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The Question of Sustainability among Zimbabwean Microfinance Institutions: A Case of MFIs in Gokwe Town

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ABSTRACT

The aim of this paper is to examine the sustainability of microfinance institutions (MFIs) in Gokwe town, Zimbabwe, with focus on their operational viability, challenges hindering their growth and survival as well as strategies that enhance their sustainability. As the demand for financial services in rural areas increases, MFIs play a crucial role in enhancing economic resilience among low-income populations. However, challenges such as limited capital, regulatory constraints, and market competition threaten their sustainability. Through qualitative and quantitative analysis, this study ascertains the challenges faced and evaluates the strategies employed by MFIs to maintain financial health and social impact. Key findings indicate that while some MFIs have successfully implemented innovative lending models and client education programs, others struggle with high default rates, intense competition, client over-indebtedness, economic instability and inadequate funding. The paper highlights the importance of adaptive management practices and collaborative approaches among stakeholders to bolster the sustainability of MFIs. Ultimately, this research contributes to the broader discourse on microfinance sustainability in Zimbabwe, providing insights that can inform policymakers and practitioners aiming to enhance the effectiveness of MFIs in promoting financial inclusion and economic development in rural settings.

Key words: sustainability; microfinance institutions; financial inclusion

INTRODUCTION AND BACKGROUND

Microfinance plays a significant role in the global financial system and over the past decades this area has received significant focus. Evidence shows a consensus that through Microfinance a number of financial programs and initiatives targeting poor communities and marginalized groups that are not adequately served by the traditional banking system have been successfully implemented. Hence the sustainability of Microfinance institutions in developing and emergent economies is of importance for continued development and prosperity. Several researches have shown that if financial inclusion and poverty alleviation are to be achieved then continued operation of Microfinance institutions can not be understated, (Dzadzua, 2020; Anokye-Wusu and Owusu-Ansah, 2021; Mutua and Ali, (2017); Muzondo, 2018). Microfinance refers to the provision of financial services tailored for groups and entities that do not have access to conventional banking services due to being poor or being marginalized, (Gupta, 2023). Microfinance Institutions on the other hand are the organizations that offer these low income and marginalized populations a chance to break their cycle of poverty through the provision of financial capital usually in the form of small loans to start or expand their business ventures, (Gupta, 2023). Thus Microfinance is recognized as being one of the tools that enhances the capability of the poor to undertake sustainable productive activities resulting in the reduction of poverty as well as improved social welfare among the poor and marginalized. The improved socio-economic welfare of the poor can only be realized if the microfinance institutions are being financially viable. A sustainable microfinance institution should provide continued support to its beneficiaries resulting in poverty alleviation. Thus the goal of microfinance is double barreled with an aim to achieve good financial and outreach performance while simultaneously reducing poverty, (Mutua and Ali, 2017).

Research questions

i. What are the key indicators that determine sustainability of MFIs?

ii. Challenges affecting the sustainability of Microfinance?

iii. Strategies that can be implemented to improve MFI sustainability?

LITERATURE REVIEW

The concept of Microfinance

Microfinance is an entity that provides financial assistance to individuals and groups with limited income (Rhyne and Otero, 2020). It offers banking services to individuals who typically face barriers to access funding, such as, lack of assets to use as collateral security. The primary goal is to help individuals without bank accounts. Microfinance provides a range of services including small loans, savings accounts, insurance, and financial literacy programs especially to vulnerable areas of society (Rhyne and Otero, 2020).

Theories of Microfinance

Economic Development theory

The paper used economic theory to explain how individuals access financial services in the microfinance companies. The economic development theory believes that provision of financial services can stimulate economic growth by improving income to vulnerable populace to start businesses and expand the existing businesses (Sung-Hee, 2017). The use of microfinance institutions offers loans with little or no collateral security meaning people can also borrow money to meet their daily financial expenditure. The economic development theory is based on the assumption that when individuals have access to loans, they can improve their welfare and can contribute to economic development (Sung-Hee, 2017). The general standards of will living increase. The theory was used to explore the challenges affecting sustainability of microfinance and strategies used to improve microfinance institutions sustainability in small towns like Gokwe town.

