

BINDURA UNIVERSITY OF SCIENCE EDUCATION



FACULTY OF COMMERCE

DEPARTMENT OF BANKING AND FINANCE

A MODEL FOR INNOVATIVE FINANCING AND FUNDING FOR STARTUPS AND SMES IN ZIMBABWE.

BY

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A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE BACHELOR OF COMMERCE HONOURS DEGREE IN BANKING AND FINANCE (BCom.BAF) OF BINDURA UNIVERSITY OF SCIENCE EDUCATION. FACULTY OF COMMERCE.

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APPROVAL FORM

A dissertation titled, “A model for innovative financing and funding for start-ups and SMEs in Zimbabwe” has been recommended for approval by the signatories who attest to having read it, submitted by B221226B in partial fulfilment of the requirements for the University’s Honors Bachelor of Commerce in Banking and Finance program.

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RELEASE FORM

STUDENT REG NUMBER: B221226B

**RESEARCH TOPIC: A model for innovative financing and funding for
start- ups and SMEs in Zimbabwe**

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DEDICATION

This research is dedicated to my parents, siblings.

ABSTRACT

This study examines the financing challenges faced by start-ups and Small and Medium Enterprises (SMEs) in Zimbabwe and proposes a context-specific model for innovative financing and funding. SMEs play a critical role in Zimbabwe's economic development through employment creation, poverty reduction, innovation, and contribution to Gross Domestic Product (GDP). However, access to adequate and affordable finance remains a major challenge due to high collateral requirements, excessive interest rates, macroeconomic instability, and underdeveloped capital markets. Traditional financing institutions such as banks and microfinance institutions often fail to meet the needs of SMEs, forcing many businesses to rely on informal financing sources. The study adopted a quantitative research design guided by a pragmatic research philosophy. Data were collected using structured questionnaires distributed to SME owners, microfinance institutions, financial experts, and business associations in Harare's industrial areas, particularly Mbare and Graniteside. A sample size of 132 respondents was selected using stratified sampling, and 120 completed questionnaires were successfully returned, producing a response rate of 90.9%. Data analysis was conducted using descriptive and inferential statistical techniques through SPSS and Microsoft Excel. The findings revealed that existing financing mechanisms are inadequate in addressing the financial needs of start-ups and SMEs in Zimbabwe. Major barriers to accessing traditional finance include high collateral demands, high interest rates, lengthy loan approval procedures, strict lending regulations, lack of financial records, and limited credit histories. The study further established strong support for innovative financing models such as fintech-based lending, crowdfunding, peer-to-peer lending, venture capital, and digital financial platforms. Respondents agreed that these models could improve financial inclusion, reduce dependence on conventional bank loans, and enhance SME growth and sustainability. The study concludes that Zimbabwe requires an integrated and innovative financing framework tailored to its economic realities. It recommends strengthening fintech ecosystems, promoting supportive government policies, encouraging public-private partnerships, and developing alternative financing platforms to improve SME access to finance and stimulate economic growth.

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LIST OF ABBREVIATIONS

SMEs Small- Medium Enterprises

CHAPTER I

1 Introduction

Limited access to formal credit, high interest rates and strict collateral requirements are just some of the challenges that financing startups and SMEs in Zimbabwe encounters, which constrain the growth potential of small business. Alternative funding sources like microfinance institutions and informal mechanisms like savings clubs, family support and community cooperatives can provide funding, but these approaches may not be large enough to scale up. Fintech options such as EcoCash, credit facilities with a donor, supply-chain financing and diaspora investment vehicles are innovative solutions, and they can help to fill funding gaps and foster SME development. This study aims on creating a formal model that utilises these mechanisms is imperative to sustainable financing of SMEs in Zimbabwe.

1.1 Background of the study

Small and Medium Enterprises (SMEs) and Start-Up entrepreneurs are worldwide known as drivers of growth, employment and innovation. The SMEs play a vital role in emerging economies and their share in the GDP and formal employment is higher, with an estimated total of 25-30 million formal SMEs in the world (Bpeace, 2023). In spite of their key contribution, SMEs are still encountering significant difficulties in accessing finance, which is crucial for their growth, sustainability, and competitiveness (World Bank, 2023). While bank loans and overdraft are traditional financing instruments, they often do not accommodate start-ups' financing needs because they require high collateral, may impose high interest rates, and may be subject to information asymmetry between the borrower and the lender (OECD, 2022).

SMEs play an important role in the economic development of Sub-Saharan Africa but also face one of the biggest lack of access to finance in the world. Only 20-30% of Micro, Small and Medium Enterprises (MSMEs) are able to access formal credit and the financing gap is estimated to be more than \$330 billion (Sloan, 2023). The reasons behind this gap are both because of underdeveloped capital markets and also perceived risk, lack of collateral and limited investor confidence (African

Development Bank, 2022). Venture capital, crowdfunding, blended finance and digital supply chain finance are some of the innovative financing models that can be successful in mobilizing capital for start-ups responsible for technology, agriculture and renewable energy (Akinboade, 2020; Block et al., 2018).

Zimbabwe faces similar challenges as the rest of the continent and some country-specific challenges. SMEs are estimated to make about 60% of Zimbabwe's GDP and employs more than 70% of workers (Mupemhi et al., 2019; NCC, 2023). However, financial access, which is not only sufficient but also inexpensive, is a significant obstacle. Most conventional financial services like bank loans, overdraft facilities and microfinance are not available because of high requirement for collateral, high interest rates and macroeconomic instability. In Zimbabwe, lending rates have ranged between 80% and 200% per annum, rendering financing of start-up businesses hardly possible (Zimbabwe Reserve Bank, 2023; Chirisa et al., 2021).

Start-ups, in particular, are the ones who are disproportionately affected, since they do not have any tangible assets to put up for collateral, audited financial statements or proven track record. Despite the positive impact that innovative financing instruments such as venture capital, angel investment, crowdfunding and blended finance have demonstrated in other countries, Zimbabwe has been slow to embrace these mechanisms (World Bank, 2023; Sloan, 2023). The financial sector is dominated by the traditional banks and underdeveloped equity markets (Makanyeza and Dzvuke, 2015), indicating that it is still conservative. There is high informality and more than 70% of SMEs are outside formal registration arrangements (ZIMSTAT, 2021). In addition, there are financing problems due to the fluctuating currency value, low investor confidence, and diaspora investment.

This presents an anomaly that while SMEs and startups can enhance the industrialization process, digital transformation and export diversification, they are unable to access the finance that is required to realize this potential (Akinboade, 2020; OECD, 2022). This, then, is the need to create an innovative financing and funding model that is context-specific, which will take into account the local realities, such as the informality, volatility of the currency, weak capital markets

and high risk perceptions, and will be able to mobilize local and foreign capital. This model should incorporate public-private partnerships, digital finance, supply chain finance, diaspora bonds and impact investing, alongside positive policy changes (Block et al., 2018; World Bank, 2023). Therefore the objective of this study will be to fill this void by developing a model for innovative financing and funding of start-ups and SMEs in Zimbabwe based on theory and empirical findings, as well as challenges in the context.

1.2 Statement of the problem

Even though of their significance, Start-ups and SMEs in Zimbabwe still struggle with financing issues. Traditional financial institutions like banks and MFIs remain to have strict financing conditions, ranging from 150% of loans being backed by collateral, a condition that most SMEs are unable to meet (Reserve Bank of Zimbabwe, 2023). Equity markets are still shallow and venture capital and angel networks are not well established. Crowdfunding, blended finance and revenue-based finance are some of the financing innovations in other African economies that have caught on, but not yet institutionalized at scale in Zimbabwe (Chigudu, 2020). This financing shortfall hinders SMEs' growth, innovation and competitiveness, leaving behind statistics indicating that almost 60% of Zimbabwean startups fail during the first five years of operation, a result of inadequate finance (Nyamwanza, Mapetere and Mavhiki, 2021). Therefore, a lack of innovative and sufficient funding sources means that the country is under threat of not seizing this opportunity for industrialisation, digitalisation and employment..

1.3 Primary Objectives

The aim of this study is to develop a model for innovative financing and funding for startups and SMEs in Zimbabwe that integrates global best practices with local contextual realities.

1.3.1 Secondary Objectives

1. To analyse existing financing mechanisms available for startups and SMEs in Zimbabwe.
2. To identify barriers and limitations faced by startups and SMEs in accessing traditional finance.

3. To develop a context-specific innovative financing model tailored for Zimbabwean startups and SMEs.

1.4 Research Questions

1. What financing mechanisms are currently available for startups and SMEs in Zimbabwe?
2. What barriers constrain startups and SMEs from accessing traditional finance?
3. How can these approaches be adapted to Zimbabwe's economic and institutional context?

1.5 Justification / Significance of the Study

1.5.1 To the government of Zimbabwe

This study will offer policymakers evidence-based guidance on innovative financing paradigms which could help drive SME development. This is consistent with the thrust of the National Development Strategy 1 (2021-2025) that focusses on private sector driven development and value addition and employment. Financing model can positively improve fiscal revenues, unemployment and industrialisation.

1.5.2 To academic institutions

The study adds to the knowledge of SME funding and entrepreneurship in developing countries. It will offer a financing model unique to Zimbabwe which will serve as a source of reference for future academe, case studies and education in business schools.

1.5.3 To local communities

Access to sustainable financing for SMEs will lead to higher entrepreneurship, job creation and poverty reduction in the communities. Community-based crowdfunding can also be used to allow citizens to directly fund local businesses through innovative financing models.

1.5.4 The scope/delimitation of the study

The study is focused on startups and SMEs within Zimbabwe, with a specific focus on the manufacturing, agriculture and technology sectors. The financing mechanism is the only support considered and not non-financial support such as skill training. Geographically, the study will focus on Harare, Bulawayo and rising SME centres like Mutare and Gweru that have a variety of economic activities.

1.6 The study's limitations

Lack of good data

Many start-up and SMEs are informal which can lead to poor financial data and records. This may impact the correctness of results and general conclusions. To overcome this limitation, the study will employ triangulation, consisting of primary and secondary data, where the validity and reliability of the primary data will be complemented by previous studies of the government, financial institutions and SME associations.

Volatility, inflation

The economic environment in Zimbabwe (inflation and currency fluctuations) might impact the financing behaviour of the SMEs as well as the relevance of the financing models during the study period. The study will be based on real data and sensitivity analyses will be performed to determine the impact of macroeconomic variations on financing patterns. Findings will be interpreted with the current economic picture to keep them accurate.

Limited time and resources

The study can only cover a certain geographic area, and the number of SMEs can only be a sample due to limited time and resources. Due to limited resources, the study will be targeting certain SMEs that are representative of different sectors and regions to ensure diversity and validity within the selected sample.

1.7 Study Assumptions

Assumptions for decision-making and adoption

In this study it is assumed that the owners and/or managers of SMEs would make rational decisions in choosing financing options. They are expected to focus on

methods that will optimize growth, sustainability, and efficiency operations. This involves being open to new financial arrangements like fintech, supply chain financing and diaspora investment opportunities where they are available and advantageous. They are based on the knowledge that entrepreneurs are strategic and intentionally act to improve their business outcomes, and they are responsive to financial instruments that provide tangible benefits (Chirisa et al., 2021; Block et al., 2018), but the data is available and context-based assumptions can be made.

For analysis of the financing mechanisms, it is assumed that there will be sufficient and reliable data from financial institutions, government report and SME respondents. The study also assumes that SME owners and stakeholders will be willing to respond to questionnaires/surveys or interviews and will offer reliable and detailed data. In addition, this study takes for granted that the macro-economic environment (such as inflation rates, foreign exchange and availability) would remain relatively stable in Zimbabwe during the period under investigation. These are the conditions, which are necessary for the findings to be relevant and applicable. Lastly, findings from the chosen SMEs can be generalised to other SMEs in the same industry and location in Zimbabwe (NCC, 2023; Mupemhi et al., 2019; ZIMSTAT, 2021).

1.8 Chapter summary

This chapter provided a general background of the research through summarising the financing problems of start-up companies and the SMEs in Zimbabwe. The chapter noted that despite having huge potential in providing employment, reducing poverty, and economic growth, the activities of SMEs are highly restricted by the limited access to sustainable financing. The conventional banking system still demands considerable amount of collateral, rates and lending requirements to most of the loans that the SMEs are unable to meet. This creates a continuous financing shortfall, impacting on the creation of businesses, innovation and business survival. The chapter also identified the problem statement, which revealed that Zimbabwe lacks a coordinated scheme to connect innovative financing models, such as: Crowdfunding, Venture Capital, lending based on FinTech, Lending by the diaspora

and Blended finance with enabling policy frameworks that can improve the performance of SME financing. The research goal and the research questions, assumptions, limitations and delimitations were quite evident to give clear guideline of where the research should be conducted..

