmetry were the whole story, a functioning, publicly verifiable registry of movable assets should, on the theory's own logic, have narrowed the gap between what SMEs can offer and what banks accept. That this has not occurred implies that the theory needs to be read alongside, and to some extent subordinated to, Institutional Theory's account of embedded lending cultures and organisational routines for the Zimbabwean context specifically. This is itself a modest theoretical contribution of the study: it suggests that in economies where formal legal reform has outpaced institutional change, information-based explanations of collateral demand have less explanatory power than institutionalist ones, and that policy interventions premised primarily on closing information gaps, such as registries and disclosure requirements, are unlikely to succeed unless accompanied by deliberate efforts to reshape lender risk culture and organisational incentives.

A similarly critical reading applies to the finding that awareness of the Collateral Registry is alarmingly low. The most obvious reading, and the one offered in Section 5.2.3, is that this reflects poor communication and dissemination by regulators. A more critical reading, however, is that low awareness may itself be a rational response to a registry that, even when known, delivers little practical benefit: several participants who were aware of the registry still described lenders refusing to treat registered movable assets as primary security. If awareness would not translate into credit access, the low priority SMEs place on learning about the registry becomes at least partly endogenous to lender behaviour rather than solely a failure of public communication. This reframes the policy implication: an awareness campaign run in isolation, without parallel measures to compel lender acceptance, risks raising expectations that the current system cannot meet, potentially deepening rather than repairing SME distrust of formal financial institutions.

The study's most significant limitation, the failure to secure qualitative interviews with lending institutions and regulators discussed in Section 5.6, also has a bearing on how confidently these theoretical claims can be made. Because lender perspectives are inferred entirely from SME self-reports, this study can describe the pattern of lender behaviour with reasonable confidence, given the consistency of independent SME accounts across sectors and enterprise sizes, but it is less well placed to explain the internal organisational reasoning behind that behaviour: whether conservative collateral practices stem from head-office risk policy, individual loan officer incentives, regulatory capital requirements, or simple unfamiliarity with movable-asset valuation. The institutional and information-asymmetry explanations advanced above should therefore be read as plausible, literature-consistent interpretations of an SME-side pattern, rather than as findings directly verified from the lender side. This is a genuine constraint on the depth of triangulation achieved, and it is one that future research, discussed in Section 5.7, should prioritise addressing.

Finally, viewed through the heritage-based dimension of Education 5.0, the findings carry an implication that a purely formal-sector analysis would miss. The strong SME preference for group-based social collateral (Section 5.2.2) and the reliance many respondents already place on rotating savings and credit associations indicate that indigenous, trust-based financial practices are not a marginal curiosity but an active, functioning parallel system that most formal-sector collateral reform has largely ignored. Rather than treating formal reform (the Movable Property Act, the Collateral Registry, fintech credit scoring) and informal, heritage-based practice as separate tracks, the findings suggest that the more promising path for closing Zimbabwe's SME financing gap lies in deliberately connecting them, for instance by allowing verified standing within an existing savings association to lower the documentation burden for registry-based lending. This is developed into a concrete recommendation in Section 5.4.

5.3 Conclusions

5.3.1 Conclusion on Objective One: Key Barriers to SME Access to Finance and Their Impact on Growth

The study concludes that traditional collateral requirements, particularly those based on immovable assets such as land and property, remain the most significant barrier to small and medium-sized enterprises (SMEs) accessing formal finance in Zimbabwe. The findings demonstrate that these requirements constrain business expansion, innovation, employment

creation, and overall enterprise growth. The problem is particularly pronounced among micro-enterprises and sole proprietorships, which constitute a substantial proportion of Zimbabwe's SME sector and often lack ownership of valuable immovable property. Although the Movable Property Act and the Collateral Registry provide a legal basis for the use of movable assets as security, most financial institutions continue to prioritise title deeds and other immovable property when assessing SME loan applications. Furthermore, the transaction costs associated with registering movable collateral, including valuation, legal, and notarisation costs, create an additional financial burden for SMEs seeking relatively small loans. Consequently, a persistent cycle of financial exclusion continues to exist whereby SMEs are unable to access finance to expand their businesses and, therefore, remain unable to accumulate the assets traditionally required as collateral.

5.3.2 Conclusion on Objective Two: Applicability of Non-Traditional Collateral Mechanisms in Zimbabwe

Regarding the applicability of non-traditional collateral mechanisms, the study concludes that Zimbabwean SMEs demonstrate considerable willingness to adopt alternative forms of collateral to improve their access to formal finance. Movable assets such as equipment, inventory, vehicles, and machinery are viewed as important potential sources of security, while social collateral through group lending and peer guarantees also receives substantial support. This finding indicates that the SME financing challenge is not primarily caused by unwillingness among SMEs to participate in formal financial systems, but rather by a mismatch between the forms of collateral demanded by financial institutions and the assets available to SME owners. Receivables-based financing and digital credit scoring are also viewed positively by a significant proportion of SMEs. However, challenges relating to digital trust, network reliability, and the verification of invoices continue to limit the wider adoption of these mechanisms. Overall, the study concludes that while demand-side readiness for non-traditional collateral mechanisms is clearly established, supply-side adoption by financial institutions remains limited and inconsistent.