Types of Microfinance sustainability

Microfinance sustainability can be divided into different types which include: financial sustainability, economic sustainability, social sustainability environmental sustainability and institutional sustainability. The sustainability of microfinance can be analysed through various categories, each focusing on distinct aspects of generating profit while benefiting society. Understanding these categories is crucial for microfinance institutions (MFIs) to achieve financial independence and assist those in need.

Financial sustainability

Financial sustainability refers to a microfinance institution (MFI) having the ability to settle its expenses independently, without relying on external sources such as donations or grants (Wangari and Karanja, 2023). This paper examines financial sustainability by probing a metric known as operational self-sufficiency (OSS), which indicates whether the MFI generates sufficient revenue to meet its expenses. A financially sustainable microfinance institution (MFI) can operate independently and extend its services to a larger audience.

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Social sustainability

Social sustainability emphasises the role of microfinance in enhancing the well-being of its clients and contributing positively to their communities (Khan and Rahman, 2023), It aims to provide essential financial services to low-income individuals who typically struggle to obtain them from traditional banks. Social sustainability involves ensuring that the financial products provided by microfinance institutions are appropriate, affordable, and beneficial for their target audience. The aim of microfinance institution is to strengthen communities, support borrowers, and promote local development (Wangari and Karanja, 2023).

Environmental sustainability

In microfinance, environmental sustainability involves minimising detrimental impacts on the environment while promoting eco-conscious practices among clients (Zhang and Liu, 2021). This encompasses offering financing for environmentally-friendly initiatives such as renewable energy and organic agriculture by incorporating environmental factors into their practices allows microfinance institutions to address climate change and strengthen the resilience of communities (Bogan, and Nair, 2021).

Institutional sustainability

Institutional sustainability refers to the ability of microfinance institutions (MFIs) to maintain effective operations over an extended period (Wangari and Karanja, 2023). This requires effective leadership, sound management strategies, and a well-defined approach that aligns financial objectives with social missions. By ensuring institutional sustainability, MFIs are able to adapt to evolving market conditions, legal regulations, and the requirements of their clients as time progresses.

Economic sustainability

Economic sustainability involves assessing the long-term impacts of microfinance initiatives on communities or regions. It evaluates the effectiveness of microfinance institutions (MFIs) in supporting local economies by generating employment, fostering entrepreneurship, and enhancing economic growth through increased funding for small enterprises. Economic sustainability is crucial as it guarantees that microfinance initiatives deliver enduring advantages rather than merely offering temporary financial relief (Githaiga, 2022).

Challenges to sustainability of Microfinances

The enduring success of microfinance institutions (MFIs) has become a significant subject of interest in recent times. These organizations, particularly in underdeveloped regions, encounter several challenges that put their future at risk. A study carried by Zayyanu (2020) on sustainability issues in community-based projects revealed that some of the borrowers obtain multiple loans from various microfinance institutions, resulting in overwhelming debt. This scenario may lead borrowers to default on their loan repayments, negatively impacting both themselves and the microfinance institutions (MFIs).

Another study carried by Hermes and Lensink (2021) on the role of donor subsidies in the sustainability of microfinance institutions indicated that some of microfinance institutions rely on donations and financial support for their operations. If this funding ceases, the microfinance institutions might go under financial distress. Their dependence on external funding hampers their ability to develop sustainable business strategies that would enable them to operate independently.

Brau and Woller (2025) carried a study on challenges and opportunities of Microfinance, the study reviewed that operating a microfinance business can incur high costs due to the necessity of engaging clients, educating them on financial management, and processing the documentation for minor loans. These elevated expenses can significantly reduce their profits, creating challenges for them to maintain financial stability without continual assistance. A significant number of clients do not possess adequate financial knowledge, resulting in misguided choices when obtaining loans or managing repayments. Enhancing their financial knowledge is crucial for both their success and that of the MFIs (Brau and Woller, 2025).