CHAPTER II

LITERATURE REVIEW

2 Introduction

The literature review entails the critical examination of the available academic literature concerning the innovative financing and start-up and SME financing methods. It aims at defining the theoretical and empirical underpinnings that will be used to develop an appropriate financing model in the Zimbabwean setting. As Snyder (2019) emphasizes, literature review assists researchers in finding gaps, contradictions, and emerging trends in the previous research so that they could place the study in the context of the academic discourse. Start-ups and SMEs are in the middle-stage of economic development in terms of driving economic growth, employment, and innovation but they are often limited in their development due to inability to obtain the right and affordable financing. The latest findings (Beck and Cull, 2022; World Bank, 2021) show that conventional financing models are insufficient to support small enterprises, especially in informal and imperfect financial market economies. These financing challenges are further compounded by the economic environment of Zimbabwe which is characterized by currency instability, lack of developed capital markets and high-risk perceptions.

In this chapter, global, regional and local literature on innovative financing models, fintech solutions, venture capital, microfinance, crowdfunding, government support mechanism and constraints on SME funding is reviewed. It discusses theoretical views, determines the main determinants of SME financing, and explains how the lack of financing can be overcome by using innovative instruments. The conceptual and empirical background to the development of a contextualized financing model is finally given by the literature review required to support the start-ups and SMEs in Zimbabwe.

2.1 Theoretical Framework

Several theories will underpin this study, providing a strong foundation for understanding SME financing and the adoption of innovative financial instruments in resource-constrained economies. The theoretical grounding will allow for a

systematic analysis of how SMEs mobilize, manage, and deploy financial resources to enhance growth, innovation, and sustainability. The study will focus on the Pecking Order Theory, Resource-Based View (RBV), and Agency Theory, as these are most relevant for guiding research on financing strategies and their implications for SMEs.

2.1.1 Pecking Order Theory

The Pecking Order Theory, first proposed by Myers and Majluf (1984), asserts that firms follow a financing hierarchy. Their financing order of preference is to use internal funds (e.g., retained earnings), then debt funds and finally external equity funds. This order is motivated by "information asymmetry" between firms and external investors. Limited information in smaller firms is likely to increase financing costs and result in possible adverse selection (Myers, 2001) from the external financier's point of view. The theory is very relevant for SMEs as it addresses their preference for using internal finance rather than formal institutions such as banks, e.g., personal savings, family finance or informal network. This preference increases in settings with low investor confidence and poorly-established financial markets (Frank & Goyal, 2020). However, the theory does have its drawbacks since it does not entirely account for the new financing models that have become capable to alleviate information asymmetry, and that can be embraced by SMEs. For example, Sme's can have access to capital through crowdfunding without having traditional collateral (Cosh, Cumming & Hughes p.219 & 221, 2021). So in the view of this study, Pecking Order Theory serves as a basis to understand the financing behaviour of the SMEs while the innovative instruments provide some potential solutions in breaking the traditional hierarchy.

2.1.2 Resource-Based View (RBV)

The Resource-Based View (RBV) (popularized by Barney (1991)) suggests that firms' competitive advantage and long-term survival are based on their capacity to obtain and use resources that are valuable, rare, inimitable, and nonsubstitutable, also known as VRIN. These can be both physical, such as financial capital, and non-

physical, such as innovation capacity, knowledge and skills. In the SME context, financial capital is considered to be an important strategic resource to invest in innovation, human resources, and expansion of the market. Finance remains an essential support to the growth of a business even companies with special skills or expertise can find it difficult to sustain growth without finance (Grant, 2019). So, innovative financing mechanisms can be thought of as resources that SMEs can use to improve their competitiveness. For example, blended finance is a way of mobilising both private and public funds to make flexible capital available to SMEs. In a similar way, while VC companies provide both funds and time and capacity, VCs also provide strategic expertise and networks to improve SME capabilities (Bocken 2021). Through applying RBV, the study reveals that innovative financing is not just an alternative funding source but one that could enhance SMEs' competitiveness by giving them a rare and value added resource.

2.1.3 Agency Theory

According to Jensen and Meckling (1976), agency theory is the relationship that occurs between investors or financier (principals) and entrepreneurs or managers (agents). Attention is paid to problems stemming from potential conflicts of interest, such as moral hazard or adverse selection, whereby agents may have an incentive to pursue goals that are different from those of the principals. Such agency issues are especially common in SMEs as they typically do not have sufficient governance mechanisms and financial reporting systems (Eisenhardt, 2019). As SMEs and startups are generally less transparent and have fewer formal governance arrangements, they generally find it harder to get investors to buy into the business. Thus, Agency theory has a role to play in explaining the reluctance of the financier on investing in SMEs. However, innovative financing tools are geared towards reducing these risks. For instance, revenue-based financing means the investors will only be returned if the business starts generating revenue. In the same way, milestone VC investment frees capital in tranches, depending on whether the entrepreneur is able to achieve these agreed milestones (Cumming & Johan, 2019). These mechanisms help mitigate agents' conflicts of interests, foster accountability, and balance the interests of entrepreneurs and investors. This study will use Agency Theory to investigate how

innovative financing models allow for trust and better monitoring and reduces risk on SME financing.

2.2 Empirical Review

This section examines empirical research on access to finance and SME performance, including financing mechanisms, barriers to access to financing and innovative financing models.

2.2.1 Increased SME performance through access to finance

Access to finance remains a critical determinant of SME growth and sustainability, particularly in resource-constrained economies. Recent studies indicate that limited credit availability continues to hinder SME competitiveness in Africa.

Abubakar et al. (2019) Nigeria, in their study titled "Access to Debt Finance on the Performance of Small and Medium Scale Enterprises in Nigeria", Quantitative approach method using survey questionnaires administered to SME owners, data analyzed using regression analysis, published in ResearchGate, examined the relationship between access to debt finance (affordability, timeliness, and adequate capital) and the performance of SMEs in Nigeria. The study found that limited access to debt finance significantly hampers the growth and performance of SMEs in Nigeria.

Musara and Fatoki (2020) Lusaka Zambia, in their research titled "Assessing Bank-Specific Challenges to SMEs Financing: Evidence from Commercial Banks in Lusaka", Mixed-method approach combining structured questionnaires and interviews with bank officials and SME clients. published in ResearchGate, identified stringent collateral requirements, perceived credit risks, and inadequate financial documentation as primary barriers to SME financing in Zambia. The study revealed that 69.2% of respondents reported high collateral demands as a severe obstacle, while 55.4% highlighted credit risk perceptions as significant.

Sibanda, Nyika, and Ngwenya (2021) Zimbabwe, in their work titled "The Role of Informal Finance in Financing Micro-Small-Medium Enterprises in Zimbabwe", Descriptive survey approach using structured questionnaires among MSMEs in Harare

and Bulawayo, published in RePEc, found that most MSMEs in Zimbabwe rely more on informal finance for growth during their first five years than on formal funding sources. The study highlighted the challenges faced by MSMEs in accessing formal financing and the significant role of informal finance in their growth.

Kueredza (2024) Zimbabwe, in his study titled "Impact of Microfinance Institutions Lending on SMEs Growth in Zimbabwe", Quantitative research design using cross-sectional data collected from SME owners through questionnaires; regression analysis applied. published in JISR-MSSE, investigated the impact of microfinance lending on the growth of SMEs in Zimbabwe. The study found that microfinance lending has a positive impact on SMEs' growth, providing them with the necessary capital to expand their operations.

Mpofu et al. (2022) Southern Africa, in their research titled "Informal Finance: A Boon or Bane for African SMEs?", Comparative case study approach using secondary data and key informant interviews, published in ResearchGate, examined the role of informal finance in closing the credit gap for SMEs in Africa. The study concluded that informal finance plays a vital role in providing finance to small businesses, especially in contexts where access to formal finance is limited.

2.2.2 Obstacles to Drawing-on Traditional Finance

Empirical literature indicates that several structural and institutional hurdles negatively influence start-ups and SMEs from accessing traditional finance, thereby negatively affecting their performance and sustainability. Collateral requirements continues to be a key hurdle.

Musara and Fatoki (2020), Lusaka, Zambia, in their study titled "Assessing Bank-Specific Challenges to SMEs Financing: Evidence from Commercial Banks in Lusaka," employed a mixed-method research approach combining structured questionnaires and interviews with bank officials and SME clients. Published on ResearchGate, the study found that high collateral requirements significantly limit SME borrowing, with 69.2% of respondents identifying collateral demands as a severe obstacle to accessing bank finance. This finding is corroborated by **Chivandikwa and Mago (2021)Zimbabwe**, whose empirical study reported that most start-ups

lack the immovable assets required by banks as collateral, resulting in exclusion from formal financial markets.

Information asymmetry is another critical constraint affecting SME access to traditional finance. **Ayyagari, Demirgüç-Kunt, and Maksimovic (2021)**, in their **cross-country empirical study on SME financing constraints**, established that the lack of audited financial statements, reliable credit histories, and formal financial records among SMEs increases perceived lending risk, leading to credit rationing by financial institutions. In Zimbabwe, **Mhlanga (2022)**, through an empirical assessment of SME financing conditions, observed that weak credit information infrastructure and limited financial transparency further exacerbate information asymmetry, thereby reducing SMEs' chances of accessing formal finance.

High interest rates also negatively influence SME access to traditional finance. **Mudzonga and Chikoko (2020)**, Zimbabwe, in their study '**analysing lending conditions during periods of high inflation**', found that interest rates exceeding 40% discouraged SME borrowing and constrained business expansion. Additionally, regulatory and institutional bottlenecks further restrict access to finance.

Dzingirai and Mavetera (2022), Zimbabwe-based institutional analysis, reported that lengthy loan approval procedures, stringent documentation requirements, and the absence of effective credit guarantee schemes significantly limit SMEs' access to formal financial services. Collectively, these barriers undermine SME growth, profitability, and long-term sustainability.

2.2.3 The use of Innovative Financing Models and SME Performance

Evidence gathered recently shows that innovative financing models can overcome the challenges of traditional finance and enhance SME performance. Financing mechanisms, including mobile money and digital credit, have emerged as viable alternatives for SMEs lacking collateral.

Mhlanga (2020), Zimbabwe, in their study titled '**examining digital financial services and SME inclusion**', found that digital finance improves financial inclusion by reducing transaction costs and enhancing access to working capital. Similarly,

Mburu and Kiarie (2022), Kenya in their study titled ‘employing quantitative analysis of SME financial data’, reported that mobile credit significantly improved liquidity levels and business turnover among SMEs.

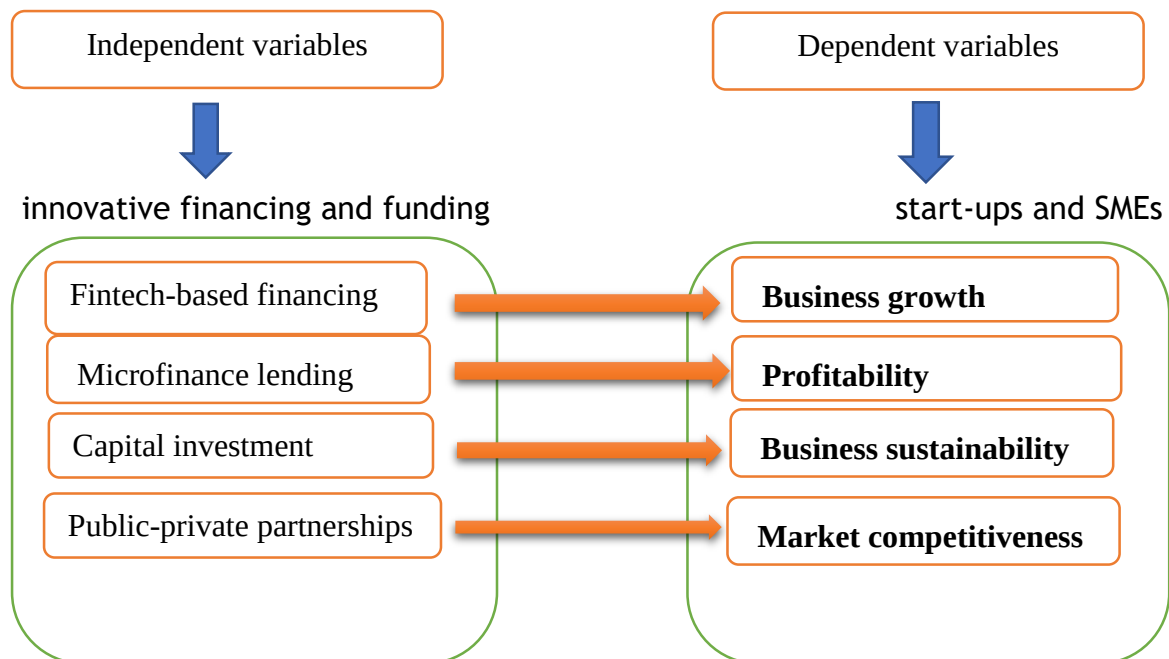
Crowdfunding and peer-to-peer lending have also gained prominence as alternative financing mechanisms. **Otieno and Omwansa (2020), Kenya in their study titled “Crowdfunding Platforms and Start-up Financing,”** used empirical analysis of crowdfunding platforms and found that crowdfunding increased financing opportunities for start-ups by reducing dependence on traditional banking systems. Likewise, **Amoako et al. (2021), Ghana, in a study titled ‘analysing peer-to-peer lending platforms’,** found that peer-to-peer lending improved SME access to capital through lower interest rates and reduced bureaucratic delays compared to conventional bank lending.