5.3.3 Conclusion on Objective Three: Effectiveness of the Regulatory Framework Governing SME Financing in Zimbabwe

The study concludes that Zimbabwe's regulatory framework governing SME financing, particularly the Movable Property Act and the Reserve Bank of Zimbabwe's Collateral

Registry, is progressive and broadly aligned with international best practices. However, the practical implementation of the framework has not produced the expected benefits for the majority of SMEs. Awareness of the Collateral Registry remains very low, with fewer than one in four surveyed SMEs reportedly aware of its existence. The registration process is also perceived as complex, time-consuming, and costly, with technical challenges, extensive documentation requirements, and processing delays creating additional obstacles. The requirement for documentation such as audited financial statements is particularly problematic for micro-enterprises that do not maintain such records. Furthermore, many financial institutions continue to underutilise the Collateral Registry and prefer traditional immovable collateral, while movable assets are often accepted only as supplementary rather than primary security. The study therefore concludes that weak policy dissemination, low awareness, complex registration procedures, limited lender adoption, and inadequate enforcement have significantly reduced the effectiveness of an otherwise potentially transformative regulatory framework.

5.3.4 Conclusion on Objective Four: Existing Collateral Security Arrangements for SMEs in Zimbabwe

The study concludes that the existing collateral security arrangements in Zimbabwe are characterised by several interconnected challenges that collectively restrict SME access to formal finance. The use of land and title deeds as collateral remains limited because many SMEs do not own immovable property and operate from rented premises. At the same time, financial institutions' acceptance of movable assets as primary collateral remains low, with many lenders either rejecting such assets or accepting them only as supplementary security. Personal guarantees are also widely required, resulting in SME owners pledging personal assets such as homes, vehicles, and savings to secure business loans. This exposes personal wealth to business risks and may discourage formal entrepreneurship. The exclusion of SMEs from formal collateral systems has also contributed to the growth of informal lending, where businesses obtain finance without conventional collateral but often face high interest rates and potentially exploitative lending conditions. Overall, the study concludes that non-traditional collateral mechanisms have significant potential to improve SME access to finance in Zimbabwe, but this potential remains largely unrealised because of implementation weaknesses, limited awareness, high transaction costs, weak lender adoption, and inadequate enforcement.

5.4 Recommendations

5.4.1 Recommendations for the Reserve Bank of Zimbabwe and Government

The study recommends that the Reserve Bank of Zimbabwe and the Government of Zimbabwe strengthen the implementation and enforcement of the existing legal and regulatory framework governing movable collateral. Financial institutions should be required to accept eligible movable assets registered through the Collateral Registry as primary collateral rather than merely as supplementary security. Non-compliance should attract appropriate regulatory sanctions. The study further recommends the implementation of sustained awareness campaigns through market fairs, community radio, SME associations, mobile phone messaging, social media, and partnerships with informal-sector leaders to increase SME awareness of the Collateral Registry. Registration procedures should also be simplified by reducing unnecessary documentation and transaction costs, particularly for small-value loans. In addition, a dedicated enforcement mechanism should be established to monitor lender compliance, investigate complaints, and report non-compliant institutions. The study also recommends the development of a comprehensive receivables-financing framework, including a centralised invoice registry and mechanisms to prevent double financing and fraud. Furthermore, government and the Reserve Bank should collaborate with banks, mobile network operators, and fintech companies to develop reliable digital credit-scoring systems based on alternative sources of financial information.

5.4.2 Recommendations for Financial Institutions

Financial institutions, including commercial banks and microfinance institutions, should strengthen their capacity to evaluate and manage non-traditional collateral. The study recommends mandatory training for lending officers on movable-asset valuation, Collateral Registry procedures, legal requirements under the Movable Property Act, and appropriate risk-assessment techniques. Financial institutions should also develop dedicated SME loan products that recognise movable assets such as equipment, inventory, and vehicles as viable forms of security. Where adequate movable collateral is available, lenders should reconsider the routine requirement for personal guarantees. Financial institutions are further encouraged to pilot and expand group-lending models based on social collateral and peer guarantees, particularly for micro-enterprises requiring relatively small loans. Partnerships with fintech companies should also be strengthened to enable lenders to use alternative credit information and digital

transaction histories when assessing SME creditworthiness. Finally, financial institutions should assist SME clients with Collateral Registry registration and consider incorporating registration costs into loan facilities where appropriate to reduce the initial financial burden on borrowers.