The rules and regulations governing MFIs can greatly affect how they operate. When the regulations are overly rigid or contradictory, they can hinder creativity and restrict financial support for these organisations (Kankhva, 2023). At times, regulators lack a complete grasp of the unique difficulties faced by microfinance institutions (MFIs), resulting in policies that hinder their development. Furthermore, conventional banks are beginning to venture into the microfinance industry. A study carried by Stirman (2024) on the factors leading to the unsustainability of microfinance programs revealed that larger MFIs typically possess greater resources and access to technology, which makes competition challenging for smaller institutions. This situation may lead to an excess of institutions competing for the same customer base, ultimately reducing profitability for the established microfinance institutions (MFIs). Ultimately, community backing is essential for the effectiveness of microfinance initiatives. If community trust and involvement are lacking, MFIs may struggle to draw in clients and secure timely loan repayments (Thapa, 2022). Fostering robust connections among community members is essential for promoting involvement in microfinance initiatives.

Empirical evidence on financial sustainability

Financial sustainability has gained increasing attention in both academic research and practical applications over recent years. The empirical evidence surrounding financial sustainability focuses on its measurement, implications for investment strategies, and its relationship with capital market returns. Recent studies have proposed various frameworks to measure financial sustainability. A common approach is to assess a firm’s ability to maintain growth while managing risks associated with earnings volatility and insolvency. For instance, researchers have identified key indicators such as revenue growth rates, profit margins, debt levels, and liquidity ratios as essential components of financial sustainability metrics (Hiebl, 2021). These indicators help investors gauge the long-term viability of firms in an increasingly competitive market.

Several empirical studies have examined the correlation between financial sustainability and investment performance. One notable study conducted by Ang (2022) analyzed a portfolio of firms characterized by high financial sustainability from 2010 to 2020. The findings indicated that these firms outperformed their less sustainable counterparts in terms of risk-adjusted returns, suggesting that investors who prioritize financial sustainability may achieve superior long-term gains.

Furthermore, a meta-analysis by Campbell (2023) synthesized results from multiple studies and confirmed that higher levels of financial sustainability are consistently associated with lower refinancing risks and improved excess returns in equity markets across different sectors. The relationship between financial sustainability and risk management has also been a focal point in recent research. Studies indicate that firms demonstrating strong financial sustainability tend to exhibit better risk governance practices, which contribute to their resilience during economic downturns (Haller and van Staden, 2024). This resilience is crucial for attracting risk-averse investors who seek stability alongside potential returns.

Research has also highlighted sector-specific variations in the impact of financial sustainability on performance metrics. For example, companies in technology sectors often show a more pronounced positive correlation between sustainable practices and market performance compared to traditional industries like manufacturing or energy (Szilagyi, 2025). This suggests that the benefits of adopting sustainable practices may vary significantly depending on industry dynamics.

METHODOLOGY

The study employed a descriptive research design. According to (Bryman, 2020) a descriptive design illustrates the ideologies of a population. It never stands as any literary or poetic approach yet offers concrete and concise illustration about originality. Some of the collected data are quantitative in nature and are validated through numbers and percentages, while others are qualitative with why and how elements, Flick (2020). The population of the study consisted of 14 Microfinance institutions in Gokwe town namely Yambukai finance, Untu, Kreamon, Mitchart, Tengwi, Solten, Tottengram, Cooverlink, Moneymart, Wisrod, Petefin, Inclusive, Express and Red Sphere. Total sampling was employed as the population was small and definite. Total sampling or census sampling is where the researcher makes use of the entire population for study. This method includes using every individual or unit within the defined population boundaries, (Cresswell & Poth 2021). However 9 MFIs were

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eventually used in the study as the researchers failed to get consent from the other 5 MFIs. A Census of the 9 MFIs revealed that there were 9 branch managers and 45 loan officers. Total sampling was used as it has the advantage of removing sampling bias also it also provides an accurate representation of the study population. The mixed method approach was used in data collection. Questionnaires constituting of both open-ended questions and closed ended questions were administered to loan officers while interviews were held with the branch managers.