Equity-based financing, including venture capital and angel investment, has been empirically linked to innovation and rapid SME growth. **Cosh, Cumming, and Hughes (2021), using firm-level data from entrepreneurial economies,** established that venture capital financing enhances SMEs’ innovation capacity, scalability, and long-term growth potential. However, **Ndlovu and Makoni (2021),in Zimbabwean context** through an empirical assessment of equity financing adoption’, found that limited investor readiness, weak corporate governance structures, and poor financial reporting among SMEs constrain the effectiveness of equity-based financing as a sustainable funding option.

2.3 Conceptual framework

Conceptual Framework is a sort of conceptual representation explaining the relationship of the important concepts and variables in a study. It forms the basis on which the relation of independent and dependent variables are understood, which directs and focuses the research. Adom, Hussein and Agyem (2018) state that a conceptual framework is a logical and visual representation of the researcher’s assumptions, expectations and theory. It details the anticipated interrelationships among the various components and aids in developing hypotheses or propositions

Figure 2.1: Conceptual framework



Independent variables namely innovative financing and funding elements interact with the dependent variables namely SME financing outcomes as presented in the conceptual framework. Each independent variable is directly associated to a dependent variable, showing the cause-and-effect relationship. The previous review of related literature revealed empirical and theoretical studies that support those linkages, synthesized evidence of effectiveness and identified gaps to be addressed by the proposed model.

2.3.1 Fintech-based financing

The financing of SMEs through fintech has garnered significant attention in order to increase access and reduce transaction costs for SMEs. Mobile money and digital lending platforms can facilitate alternative credit scoring based on transaction history, and so minimize the focus on physical collateral (FinMark Trust, 2021; Rau, 2020). An analysis of African contexts shows that mobile credit boosts the liquidity and turnover of small business (Mburu & Kiarie, 2022; Adusei, 2021). The quick adoption of the EcoCash and services signals a potential for practical wallet-based advances and merchant credit in Zimbabwe, but empirical assessments find that consumer protection and regulatory clarity need strengthening to increase the impact scale (Mhlanga, 2020; Nyoni & Bonga, 2021). So there is positive evidence from literature that there is a connection between fintech financing and business growth and access to working capital, and also clarifies the preconditions of regulation and infrastructure.

2.3.2 Microfinance Loan

Microfinance loan is extensively documented as a more accessible source of financing micro and small enterprises and a number of studies have demonstrated positive short-term outcomes on the survival and incremental growth of businesses (Kueredza, 2024; Afolabi & Nwosu, 2019). But it is a fact that the high effective interest rate impact from inflation and running the business on high operational costs affect the long-term profitability and in some cases may increase the risk of default (Dube & Sibindi, 2018; Ncube & Mhlanga, 2022). In a volatile macroeconomy such as Zimbabwe's, while microfinance helps extend access to working capital, it is not enough to fund capital-intensive growth. It appears, therefore, that microfinance has more of an immediate impact on liquidity and employment outcomes, but needs to be combined with less expensive and blended instruments to achieve sustainable profits and sustainability.

2.3.3 Capital Investment

Venture capital/angel investment/private equity is related to greater innovation capability, faster growth and better governance in VC investee startups (Cosh, Cumming & Hughes, 2021; Masutha & Rogerson, 2020). Investor networks and mentorship are also significant factors to firm scalability beyond funding as indicated in empirical work (Agwu & Emeti, 2021). However, the literature states that there is a fledgling VC ecosystem in Zimbabwe, and investors were hesitant to invest due to macroeconomic shocks and the lack of exit markets (Ndlovu & Makoni, 2021; Muzamhindo, 2023). This works fits well into the conceptual chain between capital investment and profitability and competitiveness, but it also shows that there is a need for policy instruments (tax incentives, fund-of-funds, legal protections, etc.) to trigger the process locally.

2.3.4 Public-private partnerships

The literature cites public-private partnerships (PPPs), blended finance and donor-backed risk sharing instruments as key enablers for scale-up of SME finance. Given the evidence, this study has found that credit guarantee schemes and blended instruments lower the perceived bank risk, lead to higher loan approval rate and lower effective borrowing cost (Motelle, 2021; AfDB, 2020). Within Zimbabwean

literature, it is suggested that PPPs can help to de-risk lending to SMEs and facilitate value-chain financing, for which anchor-firm supply-chain financing has successfully been employed in agribusiness (Ndlovu & Sibanda, 2021). Therefore, PPPs could reasonably be connected to company sustainability and competitiveness, since they involve a public buffer to generate private investment.

Nevertheless, there is extensive literature on the barriers, which is instructive. Collateral requirements, information asymmetries, high rates of interest and low credit information infrastructures are some of the key limitations of traditional finance that have been always documented elsewhere in Africa in general and specifically in Zimbabwe (Musara & Fatoki, 2020; Chivandikwa & Mago, 2021; Ayyagari et al., 2021; Mudzonga & Chikoko, 2020). All these limits make it less effective for the finance to seep through to SME results and provide a rationale for exploring alternative instruments and enabling policies.

Finally, there are some common prerequisites for success that are found in the literature: good digital infrastructure, payment interoperability (Mukonza & Swarts, 2022), well-designed regulatory sandboxes and fintech supervision (Beck et al., 2020; Mhlanga, 2020), capacity building for SME financial reporting (Ncube & Bonga, 2020), and policy measures focused on attracting equity capital (Muzamhindo, 2023). There is still a lack of thorough impact assessments of combined (blended) instruments in Zimbabwe and with empirical research linking specific innovative instruments to longer term SME performance measures. These gaps have allowed this study to explore an integrated financing approach accommodating fintech, microfinance, equity and PPP approaches and adapted to the Zimbabwe institutional context.

2.4 Gap Analysis

Many publications are related to traditional finance and fail to acknowledge innovative financing instruments. For example, the use of crowdfunding and revenue-based financing in Zimbabwe is becoming more popular worldwide but not much research has been conducted on its adoption and effectiveness in Zimbabwe (Nyamazana and Ndlovu, 2023). Empirical studies which focus on innovation impacts

of innovative financing are mainly cross-sectional and do not investigate possible longitudinal impacts. For instance, the studies of Musara and Fatoki (2020) and Dziva and Chikazhe (2021) indicated financing barriers without analyzing the effect of innovative financing on the sustainability of SMEs.

Financial literacy as a moderating variable is not well delved. Although entrepreneurs have knowledge, Adegbite, Sarpong and Owusu (2022) speaks of the financing for R&D without considering how knowledge affects the utilization of innovative financing tools. A contextual gap exists because Zimbabwe's macroeconomic environment, high inflation rate and underdeveloped financial markets are unstable and different from other African economies (Sibanda et al., 2021). As a result, research focused on the potential of innovative finance to contribute to survival and innovation for SMEs under such conditions is still limited.

2.5 Chapter summary

This chapter presented a detailed analysis of theoretical, conceptual, and empirical literature in the area of innovative and traditional financing schemes of start-ups and SMEs. The literature found out that SMEs are faced with the challenge of getting formal financial support because of less availability of collateral, information asymmetry, high interest rates charged, and weak institutional frameworks. Conventional finance was proved to be insufficient in financing new businesses in weak economies. The chapter also discussed other and more creative financing models such as crowdsourcing, peer-to-peer funding, fintech-enabled credit rating, blockchain financing, angel funding, venture capital, and diaspora funding and their possible ability to bridge the financing gap that SMEs face. Various academics and empirical research showed that innovative financing enhances transparency, decreased reliance on banks, decreased transaction expenses and enhanced involvement of investors. The concept framework was also proposed, which revealed the connections of innovative financing mechanisms, obstacle to traditional finance and performance outcomes of SME. The framework is used to demonstrate how innovative financing can be empowered and the implementation of new models that fit the economic conditions in Zimbabwe.

CHAPTER III

RESEARCH METHODOLOGY

3 Introduction

This chapter describes the research method applied in research. It describes research design, population, sampling process, data collection method, research tools, data analysis techniques, valid measures and reliability and morality consideration. This chapter presents a detailed account on the research method applied in this research, which considers the role of micro -financial institutions (MFI) in promoting growth and sustainability of the production of small and medium -sized enterprises (SMEs) in Harare's industrial sector. A solid method is very important to ensure the reliability, validity and reliability of research results. Thus, this chapter describes and justifies the philosophy of research, approaches and survey guidelines. Research population, sampling process, data collection methods, research tools, data analysis techniques and ethical considerations are also discussed in -depth. To structure this chapter, the study was guided by the research model developed by Saunders, Lewis and Thornhill (2019).

The research onion is a systematic framework that provides a step-by-step guide for developing a rigorous methodology. It consists of six classes: research philosophy, research method, research strategy, method selection, horizon time and data and technical collection process. Each class represents an important decision affecting the management and implementation of the research process. By taking off each of the onions of the study, this chapter begins with a reflection of philosophical position as the foundation for research. Research applies a pragmatic research philosophy, adapting to studies related to practical issues such as funding for small and medium enterprises.

3.1 Research design

Research design describes focusing on observation, description and documents about the aspects of a situation so that it happens naturally, without manipulating variables (Saunders, Lewis & Thornhill, 2019). This research has applied a description research design, which is considered to be suitable for exploring and

systematically in a systematic relationship between the Micro Finance Institute Settings (MFI) and the financial sustainability of the production of small and medium -sized enterprises (SMEs) in Zimbabwe. Research design describes focusing on observation, description and documents about the aspects of a situation so that it happens naturally, without manipulating variables (Saunders, Lewis & Thornhill, 2019). In this context, it allows researchers to enter a clear and accurate profile about micro -financial services such as loans, savings and training and how they can access and use by the production of small and medium enterprises. In addition, the design has helped assess the awareness of small and medium -sized enterprises' owners in terms of fullness, accessibility and suitability of these services. The use of this design has also allowed quantitative attitudes, opinions and behaviors related to micro -financial support and sustainability of small and medium enterprises, offering a basis to identify models and draw information conclusions (Creswell and Creswell, 2018). The concepts describe specially effectively when using structured questions, as they allow researchers to collect information standardized from a large group of respondents (Sekaran and Bougie, 2016).

3.2 Research philosophy

Research philosophy refers to the underlying beliefs and assumptions that guide how knowledge is developed, interpreted, and understood within a study. It influences the researcher's worldview relating to reality (ontology), what is considered as valid knowledge (epistemology), and values in research (axiology) (Saunders et al., 2019). This research has been applied by using the post research philosophy which is in the objective analysis, measured data in order to measure strictly the relation that has been applied between the installation of microfinance Institute (MFI) and financial sustainability of the production of small and medium enterprises (SME). The realism enables scientists to find general conclusions based on measurable phenomena and quantitative measurement, even if this means that Saunders, Lewis and Thornhill (2019) match. This allows the researcher to use of statistics to test the hypothesis and to establish cause and effect relationship so that a good sound evaluation of the impact of micro finance on small and medium enterprises in Mbare and Graniside

can be made. The objective process reduced any potential biases and provided a clear picture of the challenges and benefits in a data-driven manner.

3.3 Research paradigm

A research paradigm refers to a collection of associated hypotheses about the nature of reality (the essence), the nature of knowledge (essay perception) and the method that can gain knowledge. It provides a philosophical lens through which researchers approach the study of phenomena (Saunders, Lewis and Thornhill, 2019). Models that affect how the research issues are built, the type of data is collected and the explanation and data report. Quantitative research has been conducted for this study, allowing digital data collection and analysis by statistical tools such as SPSS and Microsoft Excel. The realism is based on belief that the reality is objective, outside and independent of human perception, and can be understood through scientific methods and empirical measures (Bell, Bryman and Harley, 2019). Contemporary researchers say that realism allows a researcher to maintain separate and neutral while using structural tools such as surveys and statistical models to check the relationship between measurable variables (Quinlan et al., 2019). In the context of this study, the actual certification model allows the evaluation of services of the Micro Finance Institute (MFI) such as loans, savings and commercial training and their impact on the financial sustainability of the production of small and medium enterprises in Harare. Actual location also improves objectivity by limiting the bias of the researcher and provides a transparent system path for data analysis. It supports an existing theory approach when existing theories are as the theory of financial intermediaries and vision based on resources tested based on experimental data to confirm their application ability in the context (Saunders et al., 2019).