5.4.3 Recommendations for SMEs and Business Associations

SMEs and their business associations should take a more proactive role in improving access to alternative forms of finance. SME owners should actively seek information about the Collateral Registry, movable-asset financing, and other non-traditional lending mechanisms through workshops, business associations, regulatory announcements, and direct engagement with financial institutions. SMEs should also improve their record-keeping practices by maintaining accurate documentation relating to movable assets, including purchase receipts, valuations, photographs, serial numbers, maintenance records, and insurance documents. Such records can increase transparency and improve lender confidence. SMEs are further encouraged to participate in formal lending groups and business associations that can facilitate social collateral and collective credit histories. In addition, businesses should develop reliable digital footprints by using formal digital payment platforms, maintaining electronic transaction records, and separating business and personal transactions. Business associations should advocate for SME financing reforms by documenting challenges experienced by members, submitting complaints concerning non-compliant lenders, and participating in consultations on financial-sector policies.

5.4.4 Recommendations for Development Partners and Donors

Development partners and donors should support the modernisation and strengthening of Zimbabwe's Collateral Registry through technical assistance, financial resources, and appropriate technological infrastructure. Support should focus on improving system reliability, reducing downtime, and promoting interoperability with other regional collateral registries where appropriate. Development partners should also fund large-scale awareness campaigns aimed particularly at informal and semi-formal SMEs that may have limited access to conventional sources of financial information. In addition, partial credit guarantee schemes should be developed to reduce lender risk and encourage financial institutions to adopt movable collateral. Support should also be provided for the training and certification of movable-asset valuers to improve the availability, quality, and affordability of valuation services. Finally,

development partners should support pilot programmes involving financial institutions willing to provide loans secured by non-traditional collateral, with independent evaluations used to generate evidence for broader implementation and replication.

5.4.5 Joint Recommendations for the Reserve Bank of Zimbabwe, Financial Institutions and Development Partners

The Reserve Bank of Zimbabwe, financial institutions, and development partners should work collaboratively to integrate indigenous and community-based financial structures into the broader SME financing ecosystem. The study recommends piloting mechanisms through which sustained good standing within established rotating savings and credit associations or registered business associations can contribute to demonstrating SME creditworthiness. Trusted community and local leadership structures could also be incorporated into awareness initiatives to improve the dissemination and uptake of information concerning the Collateral Registry and non-traditional financing mechanisms. Such structures should complement rather than replace formal legal and regulatory systems. By building on financial practices that SMEs already understand and trust, the relevant stakeholders may improve the adoption of non-traditional collateral mechanisms while simultaneously strengthening lender confidence and reducing barriers to formal SME financing.

5.5 Contributions to Knowledge

The original and significant contributions of the study to the academic literature on the subject, policy and practice-design of interventions are manifold: Firstly, it provides contextual empirical evidence on collateral from Zimbabwe, a country characterized by atypical economic instability, hyperinflationary experience, currency volatility, political uncertainty, and a predominantly informal SME ecosystem. While international literature extensively covers non-traditional collateral systems in stable, high-income or fast industrialising countries and there are existing, though limited studies for some African countries such as Kenya, Ghana and Rwanda, this study represents one of the few (rare) specific empirical investigations on collateral from Zimbabwe, a key geographic and economic void. Secondly, the study adopts a triangulated mixed-methods approach utilizing both a quantitative survey from 36 SMEs and qualitative data from richly detailed responses by study participants as well as the policy

analysis of policy documents. The study utilized a sequential explanatory approach and for SME collateral research in Zimbabwe, the method has been rarely employed.

This combination was instrumental not only in measuring the incidence and incidence of collateral barriers to finance access but critically enabled the study to delve into the lived experiences and expressions of frustration and constraints reported by SME owner respondents themselves. Thirdly, the study presents the systematically researched reality of the significant disconnect between a progressive legislative framework in Zimbabwe such as the Movable Property Act and Collateral Registry, and the rather dismal experiences of the majority of Zimbabwean SMEs. Specific bottlenecks (extremely low awareness rate: 78%, high transaction costs, laborious procedures for filing and searches, unreliable online platform, widespread disregard by lenders) have been clearly identified, going beyond general commentary. Fourthly, the study provides strong evidence from the demand side that Zimbabwean SMEs are not inherently averse to formal financial services, but are predominantly excluded due to inappropriate and mismatched collateral regimes.

The findings regarding the willingness of the SMEs surveyed to utilize collateral based on movable assets, social collateral, and digital credit scoring negate assumptions on the resistance of SMEs to formalize, their poor record-keeping capacity and lack of willingness to accept formal financing on some terms. Lastly, the study sets forth concrete policy and practice recommendations for a range of actors. These recommendations are explicitly driven by the study's findings and the narratives from SMEs, hence moving beyond abstract generalizations to concrete advice for policymakers, financial sector players, SME association representatives, and other key development stakeholders, and can be explicitly mapped back to specific research outcomes.