To ensure validity and reliability of the questionnaire, a pilot study was done to ensure the suitability of the questions asked. Questions that were ambiguous and lacked clarity were rectified. The journey of conducting a study requires the researcher to uphold certain ethical issues such as informed consent and privacy they work with others especially during data collection. Permission was sought from the appropriate authorities, and no unorthodox means were used to solicit for information. Appointments were made with the 45 respondents during which questionnaires were dropped, followed up through the telephone and later picked after completion. Interviews were held at flexible times with the branch managers at their premise of work and each interview lasted at most 20 minutes. This allowed the study participants adequate time to think through the questions. The follow ups ensured a high response rate. Quantitative data collected was analyzed interpreted quantitatively using Microsoft excel spreadsheets, with inferences being made while qualitative data was analysed through thematic analysis and presented through themes and direct quotations.

FINDINGS AND RESULTS

This section presents the findings from the questionnaires and interviews that were administered to the MFI personnel in Gokwe. The study had a 93% response rate. According to a response rate of more than 50% is relevant in a study and reliable and meaningful results can be drawn from the study. Hence with a response rate of 93% credible conclusions can be made.

Number of branches

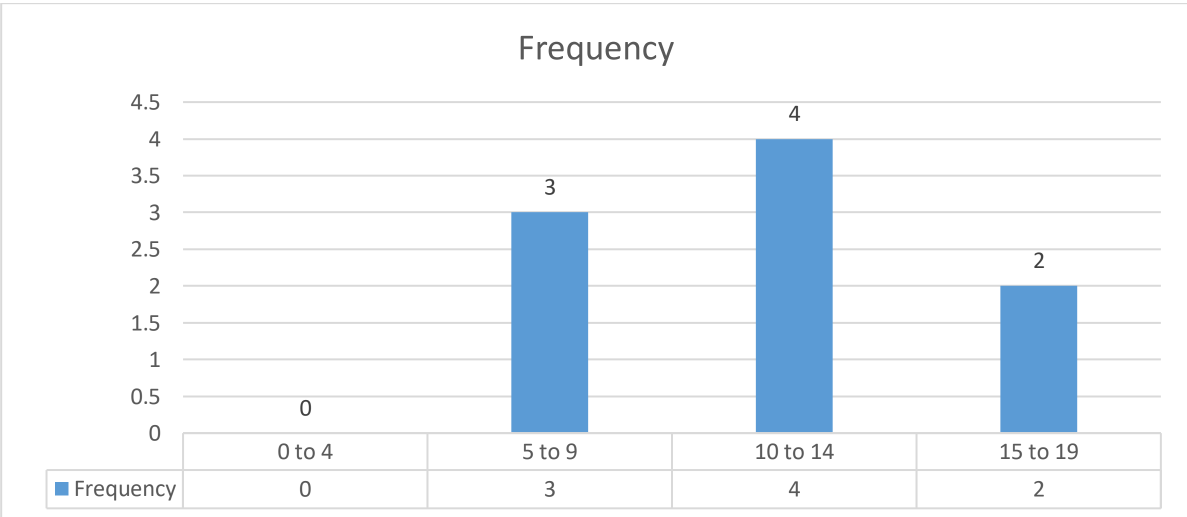

Figure 4.1

Source: Primary data (2025)

The table above shows the number of branches that the 9 MFIs which were used in the study have. None of the MFIs had less than 4 branches in the whole of Zimbabwe. 3 MFIs representing 33.3% had between 5 to 9 branches in Zimbabwe. 4 MFIs representing 44.4% had between 10 to 14 branches in Zimbabwe and 2 MFIs accounting for 22.3% had between 15 to 19 branches in Zimbabwe. Having many branches usually translates to increased potential clientele base. According to Chikalipah (2023), a majority of microfinance institutions (MFIs) operate numerous branches spread across various districts and provinces. This initiative seeks to broaden MFIs customer reach while assisting more individuals in rural areas to obtain financial services.