3.4 Target population

The target population in research refers to the complete set of individuals, groups, or elements that possess specific characteristics relevant to a study and from which the researcher seeks to draw conclusions (Ngechu, 2003; Borg & Gall, 2007). In this study, the target population comprised 150 participants drawn from Mbare and

Graniteside, two major industrial areas with a high concentration of manufacturing small and medium-sized enterprises (SMEs).

The total population of 150 respondents was deliberately determined based on stakeholder relevance to the microfinance ecosystem, rather than on national population statistics. The population categories were identified through preliminary mapping of key actors involved in SME financing and support within the two industrial areas, consultations with local business associations, and a review of SME and microfinance operations in the study locations. The frequencies and percentages represent the proportion of each stakeholder group within the total target population of 150 respondents, and not percentages of the general population. The respondents were assigned to each group based on their influence, involvement and relevance in manufacturing SMEs' access to microfinance services.

3.4.1 Manufacturing SME Owners and Entrepreneurs included (80 participants; 53.3%)

The group represents the majority of the target group since they are the main beneficiaries and users of microfinance services. In this study, manufacturing SMEs have been the subject of primary research and their dominance in the sample reflects the number of manufacturing SMEs in Mbare and Graniteside, and also their significant role in providing first-hand information on access to MFIs, problems encountered and their effects on SMEs growth.

3.4.2 Microfinance Institutions Operating in These Areas (20 participants, 13.3%)

This group consists of registered microfinance institution (MFIs) which are active in the study areas. The number was based on the number of institutions in Mbare and Graniteside that have a physical or operational presence. Their percentage represent their role as service providers as opposed to medical service users.

Local Business Associations and Cooperatives (13.3%) (20 participants)

To capture collective and institutional views on issues related to SME financing, members of business associations and cooperatives were included. The percentage

allotted is in response to the limited number of associations that are active compared to the individual SME operators, but still provides sufficient representation.

3.4.3 30 participants (20%) Financial Experts and Advisors Serving SMEs

The group comprises accountants, financial consultants, economists and SME advisors who have close contact with manufacturing SMEs. Their proportion was considered on the basis of their role as an advisory and analytical; and thus, gives a wider perspective of microfinance trends, financial sustainability and policy implications.

Table 3.1: Target population

Population Composition	Target Population	Frequency Percentage
<i>Manufacturing SME Owners and Entrepreneurs</i>	80	53.3%
<i>Microfinance Institutions Operating in These Areas</i>	20	13.3%
<i>Local Business Associations and Cooperatives</i>	20	13.3%
<i>Financial Experts and Advisors Serving SMEs</i>	30	20%
Total	150	100%

3.5 Sampling methods and techniques

3.5.1 Stratified sampling

Stratified sampling is a variety of probability sampling that divides the population into groups, called strata, and then draws samples from each group. These groups are defined by certain characteristics of the population, such as age, sex, education, or department. A sample is then randomly picked from each stratum according to the size of each stratum in relation to the population (Bryman and Bell, 2015). Stratified sampling model has been adopted to get representation of each group of

stakeholders in target population. This technique is related to the division of population into relevant floors, such as small and medium -sized enterprises, MFI representatives and financial experts, then draw a random sample from each floor. According to Etikan and Bala (2017), the timber sampling enhanced the representative properties of the sample which means every group of sub -groups is expressed. This approach is extremely vital for getting views of various stakeholders and to ensure that the result would be generalizable with the target population.

3.5.2 Sample size

Sample size refers to the number of participants or units selected from the population to participate in a study. Determining an appropriate sample size is crucial to ensure that the findings are reliable, valid, and generalizable to the broader population (Bryman and Bell, 2015). **The size of the sample is determined by using the sample size table of Krejcie and Morgan (1970), ensuring** statistical conformity while maintaining feasibility. Based on the target population of 150 participants, the 132-sample size is considered by using the sample size of Krejcie and Morgan (1970). This model ensures statistical significance and has allowed significant data analysis. Diverse representatives of SME owners and MFI representatives allowed to fully assess the accessibility and impact of micro finance. The research has focused on the Mbare and Graniside markets, providing a balanced vision of financial needs and challenges of small and medium enterprises on different commercial scale.

Table 3.2: Sample size

<i>Population Composition</i>	Target Population	Sample Size
<i>Manufacturing SME Owners and Entrepreneurs</i>	80	66
<i>Microfinance Institutions Operating in These Areas</i>	20	19
<i>Local Business Associations and Cooperatives</i>	20	19

Financial Experts and Advisors Serving SMEs

Total

30	28
200	132

3.6 Research instruments

Research instruments refer to the tools and techniques used to collect data from the selected sample in a study. The choice of instrument depends on the research objectives, the nature of the data required, and the methodology adopted (Bryman and Bell, 2015). A structured questionnaire was selected as the main research tool for this study to collect quantitative data on the relationship between microfinance and financial sustainability of small and medium enterprises. The questionnaire was carefully designed to only include closed questions, ensuring high consistency between answers and facilitating accurate statistical analysis. It is held in four separate parts: the demographic characteristics of the respondent, accessing micro-financial services, financial sustainable indicators and cognitive impacts of micro finance for business growth. Each part has been developed with specific purposes of directly processing research objectives and research hypotheses.

Using a structured questionnaire is reasonable for many reasons. First, it is very suitable for the quantitative design of the research research, because it allows systematic collection and analysis of digital data. Structural questions are known for its ability to collect information from large models quickly and effectively, making it ideal for this study, which requires data from a large segment of SME owners. In addition, closed questions have standardized the answers, thus simplified the encryption process and improved the reliability and comparison of data. The format of the questionnaire also ensures that the respondent focuses on specific areas of interest described in research goals, helping to reduce the possibility of unrelated or off reactions.

However, despite these advantages, the use of a structural questionnaire is not its limit. One of the main weaknesses of this method is lack of depth. Because respondents can only choose from a list of defined options, there is a chance to limit them to develop their opinions or give more nuances about their experience with micro -financial services. This may lead to an excessive simplification of complex

problems. Another concern is the potential of a bad explanation. In the absence of an interviewer, some respondents may misunderstand certain questions, thus affecting the accuracy of their answers. In addition, the rigid structure of the questionnaire means there is no room for problems or clarification, which will enrich the quality of the data collected. Finally, biased feedback is a potential threat to the validity of the result. Participants may have provided social feedback instead of expressing their true ideas, especially for sensitive objects such as loans of loans or financial knowledge

3.7 Data collection procedure and administration

The data collection procedure outlines the systematic steps followed to gather information from the selected sample, ensuring that the process is organized, consistent, and ethical (Bryman and Bell, 2015). Data collected with combination of online surveys and distributing questions directly. Online surveys are conducted by using a safe platform, allowing answers to fill in the questionnaire conveniently. The direct questionnaire is distributed to Mbare and Graniside participants, with the support provided to ensure accurate completion. Ethical considerations, such as obtaining agreement and knowledge, have been observed during the data collection process. Participants are notified of the objectives of the research, the voluntary nature of their participation and measures taken to protect their privacy.

3.8 Reliability and validity of research instruments

Ensuring the reliability and validity of research instruments is critical for producing credible and accurate research findings. Reliability refers to the consistency of the instrument in measuring what it is intended to measure, while validity refers to the extent to which the instrument accurately measures the concept or variable of interest (Bryman and Bell, 2015). To ensure the reliability of the research tools, a pilot study was conducted with a small sample of the respondent before the process of collecting complete data. Cronbach Alpha has been used to measure the inner consistency of the questionnaires of the questionnaire, ensuring that they have created stable and coherent results. An important statistical method used to check

the reliability is Cronbach Alpha, measuring the inner consistency of the elements in each part of the questionnaire. Cronbach Alpha assesses the tightness of an article that is linked as a group and is considered a reliability indicator of the scale.

According to Tavakol and Dennick (2019), the value of Alpha Cronbach from 0.7 or more is often considered to be acceptable for research in social sciences, pointing out that factors according to specific scale or build a reliable way and a basic concept. However, the values are too high (greater than 0.9) may suggest a backup, which indicates that certain factors may be too similar and do not contribute to the only information. The conditions before using Cronbach Alpha understand the guarantee that factors are inappropriate, that means they only measure a work and data collected at least over a period of time or likert ratio, which has been satisfied in this study by use by use. Questionnaire on closed scale and ratio. In addition to reliability, research is prioritized to establish the valid properties of the questionnaire. The validity of the content is guaranteed by the consultation of experts in the field of microfinance and development of small and medium -sized enterprises, including checking the tools for full, related and linked to research objectives. Bolarinwa (2015) emphasized that the validity of content is important to determine whether a tool has a full capture of all aspects of the construction that it is planned to measure or not.

3.9 Data analysis technique

Data analysis refers to the process of organizing, interpreting, and presenting collected data to address the research objectives and test the hypotheses (Bryman and Bell, 2015). The choice of data analysis technique depends on the nature of the data, the research design, and the analytical requirements of the study. Quantitative data were analysed using SPSS and Microsoft Excel. To summarize and give an overview of the results, descriptive statistics like mean and standard deviation were employed. The hypotheses were tested and the relationships between variables were determined using inferential statistics. Interpretation and communication of the results was done through tables, charts and graphs.

3.10 Ethical Considerations

Ethical issues are an important aspect of any research as it involves a study to be conducted responsibly, transparently and with respect to the rights and dignity of the participants (Bryman & Bell, 2015).

This research is done in accordance to ethical research standards particularly:

This research ensures in accordance with rules of ethics in research to protect the participants and to ensure reliability of the research result. Ethic issues have been paid attention when conducting the research process particularly in participants recruitment, data collection, analysis and reporting. Ethical conduct in research is important to safeguard the rights to the participants, the trust of the public and the integrity of the research (Resnik, 2021).

The primary moral issue is addressed, through agreement. Each respondents was given a detailed explanation of the goals of the research, type of information to be collected, information to be used, and the expected results before the respondents participated in the research. Participants are informed that their participation is completely voluntary and they can withdraw money at any time without having to deal with any negative consequences. This is in line with the principles of autonomy and respect for the people for whom these decisions are made about their involvement by the authorized persons, which should be wise ones. To record the participants' agreement in the study, the forms of written agreement have been used, so that the consent is notified and verified.

Research also prioritizes security and anonymous. To protect the identity of the respondent, there is no personal identification as the name or address has been recorded with the investigation feedback. The codes or pen names have been used instead and all data stored on digital platforms protected by passwords can only be accessed to researchers. This measure is especially important with sensitive financial information collected. Ensuring anonymity has reduced the risk of psychological prejudices or social reactions and encourages more honest and accurate reactions of participants. The security of all the collected data has been

maintained during the research process and will continue to be preserved even after completing the study.

Researching respect for ethical indicators established on data security reports and responsible. Data security related to technical measures and procedures to protect data from access, improper use or loss of illegal loss. This includes the use of encrypted devices to store data and maintain safe backups. The reports are responsible for asking the researcher to present the results honestly and transparently, avoiding production, false or wrong data declaration. The results were reported in the way of confirming the dignity of participants and avoiding all forms of discrimination or deviations.

3.11 Chapter summary

This chapter outlines the methodology used to investigate the suitability of MFIs for manufacturing SMEs. The study adopts a quantitative research design to gather in-depth insights from stakeholders such as SME owners, financial institutions, and policymakers. The target population consists of microfinance institutions, manufacturing SMEs, and regulatory bodies, with a focus on Mbare and Graniteside as key areas for data collection. Data collection methods include questionnaires and surveys. Ethical considerations, such as informed consent and data confidentiality, are addressed to ensure research integrity.

CHAPTER IV

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4 Introduction

The chapter outlines, discusses, and explains the field data obtained in accordance with the study goals. The aim of the chapter is to convert raw information into something meaningful that defines how much financing mechanisms can be availed to the start-ups and SMEs in Zimbabwe, the challenges they experience when they access traditional finance and the applicability of innovative financing models in enhancing the performance of the SMEs. Data is presented in a tabulated form and descriptive statistics frequency, percentages, mean, mode, and standard deviation are provided to bring clarity and meaning. It is analysed against the conceptual framework of the study that associates innovative financing and funding mechanisms to the SME performance indicators, such as business growth, profitability, sustainability, and competitiveness. The results interpretation process is supported by the appropriate empirical literature to both ensure their consistency with the existing literature and pinpoint the similarities or differences to the past findings. In general, this chapter is considered to be empirically based and required to answer the research questions, and to check the objectives of the study, which will underline the discussion and conclusions in the next chapter.

4.1 Response rate

Table 4.1 presents the response rate for the study. A total of 132 questionnaires were distributed to start-ups and SMEs, of which 120 were successfully completed and returned.

Table 4.1: Response rate

Data Collection Method	Total Distributed	Responses Received	Response Rate (%)
Questionnaires	132	120	90.9%

The research had a response rate of 90.9 which is regarded to be very high in survey-based research. Such a high response rate means that the respondents are very much

involved and interested and therefore increases the reliability and validity of the findings. Based on the research methodology standards, a response rate of over 70 percent is sufficient to demonstrate significant data analysis, hence, the response rate obtained was sufficient to present, analyze and interpret data in the study.