5.6 Limitations of the Study

It is important to clearly state some key limitations to place the research findings and conclusion in the proper context. 1. Geographical Focus This research focused solely on Harare, the capital and largest city in Zimbabwe. It is important to note that while Harare holds the largest concentration of both SMEs and financial institutions in Zimbabwe, findings in this study may not be fully representative of the challenges faced by SMEs located in other cities

like Bulawayo, Mutare, Gweru and rural locations whose economic context, profile of assets, prevalence of lenders, level of development of the infrastructure and availability of information are varied significantly. 2. Sample Size The research interviewed thirty-six (36) SMEs. Although the sample was sufficient for the descriptive statistics, cross tabulations, basic tests for difference on key variables were deemed sufficient, the use of purposive sampling targeting information-rich cases for interview provided rich qualitative data that limited sample size in the broader sense but also limits the ability for statistical generalization especially when it comes to complex regression analysis or subgroup comparison analysis (based on enterprise size, gender or sector). 3. Rely on self-reported data from questionnaires the data collected through questionnaires from the SMEs relies on their self-reporting in relation to their experiences in accessing external finance. This introduces the risk of social desirability bias in relation to stating of the problems they are facing when seeking finance, possibly underreporting their internal book-keeping practices, and incorrectly reporting specific events like when loan application occurred or if it was rejected. 4. Cross sectional design The study is cross-sectional and captures the state of play of SME financing limitations and collateral structures at a particular point in time circa 2025 to 2026. A longitudinal study where the same SMEs are tracked over a period of 3 or more years will provide insights into how access to credit and collateral issues are evolving over time. Such longitudinal study would offer a good view of how SME financing grows with enterprises as they get bigger, as the policy and regulatory environment matures and as economic environment changes 5. Lenders' perspectives and regulator's voice Due to access constraints and apparent reluctance from institutional stakeholders, qualitative interviews with lending institutions and regulators which were planned as part of the Methodology, detailed in chapter 3, were not carried out. As such the study relied on self-reported information by SMEs on the attitudes and practices of lenders towards collateral requirements and loan assessment, with the perspective of lenders only being inferred, not directly articulated. Therefore, Future research efforts should prioritise obtaining interviews with lending institutions personnel and financial sector regulatory authorities so that the perspective of this stakeholder group can be articulated within future studies. 6. Overall Macro-economic and political environment Zimbabwe has a history of macroeconomic volatility, characterized by hyperinflation, instability of its currency the Zimbabwe Gold (ZiG) against foreign currencies like the USD, and policy uncertainty which often leads to frequent reviews of the banking and financial services regulations. These macroeconomic factors also impact the access of SMEs to finance in general in ways not directly covered by this specific study that narrowly focused on collateral configurations.

This limitation warrants a more explicit justification than a simple acknowledgement. Three points are relevant to assessing whether it fatally undermines the study's conclusions. First, on the specific empirical claims this study makes about SME experience, namely the barriers SMEs report facing, the collateral types SMEs say they hold and would be willing to pledge, and SMEs' own awareness and use of the Collateral Registry, the absence of lender interviews does not weaken the evidence, because these are, by definition, matters about which SMEs themselves are the primary and most credible source. Second, on claims about lender and regulator behaviour and reasoning, this study is careful throughout Chapters 4 and 5 to frame these as SME-reported perceptions corroborated by consistency across a diverse sample and by their alignment with prior Zimbabwean and regional literature (for example Maunganidze, 2020; Kusi et al., 2022; Chirisa et al., 2024), rather than as independently verified institutional facts; the critical reflection in Section 5.2.6 makes this epistemic boundary explicit. Third, where the study cannot speak with confidence, specifically the internal organisational reasoning behind lender conservatism, it says so directly rather than speculating, and identifies this as the single highest-priority direction for future research in Section 5.7. On this basis, the missing qualitative phase constrains the study's ability to explain why lenders behave as they do, but it does not undermine the substantially better-evidenced claims about what SMEs experience and what the observable, RBZ-published pattern of low registry uptake and continued reliance on immovable collateral looks like from the demand side. Future studies seeking to build on this work should prioritise securing lender and regulator access early, ideally through formal institutional partnership with the Reserve Bank of Zimbabwe or the Bankers Association of Zimbabwe, rather than approaching individual institutions directly as this study attempted.

5.7 Avenues for Future Research

Based directly on the finding, conclusions and recognized limitations of the present study, several fruitful avenues of research may be followed in the future. First, a lender-side qualitative study that would hold detailed interviews with loan officers in commercial banks, members of credit committees, managers in Microfinance Institutions and asset-based lenders to determine from their point of view institutional obstacles towards the acceptance of non-traditional forms of collateral, the specific risks that drive a continued demand for non-movable property, and which incentives, trainings or regulations that could make it possible for them to adopt movable asset financing mechanisms. Second, a comparative regional study on collateral

registry utilization rates, SME financing outcomes and compliance rates by lenders between Zimbabwe on the one hand, and on the other side, Kenya, Ghana and Rwanda which have more established and functioning movable asset financing systems in an attempt to capture and transfer best practices in terms of legal provisions, procedures and enforcement mechanisms from these countries to Zimbabwe.