Years of branch operation

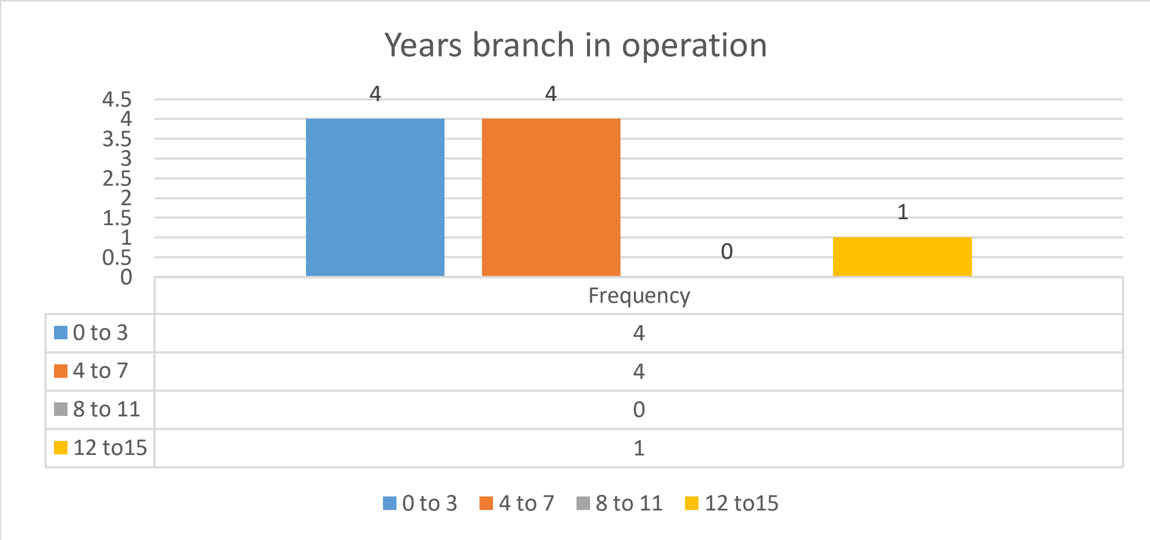

Figure 4.2

Source: Primary data (2025)

Of the 9 MFIs that were surveyed in Gokwe town 4 accounting for 44.4% had less than 3 years operating in Gokwe town. 4 more representing 44.4% had between 4 to 7 years of operation in Gokwe town. Only one MFI accounting for 0.11 had between 12 to 15 years of operation in Gokwe town. More years of branch operation can be an indication of more experience in dealing with financial risk, client relations contributing to the overall stability of the branch. Studies indicate that microfinance institutions (MFIs) that operate for under three years typically struggle to gain and retain clients, as potential customers are unfamiliar with them and may lack trust (Chikozho and Nyoni, 2023). Conversely, businesses that have existed for a longer period typically demonstrate greater stability and tend to have a more devoted customer base. Their capacity to offer financial products tailored to local requirements demonstrates this (Moyo, Chikozho and Nyoni, 2024). This observation aligns with results from various sectors: Microfinance Institutions (MFIs) with a long history usually achieve better financial outcomes and exert a stronger positive influence on society than newer MFIs (Kaseke and Chigwada, 2022).

Key indicators that determine sustainability

The respondents were asked on what they perceived to be key indicators of sustainability in line with their organization. The following were the main themes that were deduced from the responses by the study participants:

Theme 1: Financial Performance

Respondent 1 Management noted that, "*The primary indicator that we monitor is financial performance, of note the return on assets (ROA) and return on equity (ROE). A positive ROA shows that we are making profitable use of our assets, which is essential for sustainability*."