4.2 Reliability Analysis

Table 1.2: Reliability Statistics for Research Constructs

Construct	Number of Items	Cronbach's Alpha (α)	Reliability Interpretation
Existing Financing Mechanisms	7	0.81	Good
Barriers to Accessing Traditional Finance	7	0.84	Good
Innovative Financing Models	7	0.86	Very Good
Overall Questionnaire	21	0.88	Very Good

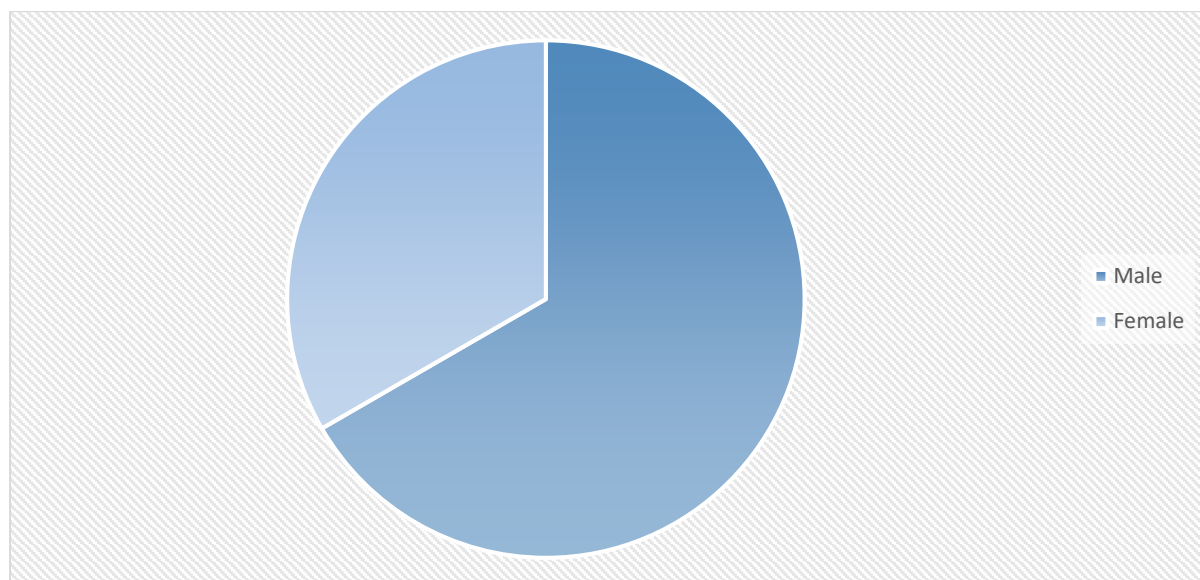
Cronbachs Alpha was used to test the reliability of the research instrument that was used to determine the internal consistency of the items under each construct. Table 4.X indicates that all constructs have Cronbachs Alpha value that exceeds the lowest acceptable value of 0.70, which is recommended in social science studies (Tavakol and Dennick, 2019). The construct Existing Financing Mechanisms Cronbachs Alpha was 0.81, which shows that the items in this construct are consistent with one another. Equally, the Alpha of Barriers to Accessing Traditional Finance was 0.84, which implies that the questions in the questionnaire were always used to measure the knowledge about restraint like collateral requirements, high rates and other regulatory issues. The highest Alpha value of 0.86 was obtained in the Innovative Financing Models construct, which can be considered very good reliability and corresponds to the fact that the digital finance, crowdfunding, peer-to-peer lending, and venture capital items were very strongly correlated. The total questionnaire made the Cronbachs Alpha to be 0.88 thus indicating that the research tool was reliable and fit to undergo more statistical analysis.

4.3 Demographic characteristics of respondents

4.3.1 Gender of Respondents

Respondents were asked to indicate their gender to understand the gender composition of start-ups and SME owners who participated in the study.

Figure 4.1: Gender of Respondents

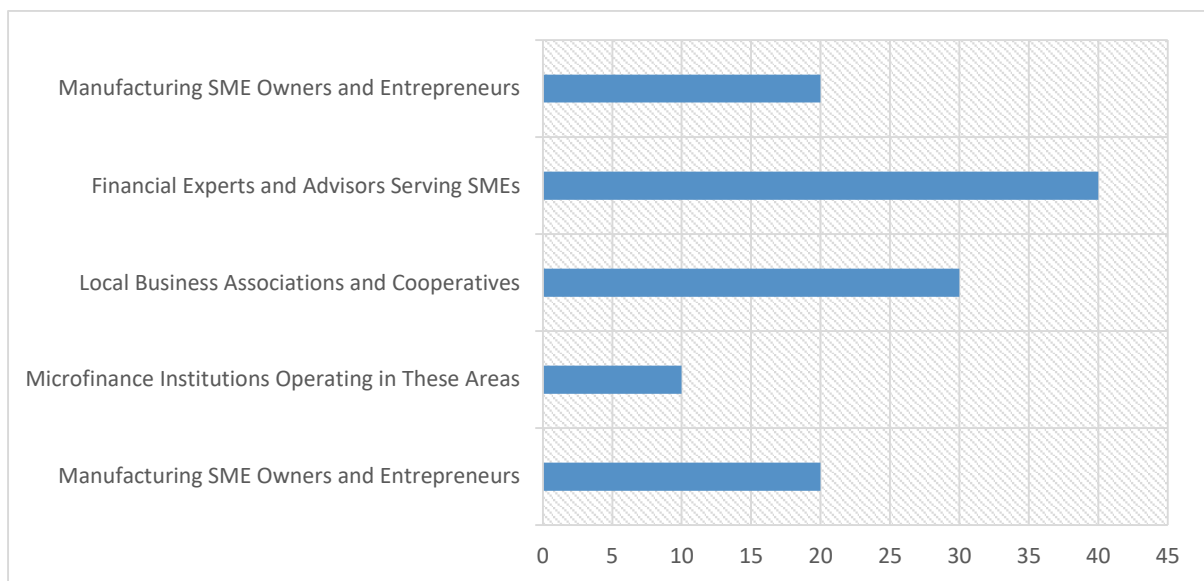


The findings show that 66.7% of the participants were men, and 33.3% were women. This indicates that men have controlled the start-up and SME ownership in Zimbabwe, though a sizeable percentage are women as well undertaking the entrepreneurial activities. The results indicate the current gender inequality in business ownership and access to finance that can affect financing opportunities and involvement in innovative financing arrangements. The male and female respondents guarantee the balance of the viewpoint in evaluating financing issues and opportunities of start-ups and SMEs.

4.3.2 Type of Business / Respondent Category

Respondents were asked to indicate the category that best describes their business or professional involvement in the SME sector.

Figure 4.2: Type of Business / Respondent Category

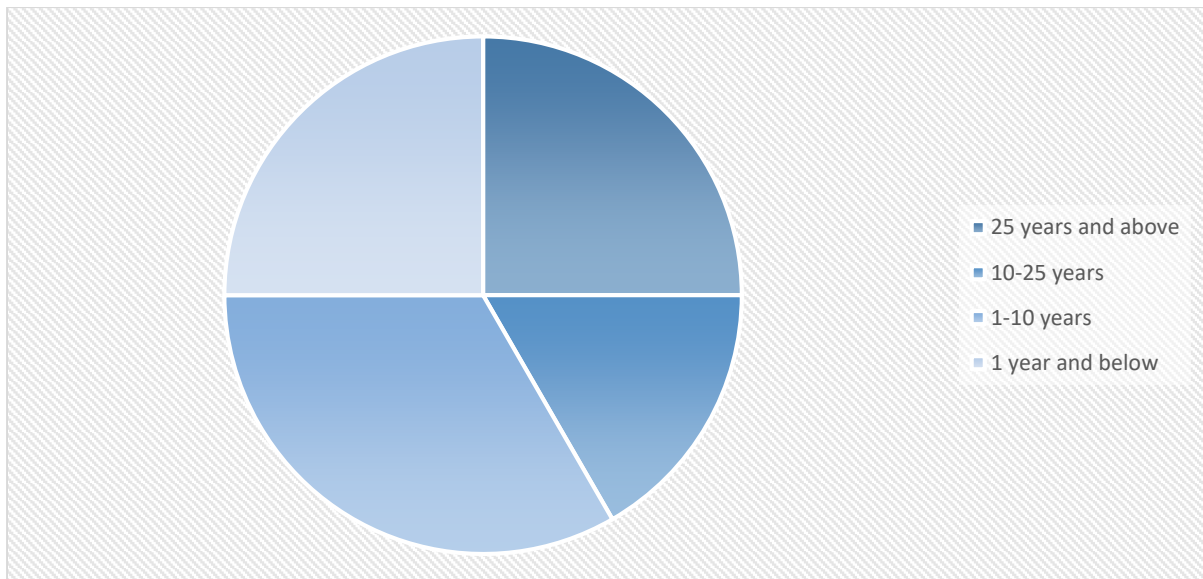


The results demonstrate that Manufacturing SME owners and entrepreneurs and financial experts and advisors serving SMEs were both 33.3% of the respondents and thus, the biggest parties in the research. It means that both SME practitioners and financial professionals were highly represented and it makes the insights more reliable in terms of information about financing mechanism and challenges. Local business associations and cooperatives comprised 25% representing the significant role of collective institutions in assisting SMEs by advocacy, networking and access to finance. In the meantime, microfinance institutions comprised of 8.3% of respondents, and offered institutional insights into SME lending and practices in financing. In general, the heterogeneity of the respondents groups provided a balanced and holistic perception of the funding mechanism of SMEs, obstacles to traditional funding, as well as the prospective of the innovative funding techniques in Zimbabwe.

4.3.3 Years of Business Operation

Respondents were asked to indicate the number of years their business or professional engagement in the SME sector has been in operation.

Figure 4.2: Type of Business / Respondent Category

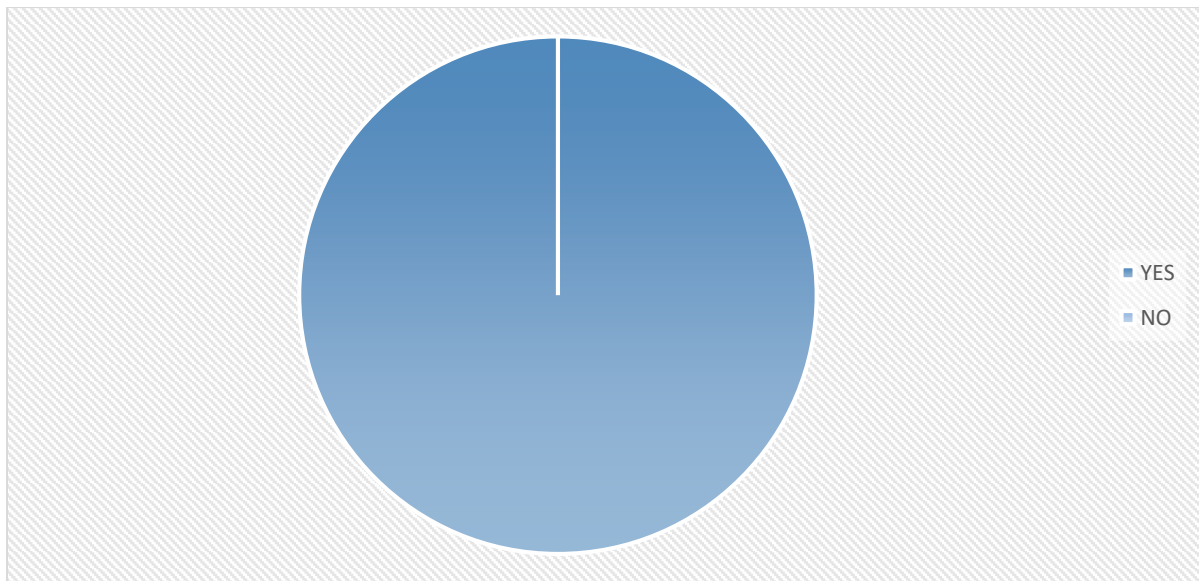


The findings show that the highest percentage of respondents (33.3%) have been in operation between 1-10 years, which is an indication of the existence of relatively young and developing businesses in the SME sector. It is the group most applicable to study the access to finance as businesses in their early and growth stages have the highest financing constraints. The 25 years and above and 1 year and below each contributed 25% to the total number of the respondents, representing well established businesses and start-up enterprises respectively. In the meantime, 16.7% of the respondents are 10-25 years old establishments in the market indicating mature SMEs. All in all, the distribution justifies that the study reflected the views at various levels of business development, which enhances the discussion of finance sources, obstacles of conventional finance as well as the applicability of the innovative financing approaches to SMEs in Zimbabwe.

4.3.4 Familiarity with Start-ups and SMEs in Zimbabwe

Respondents were asked to indicate whether they were familiar with start-ups and SMEs operating in Zimbabwe.