Third, a longitudinal impact study would trace a group of SMEs for 3 to 5 years in order to evaluate whether use of non-traditional collateral mechanisms is leading to improvements in loan access and size, reduce lending interest rates, less dependency on informal lenders, tangible business growth and job creation and even informal sector formalization in the longer run.Fourth, a digital credit scoring model development and validation could be implemented where the researchers would develop a model on basis of non-traditional data such as transaction histories in mobile money services, payments to utilities and suppliers and validate this model with a commercial partner regarding its ability to predict default among SMEs. Fifth, a receivables financing feasibility study, in which legal, operational, market and behavioural barriers to invoice discounting or factoring for Zimbabwean SMEs would be assessed through an exploratory study possibly accompanied by a pilot test by a development partner who would support a commercial bank to lend on the basis of invoices to a sample of SMEs and rigorously evaluate this intervention with regards to success rate, loan terms and SME business impact. Sixth, gender-disaggregated analysis needs to be done, which will be assessed if such new mechanisms will be a catalyst in bridging the gender finance gap or create another source of discrimination, more particularly concerning the fact that women under the customary law would not be owners of property and may also experience higher geographical, informational and networking limitations. Seventh, a cost-benefit analysis which needs to accurately calculate the transaction costs of taking movable asset collateral relative to traditional non-movable asset collateral, considering not only monetary outlays such as evaluation fees, legal fees and registration fees, but also less direct, implicit transaction costs such as travelling, lost opportunity time in loan approval process and reduction in loan size and interest rate.

5.7 Future Research

The study recommends several areas for future research based on the limitations and findings of the present study. First, future studies could examine the perspectives of financial institutions

and lenders regarding the adoption of non-traditional collateral mechanisms. Such research would provide deeper insight into the reasons behind the relatively low uptake of movable assets, social collateral, receivables financing, and digital credit scoring from the supply side. This would complement the present study, which primarily captures the experiences and perceptions of SMEs.

Second, future research could undertake a comparative regional analysis by examining non-traditional collateral mechanisms in Zimbabwe alongside other countries in the Southern African Development Community (SADC) region. Such comparative studies could identify regulatory, institutional, technological, and market practices that have enabled other countries to achieve greater adoption of movable collateral and alternative financing mechanisms. The findings could provide useful lessons for strengthening Zimbabwe's own SME financing framework.

Third, longitudinal research should be conducted to assess the long-term impact of non-traditional collateral mechanisms on SME performance and growth. Future studies could examine whether access to movable-asset financing, social collateral, receivables financing, and digital credit actually improves business survival, profitability, employment creation, innovation, and expansion over time. A longitudinal approach would address the limitation of the present cross-sectional design and provide stronger evidence regarding the longer-term outcomes of alternative financing mechanisms.

Fourth, future researchers should investigate the development, validation, and accuracy of digital credit-scoring models for Zimbabwean SMEs. Such research could examine the extent to which alternative data, including mobile money transactions, utility payments, supplier payment histories, and other digital financial records, can accurately predict SME creditworthiness. Particular attention should be given to the reliability, transparency, fairness, and predictive accuracy of such models before they are widely adopted by financial institutions.

Fifth, further research should examine the feasibility of receivables-based financing for Zimbabwean SMEs, with particular attention to the factors that constrain its adoption. Future studies could investigate challenges associated with invoice verification, debtor reliability, fraud prevention, double financing, legal enforcement, and the willingness of financial institutions to provide invoice-based finance. Such research could assist policymakers and financial institutions in designing an effective receivables-financing framework.

Sixth, future studies could examine the adoption of non-traditional collateral mechanisms from a gender perspective. Research could investigate whether female-owned and male-owned SMEs experience different levels of access to movable-asset financing, social collateral, digital credit, and receivables financing. Such research would help determine whether existing collateral arrangements unintentionally create gender-based barriers to SME financing and whether alternative mechanisms can contribute to more inclusive financial access.

Seventh, future research should undertake a cost-benefit analysis of non-traditional collateral mechanisms. Such research could compare the costs associated with establishing, registering, valuing, monitoring, and enforcing movable collateral against the economic benefits generated through increased SME access to finance. This would provide policymakers and financial institutions with empirical evidence on whether investment in alternative collateral systems produces sufficient economic and financial returns to justify their expansion.

5.8 Chapter Summary

The chapter highlighted important conclusions from the 4th Chapter, the deductions on every single objective and offered several recommendations to the various stakeholders. The chapter concludes that the existing rigid forms of collateral requirements are acting as severe limitation to SME growth; non-collateral instruments particularly those related to movable assets and social collateral are very well demanded by SMEs; Zimbabwe's regulatory environment regarding non-traditional instruments is progressively drafted but remains shallow in practice in terms of poor awareness and high bureaucracy and that currently SMEs are forced into personal guarantee exposure and informal lenders. The main conclusions is that demand for non-collateral approaches from the SME sector is definitely validated, while on the supply side the uptake on the part of lenders remains relatively weak, and that the central failure of the policy lies within the continued space between progressive legislation and outcomes in practice. Therefore, the proposed recommendations were aimed at policy makers such as Reserve bank of Zimbabwe and government, finance institutions, the SME sector and their associations as well as the development partners.