Respondent 3 Management aired that, "*We keep a careful eye on our cost-to-income ratio. Because it shows operating efficiency, it is essential to keep this ratio low. Our sustainability may be in danger if our expenses exceed our revenue*."

Respondent 4 loan officer highlighted that, "*Maintenance of adequate financial reserves is crucial. Our goal is to have a reserve ratio that enables us to maintain operations during downturns and absorb shocks. For long-term viability, this financial cushion is essential*."

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Based on the responses highlighted above the study found that measures of financial performance such as ROE and ROA are primary indicators of MFIs sustainability. Other financial indicators included cost to income ratios, repayment rate and repayment time. These findings concur with Chen, Zhang and Wang (2021) who revealed that Return on Assets (ROA) serves as a key indicator of a company's efficiency in using its assets to generate profit. Similarly, Smith and Jones (2023) assert that Return on Equity (ROE) is a crucial metric for assessing the value a company generates for its shareholders. It illustrates the efficiency with which a business leverages its owners' funds to generate profits.

Theme 2: Portfolio quality

Respondent 2 management aired that, "*It is crucial to keep a healthy loan portfolio. In order to evaluate the quality of our loans, we pay particular attention to the portfolio-at-risk (PAR) ratio. A low PAR lowers our risk of default by demonstrating that borrowers are making their payments on schedule*."

Respondent 4 management noted that, "*I believe that our financial performance is directly impacted by the repayment rates of our clients." Our cash flow improves when customers make their payments on schedule, which enables us to make sustainable investments in the company*."

Respondent 6 management highlighted that "*We can improve the quality of our portfolio by diversifying our lending products. We can lower default risk and enhance portfolio performance by providing a variety of loan options that are suited to varied customer demands*."

Respondent 3 Loan officer stated that, "*We have strict customer selection standards. We concentrate on evaluating borrowers' business potential and creditworthiness since these factors have a direct impact on the sustainability and calibre of our portfolio*."

Respondent 7 Loan officer aired that, "*Conducting regular reviews of our loan portfolio allows us to identify potential issues early. This proactive approach helps us maintain a high-quality portfolio, which is vital for long-term sustainability*."

The study found that loan portfolio quality is important for long term sustainability of MFIs. Quality client selection as well as a diversified loan portfolio reduces the risk of having Non-performing loans. Studies carried on finance stress the necessity of having a sound loan portfolio. According to research conducted by Bittencourt, de Lima, and Silva (2021), a low Portfolio-at-Risk indicates that borrowers can be deemed reliable. By maintaining stability among MFI, this approach encourages sustained development in the finance industry.

Theme 3: Operational Efficiency

Respondent 4 highlighted that "*Operational efficiency is key. To make sure that our operating expenses are reasonable given our revenue, we monitor our cost-to-income ratio. We can sustainably service more clients when we are very efficient*."

Respondent 5 management noted that "*Investing in technology to automate processes has significantly improved our operational efficiency. We lower expenses and provide our clients with better service by simplifying operations*."

Respondent 7 management suggested that, "*Reducing loan processing times is a priority for us. In addition to enhancing customer happiness, quicker processing enables us to sustainably disburse more loans*."

Respondent 5 loan officer opined that, "*it is crucial to get client input regarding our procedures. It assists us in locating bottlenecks and potential improvement areas, which eventually improves our operational efficiency*."

Respondent 7 loan officer stated that, "*Being adaptable to changes in the market or client needs allows us to maintain operational efficiency. If we can pivot quickly, we can continue to meet our clients' needs sustainably*."