Figure 4.4: Familiarity with Start-ups and SMEs in Zimbabwe



The results reveal that respondents (100%), all reported to be conversant with start-ups and SMEs in Zimbabwe. This proves that the respondents have pertinent knowledge and experience in giving informed and credible responses on SME financing mechanisms, challenges faced when accessing traditional finance and innovative financing models. The full knowledge of the respondents enhances the validity and reliability of the research results since the information was gathered among individuals who have a full understanding of the operational and financial challenges of start-ups and SMEs in Zimbabwe.

4.4 Data analysis and interpretation of findings

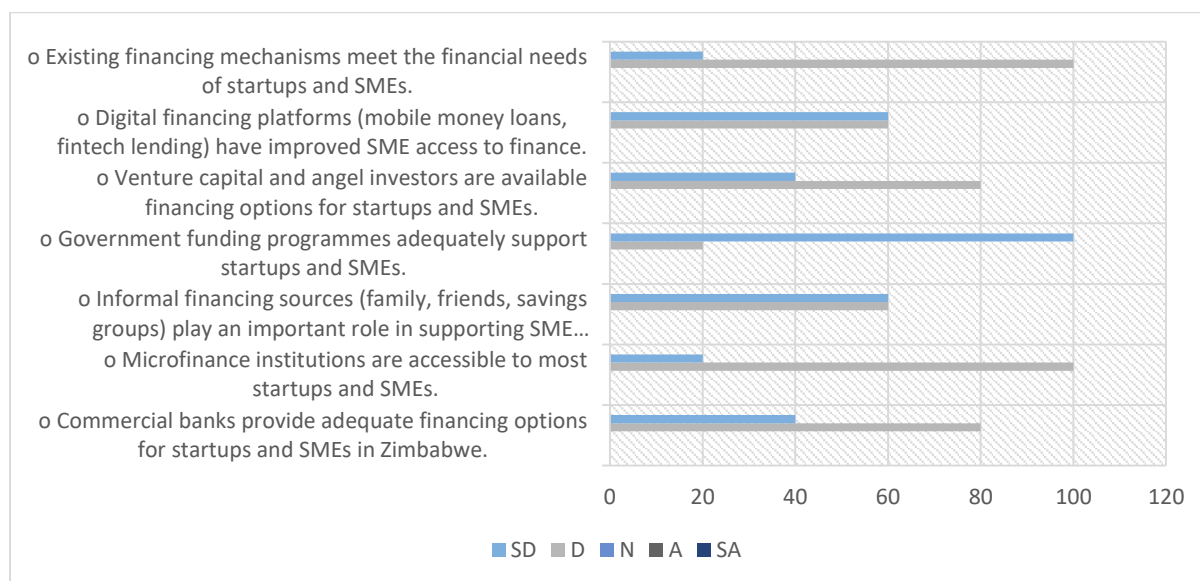
This part summarises the explanation and the analysis of the data obtained after interviewing the respondents regarding innovative financing and funding start-ups and SMEs in Zimbabwe. The descriptive statistical methods such as frequencies, percentages, means, and standard deviations were used to conduct the analysis. These were deemed suitable in summarising the perceptions of the respondents and determining trends in regard to the current financing tools, obstacles to accessing conventional finance and innovative financing tools. The coding and analysis of the data were performed in the form of a Likert scale with 1 (Strongly Agree) to 5 (Strongly Disagree). Mean Score Interpretation was done according to the principle that a lower value of the means is a stronger feeling on the statements and the

higher the means, the more anti-agreement. The results are in form of tabular presentation and are explained in a narration style to add to the clarity and conform to the particular goals of the study.

4.5 Descriptive data analysis

The gathered data were summarized through the descriptive data analysis to support the demographic details of the respondents and their views on the financing mechanisms, obstacles to traditional finance access, and innovative financing options of start-ups and SMEs. This would allow the researcher to state trends, central tendencies and variability of the data without inference. The analysis was placed on three areas that were in line with the study objectives. To start with, the descriptive statistics were employed to analyze the available financing mechanisms to start-ups and SMEs in Zimbabwe. Second, the barriers that limit access to traditional finance imposed were examined to establish the degree to which collateral requirements, high interest rates, regulatory constraints etc. influence SMEs. Third, the perception of the innovative financing models by the respondents was used to measure their effectiveness in enhancing the performance of SMEs. The findings of the descriptive analysis give an empirical foundation of the interpretation of the effects of financing structures on SME growth and form a basis of the development of a context-specific innovative financing model that fits the environment of the Zimbabwean economy.

4.5.1 Existing financing mechanisms available for start-ups and SMEs in Zimbabwe



Assessment Statement	Valid	Mean	Mode	Std. Deviation
• Commercial banks provide adequate financing options for start-ups and SMEs in Zimbabwe	120	4.33	4	0.47
• Microfinance institutions are accessible to most start-ups and SMEs	120	4.17	4	0.37
• Informal financing sources (family, friends, savings groups) play an important role in supporting SME growth	120	4.50	4	0.50
• Government funding programmes adequately support start-ups and SMEs	120	4.83	5	0.37
• Venture capital and angel investors are available financing options for start-ups and SMEs	120	4.33	4	0.47
• Digital financing platforms (mobile money loans, fintech lending) have improved SME access to finance	120	4.50	4	0.50

Assessment Statement	Valid	Mean	Mode	Std. Deviation
Existing financing mechanisms meet the financial needs of start-ups and SMEs	120	4.17	4	0.37

Figure 4.5: Existing financing mechanisms available for start-ups and SMEs in Zimbabwe

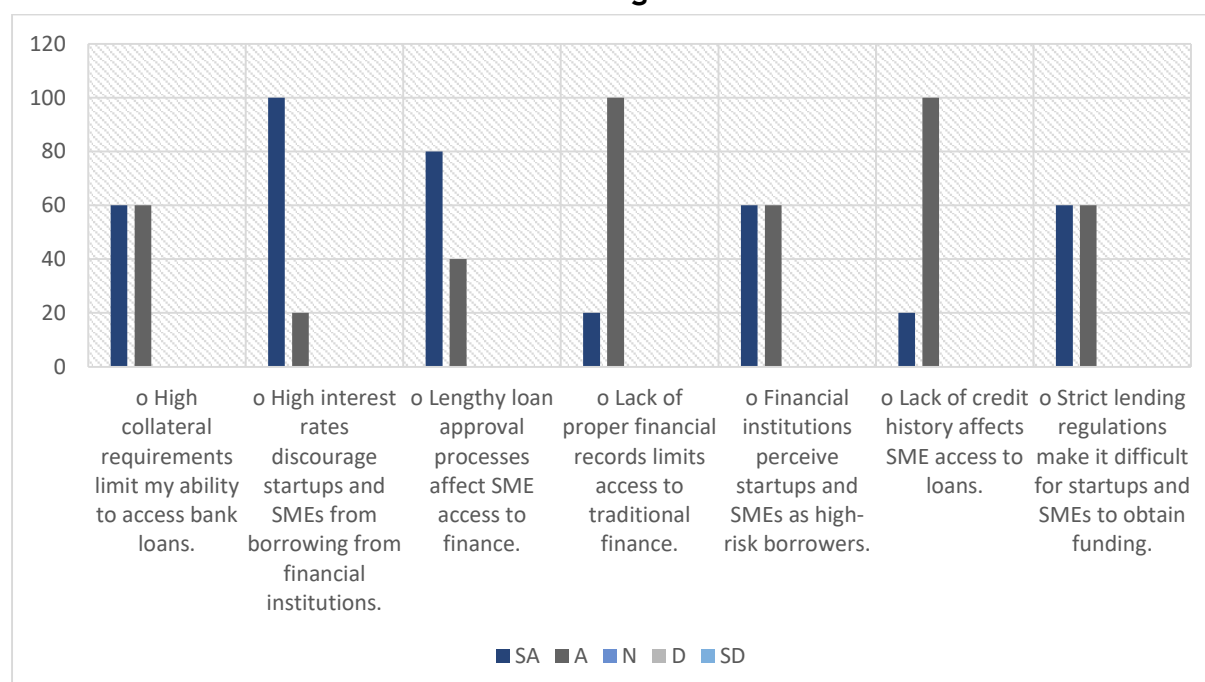
The descriptive statistics point to the overall negative perception of the available mechanisms of financing start-ups, as well as of SMEs in Zimbabwe. The mean responses to all the statements are 4.17 to 4.83, as the range of these scores lies between the Likert scale range of Disagree and Strongly Disagree. Commercial banks financing statement had a mean score of 4.33 with a mode of 4 indicating that most of the respondents did not agree that commercial banks do give sufficient funds to start-ups and SMEs to start businesses. This is indicative of intractable issues like collateral requirements and tight lending conditions.

On the same note, accessibility of microfinance registered a mean of 4.17, meaning that most respondents strongly opposed the fact that microfinance institutions are accessible to majority start-ups and SMEs. Although microfinance institutions are mandated by their development, they do not seem like they are adequate in the financing needs of SMEs. The contribution of informal sources of financing registered a mean of 4.50 indicating a lack of agreement that informal sources are sufficient to support the growth of SMEs. Although informal finance can help in the initial stages, the respondents find it ineffective in the long-term growth of businesses. The highest mean score of 4.83 and the mode of 5, which were observed in the statement on the government funding programmes, were very strong disagreements.

This implies that government funding initiatives are seen by the respondents as highly ineffective or not accessible by start-ups and SMEs. The availability of venture capital and the availability of angel investments was also a point of disagreement with a mean score of 4.33, indicating that the equity-based financing alternatives were not developed in the Zimbabwean environment. Similarly, digital financing portals registered an average of 4.50, which means that the respondents do not

consider that fintech solutions have enhanced access to finance to SMEs significantly even with the growing digital adoption. On the whole, the remark that says Existing financing mechanisms address the financial requirements of start-ups and SMEs had a mean which is 4.17 which supports the conclusion that the current financing mechanisms are ineffective. All of these reasons explain why new and context-dependent financing approaches based on the specifics of Zimbabwean start-ups and SMEs are needed.

4.5.2 Barriers and limitations in accessing traditional finance



Assessment Statement	Valid	Mean	Mode	Std. Deviation
• High collateral requirements limit my ability to access bank loans	120	1.50	1	0.50
• High interest rates discourage start-ups and SMEs from borrowing from financial institutions	120	1.17	1	0.37
• Lengthy loan approval processes affect SME access to finance	120	1.33	1	0.47

Assessment Statement	Valid	Mean	Mode	Std. Deviation
• Lack of proper financial records limits access to traditional finance	120	1.83	2	0.37
• Financial institutions perceive start-ups and SMEs as high-risk borrowers	120	1.50	1	0.50
• Lack of credit history affects SME access to loans	120	1.83	2	0.37
• Strict lending regulations make it difficult for start-ups and SMEs to obtain funding	120	1.50	1	0.50

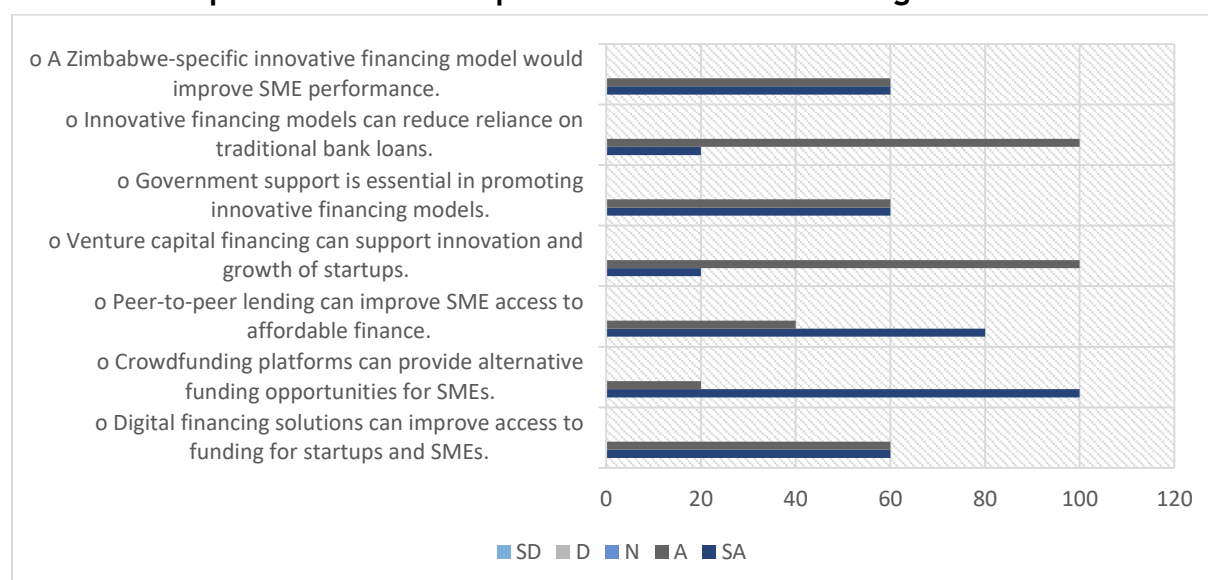
Figure 4.6: Barriers and limitations in accessing traditional finance

The descriptive statistics show that there is a high level of consensus among the respondents that there are several barriers that are limiting the access of start-ups and SMEs to traditional finance in Zimbabwe. Mean scores of all the items lie between 1.17 and 1.83 that lie in the range of Strongly Agree and Agree of the Likert scale. This shows that the severity of these constraints is very much agreed upon. The greatest mean score of 1.17 was registered by the barrier of high interest rates, which means that there was very strong agreement that high costs of borrowing put start-ups and SMEs off finance. This observation can be attributed to the presence of macroeconomic instability and inflationary pressure on the lending conditions.