For the central bank and government; mandated lender participation; the provision of awareness; the streamlining of registration processes; reduced registration fees; improved enforcement; establishment of frameworks for receivables financing; digital credit scoring development. For the finance institutions: adequate and mandatory training for SME financing;

provision of specialised SME products; adoption of group lending models; collaborations with fintech providers; registration facilitation. For SMEs and their associations: proactive engagement and seeking of information; effective business record keeping and financial management; formation of lending groups; development of digital footprint; proactive policy engagement and lobby group. For development partners: strengthening and Modernization of the movable asset Registry; financing ofawareness Campaigns; Credit Guarantee Facilities; Professional and affordable registration of valuers; funding of pilot SME projects with evaluation and monitoring.

The chapter established the empirical evidence base from Zimbabwe; the cross triangulation of data; systematically recorded gaps in implementation and the empirical demand on non-traditional financial products from the SME sector, and presented practical recommendations which can be used as basis for action plan for various stakeholder.

Some limitations of the research are discussed such as restricted geographic scope, smaller sample size,reliance on self-reported data from respondents, cross-sectional research design, lack of interviews with direct contact with lenders and macroeconomic instability, are discussed. Recommendations for future research on the topic include a study focusing on the lender's perspectives; comparative analysis in the region; assessment of long term impact; the development and application of validated digital scoring models and their accuracy testing; feasibility assessment on receivables financing and in particular factors inhibiting such; examination of non-traditional instrument adoption through a gender lens; and conduct of cost benefit analysis. This study concludes that non-traditional instruments in the SME financing area would go a long way to facilitating access to finance for Zimbabwean SMEs, but urgent concerted and purposeful action must be taken by all stakeholders to cover the gap between policy design and actual implementation on the ground.

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APPENDIX A

RESEARCH INSTRUMENTS (CONDENSED VERSION)

APPENDIX A: SME QUESTIONNAIRE

Study Title: Developing Non-Traditional Collateral Mechanisms for Small to Medium Enterprises Funding in Zimbabwe

Instructions: Please tick (✓) the appropriate response. The questionnaire should take approximately 10-12 minutes.

SECTION A: BUSINESS INFORMATION

A1. Sector: ☐ Manufacturing ☐ Services ☐ Agriculture ☐ Other _____

A2. Number of employees: ☐ 1-5 ☐ 6-20 ☐ 21-50 ☐ 51-100 ☐ 100+

A3. Years in operation: ☐ <1 year ☐ 1-3 ☐ 4-6 ☐ 7-10 ☐ >10 years

A4. Registration status: ☐ Fully registered ☐ Registered name ☐ Not registered

A5. Annual turnover (USD): ☐ <$10,000 ☐ $10,001-$50,000 ☐ $50,001-$150,000 ☐ $150,001-$500,000 ☐ >$500,000

SECTION B: FINANCING HISTORY

B1. Have you ever applied for financing? ☐ Yes ☐ No (If No, skip to B8)

B2. Type applied for (tick all that apply): ☐ Term loan ☐ Overdraft ☐ Equipment leasing ☐ Invoice factoring ☐ Microfinance ☐ Government scheme

B3. Outcome of most recent application: ☐ Approved in full ☐ Approved lower amount ☐ Rejected ☐ Pending

B4. If rejected, main reason (tick one): ☐ Insufficient collateral ☐ Lack of property ☐ Poor credit history ☐ Business too new ☐ No reason given

B5. If you have NOT applied, reason (tick one): ☐ No need ☐ Fear of rejection ☐ Interest rates too high ☐ Process too complicated ☐ Unaware of options

SECTION C: COLLATERAL EXPERIENCES

C1. What collateral was required? (Tick all that apply): ☐ Land with title deed ☐ Building ☐ Vehicle ☐ Machinery ☐ Inventory ☐ Receivables ☐ Personal guarantee ☐ Group guarantee ☐ No collateral required

C2. Did you have sufficient collateral? ☐ Yes ☐ Partially ☐ No

C3. Difficulty providing collateral (1=Very easy, 5=Very difficult): ☐1 ☐2 ☐3 ☐4 ☐5

C4. Biggest barrier to SME finance (tick one): ☐ Collateral requirements ☐ High interest rates ☐ Poor credit history ☐ Economic conditions ☐ Lender risk aversion

SECTION D: NON-TRADITIONAL COLLATERAL

D1. Are you aware of the RBZ Collateral Registry for movable assets? ☐ Yes ☐ No

D2. Have you ever used (tick all that apply): ☐ Movable asset pledge ☐ Invoice factoring ☐ Equipment leasing ☐ Credit guarantee ☐ Group lending ☐ Digital credit scoring ☐ None

D3. Would you use movable assets (equipment, inventory, vehicles) as collateral? (1=Very unlikely, 5=Very likely): ☐1 ☐2 ☐3 ☐4 ☐5

D4. What non-traditional collateral could you provide? (Tick all that apply): ☐ Vehicles ☐ Machinery ☐ Inventory ☐ Receivables ☐ Contracts ☐ Personal guarantee

SECTION E: BARRIERS (1=Not a barrier, 5=Very significant barrier)

Barrier	1	2	3	4	5
Lack of property	☐	☐	☐	☐	☐
High interest rates	☐	☐	☐	☐	☐
Short repayment periods	☐	☐	☐	☐	☐
Complicated process	☐	☐	☐	☐	☐
Lack of credit history	☐	☐	☐	☐	☐

Thank you for your participation.

APPENDIX B: INTERVIEW GUIDE FOR FINANCIAL INSTITUTIONS

Opening Script (2 minutes)

"Thank you for participating. This interview examines non-traditional collateral for SME funding in Zimbabwe. It will take approximately 10-15 minutes. With your permission, I will audio-record. Your responses are confidential and anonymous. Do I have your consent to proceed?"

Key Questions

Q1. What are your institution's current collateral requirements for SME loans?

Q2. Does your institution accept non-traditional collateral (movable assets, receivables, guarantees)? If so, which types and under what conditions?

Q3. What are the main challenges your institution faces in accepting movable assets as collateral (valuation, repossession, legal enforcement)?

Q4. Are you aware of the Movable Property Act and the RBZ Collateral Registry? Does your institution use them?

Q5. Why do you think many Zimbabwean banks still demand traditional immovable property despite legal provisions for movable assets?

Q6. Would your institution increase SME lending if government provided partial credit guarantees? Why or why not?

Q7. What policy changes would most encourage your institution to adopt non-traditional collateral mechanisms?

Q8. Is there anything else you would like to add about SME financing in Zimbabwe?

Closing Script

APPENDIX C: INTERVIEW GUIDE FOR REGULATORY OFFICIALS

Opening Script (2 minutes)

"Thank you for participating. This interview examines non-traditional collateral for SME funding in Zimbabwe. It will take approximately 30-40 minutes. With your permission, I will audio-record. Your responses are confidential. Do I consent to proceed?"

Key Questions

Q1. What was the policy intent behind the Movable Property Act and the Collateral Registry?

Q2. What is the current status of the Collateral Registry? How many registrations have been made to date?

Q3. What are the main challenges limiting utilisation of the Collateral Registry?

Q4. To what extent have financial institutions adopted movable asset lending in practice?

Q5. How does your institution monitor compliance with the Movable Property Act?

Q6. What capacity building or awareness initiatives have been undertaken for SMEs and lenders?

Q7. Has the Act led to measurable increases in SME access to finance?

Q8. What additional policy reforms would you recommend to strengthen non-traditional collateral mechanisms?

Q9. Is there anything else you would like to add?

Closing Script

"Thank you for your valuable insights. I may contact you for clarification if needed."

APPENDIX D: DOCUMENT ANALYSIS FRAMEWORK

Field	Information
Document Title	
Author/Publisher	
Date	
Type (Legislation/Policy/Report)	

Key Provisions Related to SME Collateral:

Provision	Summary	Implications
Eligible collateral types		
Registration requirements		
Enforcement procedures		

Identified Gaps/Challenges:

Relevance to Research Objectives:

Documents to be Analysed:

- Movable Property Act [Chapter 14:35]
- Microfinance Act [Chapter 24:29]
- RBZ Financial Sector Reports (2018-2024)

- Collateral Registry Guidelines

APPENDIX E: PARTICIPANT INFORMATION SHEET AND CONSENT FORM

Information Sheet

Study: Developing Non-Traditional Collateral Mechanisms for SME Funding in Zimbabwe

Researcher: Chihuri Moses (B252205A) | **Supervisor:** Dr Gilbert Kichini

Purpose: To examine how non-traditional collateral can improve SME access to finance in Zimbabwe.

Participation: Voluntary. You may withdraw at any time without penalty.

Confidentiality: Your responses are anonymous. No identifying information will be disclosed.

Duration: Questionnaire (10-12 minutes) or Interview (30-40 minutes).

Contact: [Researcher email and phone]

Consent Form

Please initial each box:

	Statement	Initial
☐	I have read and understood the information sheet.	
☐	I understand participation is voluntary and I can withdraw.	
☐	I agree to my responses being used for this research.	
☐	I agree to audio-recording (interviews only).	