The collateral requirements also cropped up as a significant limitation as the mean score is 1.50 indicating that the respondents are of the overwhelming view that inability to get bank loans is due to lack of acceptable collateral. This proves the lockout of start-ups and poor SMEs based on assets in formal financial systems. On the same note, the long processes of loan approval had a mean of 1.33 record; this means that the bureaucratic delays have a great influence on the access to finance. This implies inefficiencies in the traditional financial institutions that favour the small and emerging businesses. The mean scores (1.83 each) were slightly greater due to the absence of proper financial records and credit history since they were also in the range of agreements. The findings of these studies are that information

asymmetry is still a significant problem because poor documentation raises perceived risk amongst lenders. Their perception that the financial institutions view start-ups and SMEs as high-risk borrowers scored a mean of 1.50, which further supports the fact that risk aversion among the banking institutions hinders the financing of SMEs. Similarly, a barrier based on rigidity of the institutional and regulatory framework was very much accepted such as strict lending regulations. All in all, the results reveal that cost-related, institutional, informational, and regulatory barriers to traditional financing in Zimbabwe are limiting to access to finance by SMEs. The findings are very convincing to support the necessity of new and alternative financing structures that are optimistic of the conditions of start-ups and SMEs.

4.5.3 Development of context-specific innovative financing models



Assessment Statement	Valid	Mean	Mode	Std. Deviation
• Digital financing solutions can improve access to funding for start-ups and SMEs	120	1.50	1	0.50
• Crowdfunding platforms can provide alternative funding opportunities for SMEs	120	1.17	1	0.37
• Peer-to-peer lending can improve SME access to affordable finance	120	1.33	1	0.47

Assessment Statement	Valid	Mean	Mode	Std. Deviation
Venture capital financing can support innovation and growth of start-ups	120	1.83	2	0.37
Government support is essential in promoting innovative financing models	120	1.50	1	0.50
Innovative financing models can reduce reliance on traditional bank loans	120	1.83	2	0.37
A Zimbabwe-specific innovative financing model would improve SME performance	120	1.50	1	0.50

Figure 4.7: Development of context-specific innovative financing models

The descriptive statistics indicate a high degree of agreement among the respondents that innovative financing models are important in enhancing the access to finance and improving the SME performance in Zimbabwe. The total average of all statements is 1.17-1.83, which means that the responses fall within the range of Strongly Agree and Agree. The lowest mean score (Mean = 1.17) was noted on the statement on the crowdfunding platforms offering alternative means of funding and indicated a very high level of agreement that crowdfunding can be utilized as an effective means to complement traditional sources of financing of SMEs.

This is an indication of how respondents have realized the flexibility and accessibility of technology-based financing solutions. On the same note, the peer-to-peer lending registered low mean (1.33), which implies that there is high level of agreement that peer-to-peer lending can enhance access to affordable finance by the SMEs by cutting intermediation cost and bureaucracy that is normally experienced with banks. Have also strongly agreed that digital financing products, including mobile money loans and fintech platforms, enhance access to financing (Mean = 1.50). This brings out the increased relevance of digital financial services in defeating collateral and documentation barriers posed on start-ups and SMEs. Venture capital financing role in the process of innovation and growth registered a slightly higher mean (1.83), but the range of agreement. This is an indication that although respondents

recognize the role of venture capital, its availability and accessibility in the Zimbabwean market could still be a problem. The results also specify that there is a high level of agreement that innovative financing models require government support (Mean = 1.50), where the supportive regulatory frameworks, policy incentives and institutional support should be provided. Lastly, the respondents were in agreement that innovative models in the form of financing could decrease the use of conventional bank loans and the fact that a Zimbabwe-based innovative financing model would enhance the performance of the SMEs (Mean = 1.83 and 1.50 respectively). All these findings underscore the importance of developing financing solutions to match with the local economic environment so as to fill gaps in financing. On the whole, the results are quite solid in proving that the innovative, technology-driven, and context-specific financing models can help the SMEs to gain better access to finance, foster the growth of innovation and enhance the overall performance of business operations in Zimbabwe.

4.6 Discussion of Findings

4.6.1 Existing financial mechanisms available for startups and Smes

The research results show that start-ups and SMEs in Zimbabwe depend on a combination of formal, semi-formal and informal financing. Descriptive analysis revealed that there was moderate agreement that commercial banks and micro-finance institutions offer financing provisions to SMEs but the mean scores indicated that these provisions are not sufficient to cater to the financial requirements of the SMEs. This means that although these institutions are available, they are not accessible and suitable to the majority of start-ups and SMEs. Family, friends, and savings groups are informal sources of finance, which were highly recognized by the respondents as critical in supporting the development of SMEs. This observation concurs with Sibanda, Nyika, and Ngwenya (2021) who noted that informal finance is the major source of funds among most Zimbabwean SMEs especially in the initial years of operation. Equally, microfinance institutions were considered more accessible than commercial banks, aligning with the results of Kueredza (2024), who found out that the lending of microfinance plays a positive role in the development

of SMEs due to relatively flexible capital. Online finance like mobile money loans and fintech lending were also seen to enhance access to finance, although not to a degree that substituted the traditional mechanisms. In general, the results imply that current financing systems are not well coordinated and sufficient as they require SMEs to integrate various funding options to stay in business.

4.6.2 Barriers in accessing traditional Finance

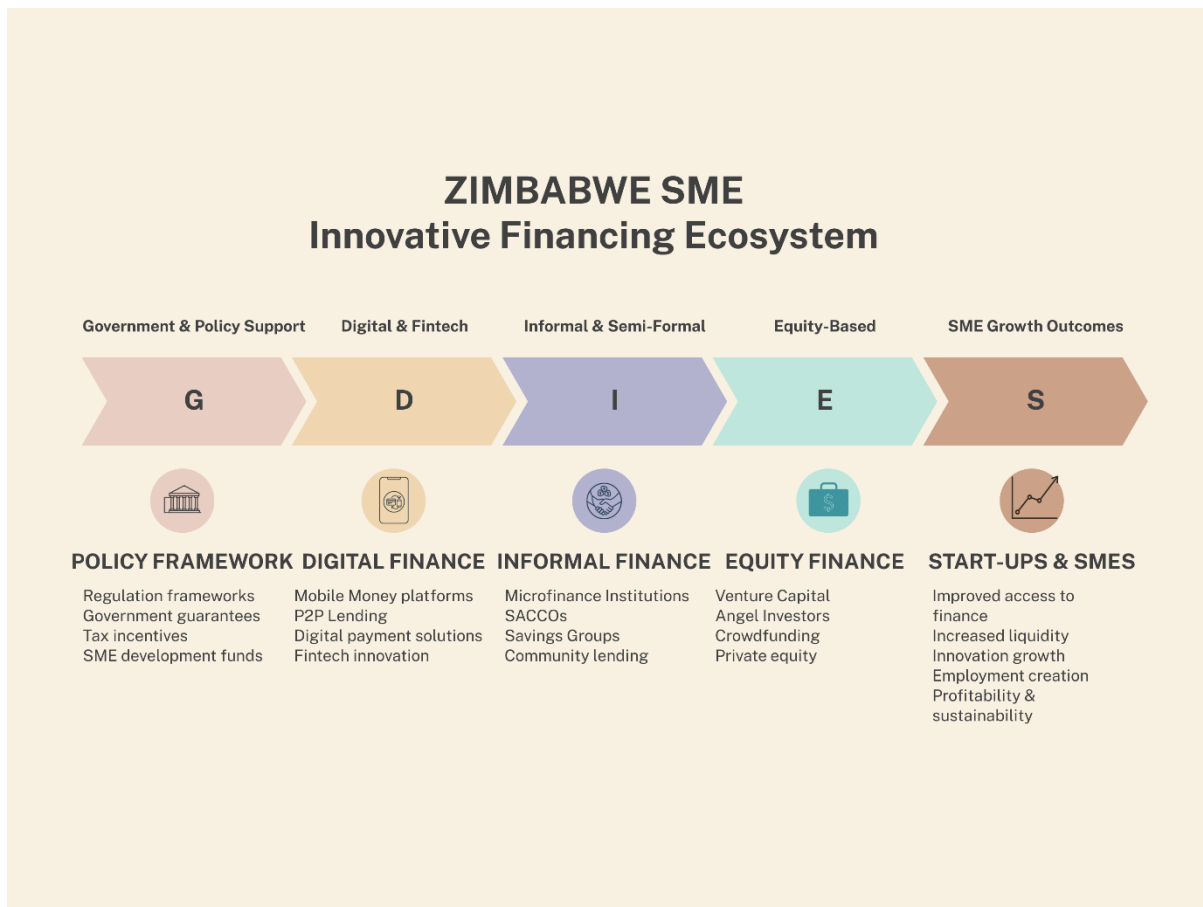
The research has found out that there are various obstacles that greatly limit the access to the conventional finance by the start-ups and SMEs in Zimbabwe. One of the most urgent impediments was the high collateral requirements where the respondents overwhelmingly said that the absence of acceptable collateral prevents them to acquire loans at banks. This agrees with the results of Musara and Fatoki (2020) and Chivandikwa and Mago (2021), who concluded that the majority of SMEs do not have immovable assets demanded by financial institutions. The high interest rates were also cited as a significant discouraging factor to lending especially in the inflationary conditions. The respondents concurred that high lending rates deter SMEs to use bank funding in line with Mudzonga and Chikoko (2020), who indicated that interest rates that exceeded 40% impeded the growth of SMEs in Zimbabwe. The long duration of loan approval and rigorous lending policies were also observed to have adverse impacts of accessibility to finance, which implied inefficiencies among financial institutions. Moreover, the information asymmetry in the form of poor financial records and credit history was also identified to play a major role in lowering the access to loans by SMEs. Credit rationing was supported by the perception that financial institutions considered SMEs as being high-risk borrowers. Such outcomes are consistent with Ayyagari, Demirguc-Kunt, and Maksimovic (2021), who emphasized the lack of information as one of the primary sources of SME financing limits. A combination of these obstacles negatively impacts the growth of SMEs, their profitability, and sustainability.

4.6.3 Development of context specific innovative models

The results pertaining to the new finance models suggest high levels of support towards the alternative financing model as the solution to the problems of SMEs. Digital financing solutions, crowdfunding, and peer-to-peer lending were perceived by the respondents as the means of enhancing funding access, in particular to SMEs that do not have collateral or formal credit records. This is in line with Mhlanga (2020) who discovered that digital finance increases financial inclusion by lowering the cost of transactions and barriers to access. The importance of venture capital financing was seen in the assistance of innovation and growth, though there was the limitation in its number and accessibility. This is similar to Ndlovu and Makoni (2021) who observed that the presence of a weak governing structure and investor insensitivity in Zimbabwe limit the success of equity-based financing. Another important result of the respondents was the strong agreement that the government support is crucial in fostering innovative financing models, the regulation support, and institutional frameworks need policy intervention. Notably, there was high reception among respondents that innovative financing model that was Zimbabwe specific would enhance performance of SMEs and curb excessive dependence on conventional bank loans. This observation explains the need to have a customized financing system that can combine digital finance, informal finance, government support and private investment to support the distinctive economic and institutional environment in Zimbabwe.

The innovative financing model proposed is a combination of various financing avenues integrated in a friendly policy and institutional framework to deal with the structural challenges affecting start-ups and SMEs in Zimbabwe. The model will minimize over-dependence on conventional bank finance and enhance financial inclusion, affordability and access.

4.7 Proposed innovative financing model for start-ups and SMEs in Zimbabwe



4.7.1 Government and policy support as an enabler

The proposed innovative financing model of the Zimbabwean SMEs is based on government and policy support. There are government programs like the National Financial Inclusion Strategy, which is designed to improve access to financial services and structural impediments in financing SMEs (Chivaro, 2020). The policies reinforce financial institutions, create financial inclusion, and develop SME products based financial institutions. Nevertheless, their effectiveness is still compromised by persistent challenges, such as the lack of awareness about the existing products as well as inconsistency in the policies (Militala, 2021). The industry stakeholders also provide evidence as to the importance of government in driving financial innovation. Reserve Bank of Zimbabwe (RBZ) has highlighted on the role of digital finance solutions and microfinance solutions in widening access to finance and enhancing inclusive economic development (RBZ, 2025). Government assistance in terms of regulatory measures, capacity formation, and specific incentives helps to decrease information asymmetry, share risk among lenders, and create a more enabling multi-channel financing structure (Chivaro, 2020).