Participant Name: _____ **Signature:** _____ **Date:** _____

Researcher Signature: ___chihuri moses_____

END OF RESEARCH INSTRUMENTS

APPENDX B

RESEARCH ETHICS COMMITTEE

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

BINDURA UNIVERSITY OF SCIENCE EDUCATION [BUSE]

9 June 2026

Moses Chihuri
Bindura University of Science Education
Graduate School of Business
P. Bag 1020
Bindura

Dear Moses Chihuri

RE: INSTITUTIONAL RESEARCH COMMITTEE ETHICAL CLEARANCE-APPROVAL NUMBER: BUSEREC/0159/2026

Your application for research ethical clearance related to the topic **'Towards an entrepreneurship enhanced curriculum policy recommendations for Zimbabwe Education system to foster graduate startups.'** has been approved and allocated approval Number: **BUSEREC/0159/2026**. 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	:	19th Research Ethics Committee
Approval Date	:	09/06/2026
Expiry date	:	08/06/2027

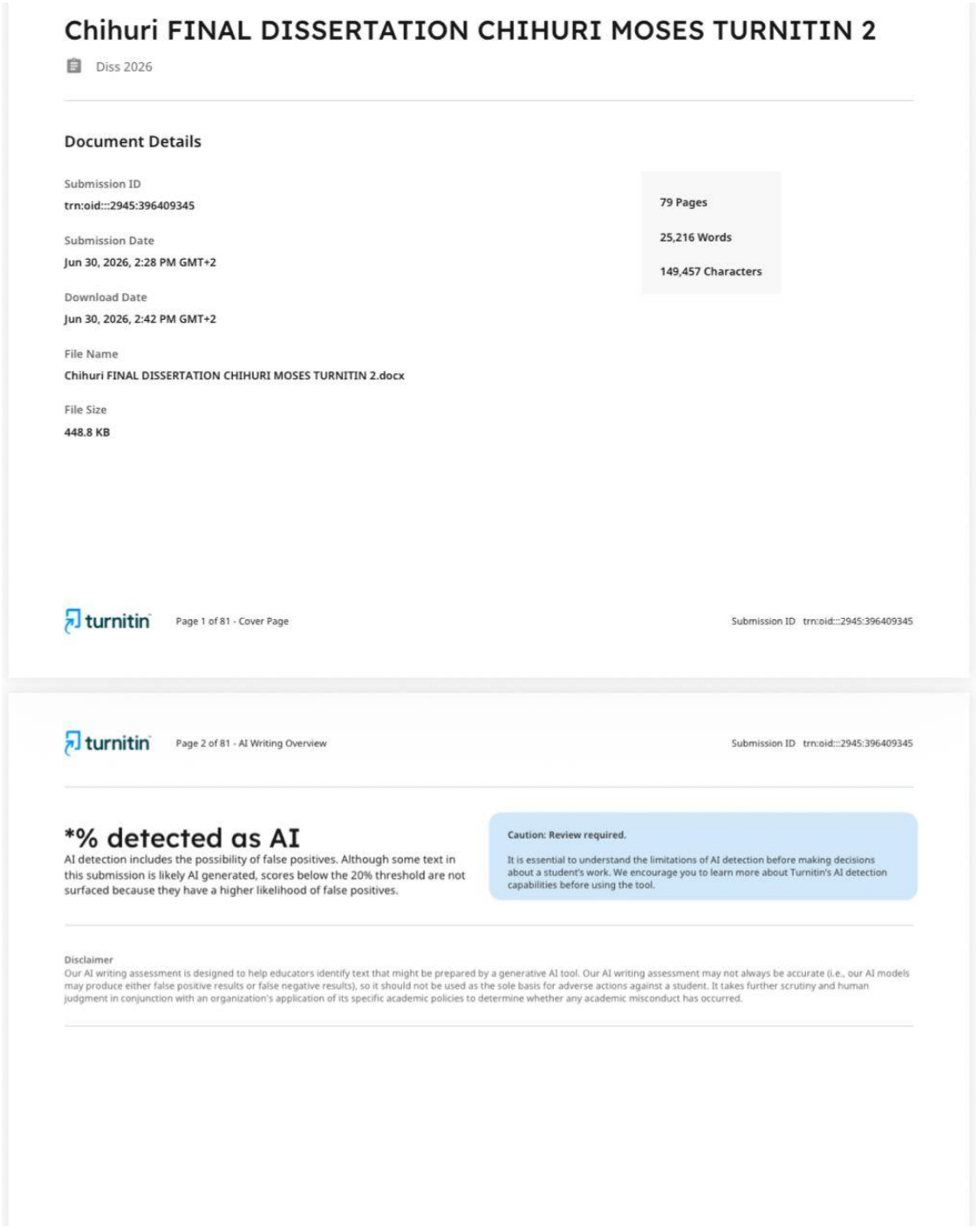
The project will automatically discontinue on the expiry date. You can apply for renewal three months before the expiry date. The renewal application should be accompanied by a progress report.You are not expected to make any changes/adjustments to the protocol including the consent documents. Any trials 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 within three (3) working days.

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

Yours sincerely

BUSEREC CHAIRPERSON

APPENDIX C



Chihuri FINAL DISSERTATION CHIHURI MOSES TURNITIN 2

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149,457 Characters

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