4.7.2 Digital and fintech-based financing

Fintech and digital financial services in Zimbabwe are proliferating at a rapid pace and are increasingly significant in breaking traditional barriers to finance among SMEs (Mutale and Shumba, 2024). Introduction of mobile money, digital banking and agency banking have increased the reach of financial services, especially to underserved and geographically dispersed SMEs (Mutale & Shumba, 2024). Financial innovation that is digital is positively related to financial inclusion to allow enterprises to be able to access services previously unavailable, such as because of the infrastructure and cost factors (FinMark Trust, 2022). Digital platforms cut transaction costs and time to approve loans than the traditional bank loans, and it offers an option to those businesses which do not have a formal credit history or collateral (Mutale & Shumba, 2024). As it has been proven, better digital finance infrastructure and financial literacy contribute to the ability of SMEs to access digital financing tools even more, which promotes greater financial inclusion and business development (FinMark Trust, 2022).

4.7.3 Informal and semi-formal financing mechanisms

Microfinance institutions (MFIs), savings groups, and community lending systems are all informal and semi-formal sources of financing that continue to be a vital source of finance to most SMEs in Zimbabwe (Chivaro, 2020). These sources are sources of easy credit to companies that are not able to access the formal financial channels which may have strict collateral and documentation policies (Militala, 2021). MFIs in Zimbabwe also have flexible loan products that are offered to micro and small business owners, and act as essential intermediaries to SME finance, especially to those entrepreneurs that do not have access to formal banking services (Chivaro, 2020). Despite the mixed effects of microfinance on the long-term performance of SMEs, it is well known to increase financial inclusion and working capital of the businesses in their initial stages (Militala, 2021).

4.7.4 Equity-based and alternative financing

High-growth SMEs are supported by equity-based and other financing options such as venture capital, angel investment, and crowdfunding, which have contributed to providing risk capital and common investment experience (Militala, 2021). Even though these instruments are not as advanced in Zimbabwe since there are few investors and regulations, the world experience shows that they can help to encourage innovation and the growth of enterprise activities (Chivaro, 2020). An example is crowdfunding platforms, which democratise investments by enabling SMEs to raise capital by a group of small investors, so they are not relying on conventional debt and encouraging entrepreneurial cooperation (FinMark Trust, 2022). These funding mechanisms are included in a bigger ecosystem and promote financial inclusion and entrepreneurship and innovation (Militala, 2021).

4.8 Outcomes and impact

When all the various sources of support such as the government, digital finance, informal financing, and equity-based mechanisms operate in concert through an integrated framework, SMEs get to enjoy better access to the right and affordable finance (Chivaro, 2020). Increased financial access strengthens liquidity and cash flow, allowing it to adopt innovation, become competitive, and grow a business (Mutale and Shumba, 2024). This, on the other hand, leads to the creation of jobs and the overall economic growth, which corresponds to the national development goals of Zimbabwe (RBZ, 2025).

4.9 Chapter summary

This chapter introduced, examined, and discussed the empirical evidence taken in businesses in Zimbabwe, in the form of start-ups and SMEs. The main objective of this chapter was to convert the raw survey data into useful information which shows how SMEs can use available financing mechanisms, the obstacles that they encounter in using traditional financing mechanisms and how innovative financing models can be used to enhance the performance of the SMEs. The research had a good response rate of 90.9, which means that the respondents were greatly engaged and gives assurance of reliability and validity of the outcome. Cronbachs Alpha reliability

analysis indicated that the research instrument was internally consistent with a range of values between 0.81 and 0.86 among constructs and 0.88 overall, which implies good to very good reliability (Tavakol and Dennick, 2019). Altogether, Chapter 4 confirms the fact that there are both formal and informal methods of financing, but they are not enough to be able to invest in SME development in Zimbabwe completely. The continued obstacles in the conventional finance, as well as the lack of accessibility to both equity-based and digital financing, highlight the necessity of a multifaceted and context-specific innovative financing framework. These gaps are filled directly by the proposed model, which combines support of the government, digital finance, informal finance, and equity-based instruments, and which enhances the affordability, accessibility, and financial inclusion.

CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5 Introduction

This chapter presents a summary of the study findings, conclusions drawn from the empirical results, and recommendations based on the research objectives. The study focused on examining financing mechanisms for start-ups and SMEs in Zimbabwe, identifying barriers to traditional finance, and proposing innovative financing models to enhance SME performance. The conclusions and recommendations are grounded in the findings presented in Chapter 4 and are aimed at informing policy, practice, and future research.

5.1 Summary of findings

The study found that the financing landscape of start-ups and SMEs in Zimbabwe is varied and scattered. The results of chapter 4 showed the existence of formal financing institutions like commercial banks and microfinance institutions but these institutions are less available and inadequate to most SMEs. Respondents were generally not in agreement that commercial banks and MFI's fully satisfy the financing need of the SME's, primarily because of high collateral demands, high rate of interest, and stringent lending conditions.

The findings in the study also indicated that informal and semi-formal financing mechanisms like family financing, savings groups and cooperatives are a major source of SME financing, especially in the early stages of business. These were, however, regarded as small and were incapable of continuing to grow and provide funds for capital-intensive schemes. There were also signs of the emergence of digital financing platforms that were identified as an alternative, but with a level of impact not yet seen.

In addition, it was concluded that certain obstacles have a significant impact on SMEs' access to conventional financial services. There was strong agreement that

high interest rates, and collateral requirements, long loan approval periods and no financial records are significant barriers. All of these challenges are factors affecting the exclusion of SMEs in formal financial system and confirm their reliance on informal financing.

Lastly, positive support was found for innovative financing models. Competitors also agreed that the availability of digital finance, crowdfunding, peer-to-peer finance and equity-based finance would facilitate access to finance, mitigate the need for traditional bank financing, and boost SME growth and performance. The use of these models, however, is limited because of lack of regulatory frameworks, awareness, and investor engagement.

5.2 Conclusions

The study concludes that the current mechanisms of financing in Zimbabwe are less effective and suitable in supporting the growth and sustainability of start-up and SMEs in light of findings made in Chapter 4. The descriptive analysis revealed that majority of the respondents disagreed that the present facilities of financing match the requirements of the SME which stand as fact that the formal financial institutions are not completely well adapted with the reality of small business.

The study more so determines that SMEs do not have easy access to traditional finance due to the existence of structural and institutional barriers. The Agreement strongly endorsed high collateral requirements, high interest rates and bureaucratic lending procedures as constraints. The results validate that SMEs continue to be out of the formal financial system in a systematic way and that this situation contributes negatively to SMEs growth, innovation and competitiveness.

Further, the study finds that informal financing provides very significant but restricted contribution in SME development. It offers easy access to capital that helps startups with a short term solution, but it does not have the means to support long term expansion and innovation.

Most importantly, the study concludes that innovative financing models can be a solution for financing problems of SMEs. Respondents' strong consensus on the positive impact of digital finance, peer to peer lending, crowdfunding and equity financing suggests that alternative financing methods can help bring finance to SMEs and boost SME performance. However, their effectiveness relies on supportive policy frameworks, regulatory changes and more awareness.

5.3 Recommendations

The study suggests that SME financing should be more inclusive and flexible and financial institutions, policy makers and stakeholders should adopt such approach. Commercial banks and microfinance institutions should consider designing financial products that address the needs of start-ups and small businesses by having lower interest rates, lower requirements for loan collateral, and fewer loan procedures. Enhance access to formal finance sources to reduce reliance on informal finance.

The need is also to boost informal and semi-formal financing systems through institutional support, capacity building programmes and financial institution linkages. Improving the structure and transparency of these will help to strengthen their reliability and allow them to complement formal financing.

Also, the use of digital financing should be encouraged to achieve financial inclusion, especially in the less covered areas. Digital infrastructure and financial education of SME owners need to be invested in to make fintech financing easier.

The government should consider credit guarantee schemes, which could decrease the risks involved in lending and enable the financial service providers to finance SMEs to resolve the problems faced by traditional finance. Additional regulatory changes should be put in place to simplify the loan approval process and minimize bureaucratic obstacles. In light of above, capacity-building programmes for enhancing the financial management, record-keeping and investment readiness of SMEs should be given utmost importance.

In addition, the adoption of new financing schemes through appropriate policies and regulatory frameworks is needed. Crowdfunding and peer-to-peer lending platforms

should be regulated to help shield investors and encourage more SMEs to access alternative funding. This venture capital and angel investment should be encouraged with tax benefits, co-investment schemes, business incubator program etc.

5.4 Proposals for further investigation

Future research would include looking at the effectiveness of specific innovative financing mechanisms, identified in this study as having potential to improve SME performance (crowdfunding and peer-to-peer lending), but not measured here in an empirical manner. This study also assumed that SMEs are a single homogeneous group and further sector-specific studies on the financing needs of the different industry segments like manufacturing, agriculture, technology etc. were needed.

Beyond that, future research needs to delve deeper into the long-term effects of digital finance on SME sustainability and financial inclusion, particularly in the context of a lack of long-term evidence as found in this study. It is further recommended that comparative studies should be carried out between various developing economies to identify good practices that can be adopted into the Zimbabwean environment.

5.5 Chapter summary

The findings, conclusions and recommendations of the study were discussed in this chapter. The study concluded that there were many financing systems, which are fragmented in Zimbabwe creating difficulties for SMEs and innovative financing models can offer solutions. The findings emphasized the need for multi-channelled financing system with policy and institutional changes. Recommendations on how to facilitate access to finance and how to stimulate the development of SMEs have been given and further research suggestions have been made to fill the gaps in knowledge..

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APPENDIX 1: QUESTIONNAIRE

SECTION A: Demographics

1. What is your gender?

Male	
Female	

2. Type of Business?

Manufacturing SME Owners and Entrepreneurs	
Microfinance Institutions Operating in These Areas	
Local Business Associations and Cooperatives	
Financial Experts and Advisors Serving SMEs	
Manufacturing SME Owners and Entrepreneurs	

3. Years of Business Operation?

25 years and above	
10-25 years	
1-10 years	
1 year and below	

4. Are you familiar with **start-ups and SMEs in Zimbabwe?**

YES	
NO	

SECTION B: Existing financing mechanisms available for start-ups and SMEs in Zimbabwe

For the following questions, please indicate the extent to which you agree with the given assessment statements where SA=Strongly Agree, A=Agree, N=Neutral, D=Disagree, SD=Strongly Disagree.

Assessment Statement	SA	A	N	D	SD
○ Commercial banks provide adequate financing options for startups and SMEs in Zimbabwe.					
○ Microfinance institutions are accessible to most startups and SMEs.					
○ Informal financing sources (family, friends, savings groups) play an important role in supporting SME growth.					
○ Government funding programmes adequately support startups and SMEs.					
○ Venture capital and angel investors are available financing options for startups and SMEs.					
○ Digital financing platforms (mobile money loans, fintech lending) have improved SME access to finance.					
○ Existing financing mechanisms meet the financial needs of startups and SMEs.					

SECTION C: Barriers and limitations in accessing traditional finance

For the following questions, please indicate the extent to which you agree with the given assessment statements where SA=Strongly Agree, A=Agree, N=Neutral, D=Disagree, SD=Strongly Disagree.

Assessment Statement	SA	A	N	D	SD
○ High collateral requirements limit my ability to access bank loans.					
○ High interest rates discourage startups and SMEs from borrowing from financial institutions.					
○ Lengthy loan approval processes affect SME access to finance.					
○ Lack of proper financial records limits access to traditional finance.					
○ Financial institutions perceive startups and SMEs as high-risk borrowers.					
○ Lack of credit history affects SME access to loans.					
○ Strict lending regulations make it difficult for startups and SMEs to obtain funding.					

SECTION D: Development of context-specific innovative financing models

For the following questions, please indicate the extent to which you agree with the given assessment statements where SA=Strongly Agree, A=Agree, N=Neutral, D=Disagree, SD=Strongly Disagree.

Assessment Statement	SA	A	N	D	SD
○ Digital financing solutions can improve access to funding for startups and SMEs.					
○ Crowdfunding platforms can provide alternative funding opportunities for SMEs.					
○ Peer-to-peer lending can improve SME access to affordable finance.					
○ Venture capital financing can support innovation and growth of startups.					
○ Government support is essential in promoting innovative financing models.					
○ Innovative financing models can reduce reliance on traditional bank loans.					
○ A Zimbabwe-specific innovative financing model would improve SME performance.					

Thank you for participations.....

APPENDIX 2: TURNITIN REPORT

Olga Mapara

Chapter 1-5 Olga Mapara

 BAF 2025

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