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It is clear from the responses that adapting to market changes, feedback facilities, loan processing time, cost minimization and technology adoption are important factors to the survival of MFIs. The findings were also supported recent research indicates that operational efficiency is crucial for MFI aiming to enhance their services and manage costs effectively. A research carried out by Smith, Brown and Taylor (2021) study revealed that businesses with market adaptation skills, operational efficiency and have lower expenses relative to their revenues are better positioned to invest in customer services, contributing to their consistent growth.

Social

Respondent 1 management aired that "*Being involved in the community helps us better understand the economic environment our clients operate in," said respondent 1 management. This knowledge contributes to a healthy portfolio by assisting us in making well-informed loan selections*."

Respondent 3 management opined that "*We evaluate our social performance mainly by determining how much of an influence we have on reducing poverty. We can better evaluate our effectiveness and sustainability in the community by monitoring the proportion of our customers who get above the poverty line*."

Respondent 2 loan officer noted that "*Encouraging gender equity is a key focus for us," said the second respondent loan officer. Since empowering women promotes more sustainable community development, we keep tabs on the number of female clients and their success stories*."

Community engagement was also found to be a driving force in MFI growth and survival. The research findings were also consistent with the conclusions drawn in a study by Smith and Jones (2023). Their findings indicate that MFI with robust ties to their communities typically experience fewer issues with borrowers defaulting on loans. They foster stronger connections with borrowers and provide financial solutions that cater to their requirements.

Challenges that hinder sustainability

Table 4.1: Challenges

Challenge	**Level of excessiveness (Low to High)**					**Mode**	**Based on mode**	**Skewness**
	1	2	3	4	5			
High Default Rates	2	6	14	8	3	14	Moderately excessive	Positively
Limited Access to Capital	13	8	7	3	2	13	Not excessive	Negatively
Regulatory Constraints	4	12	6	5	6	12	Slightly excessive	Negatively
Competition	3	3	6	11	10	11	Very excessive	Positively
Operational Costs	5	10	6	8	4	10	Slightly excessive	Negatively
Client Over-Indebtedness	4	4	7	9	9	9	Very excessive	Positively
Lack of Financial Literacy	5	11	6	7	4	11	Slightly excessive	Negatively
Market Saturation	6	7	12	5	3	12	Moderately excessive	Negatively
Technology Adoption	5	13	7	5	3	13	Slightly excessive	Negatively
Economic Instability	2	3	7	9	12	12	Extremely excessive	Positively

Source: Primary data, (2025)

Table 4.1 above shows the results when loan officers were asked to rank the excessiveness of the challenges that hinder sustainability among MFIs. The first challenge was high default rate with 14 (mode) out of the 33 loan officers who participated in the study ranking this challenge as moderately excessive. A plot of the rankings showed that the results were positively skewed showing that high default rates were a major challenge that threatens the long-term sustainability of MFIs. Limited access to capital was deemed to be a non-excessive challenge hindering sustainability of MFIs and this was reinforced by negatively skewed ratings. Regulatory constraints were found to be a slightly excessive challenge hindering sustainability of MFIs in Gokwe town. Competition was a very excessive challenge showing that MFIs in Gokwe were in tough competition for customers. The data relating to this challenge was positively skewed. Operational costs were negatively skewed with a mode of slightly excessive implying that operational costs are not a major challenge that hinders sustainability among MFIs in Gokwe town. Technology adoption as well as lack of financial literacy were also found to be slightly excessive challenges that hinder the sustainability of MFIs in Gokwe town. Economic instability was found to be extremely excessive in hindering MFI sustainability among MFIs in Gokwe. The findings from research also concur with literature, some major concerns identified are the growing level of competition, over-indebtedness by borrowers and existing rules and regulations which can incur considerable costs to adhere to and restrict the freedom of operation (Bogan and Dulo, 2021). Kumar & Singh, (2022) further postulate that increased competition in the microfinance industry has led to a decline in interest rates, adversely affecting profits

Strategies to improve sustainability

Risk management

Respondent 3 management stated that, "*Effective risk assessment is the cornerstone of our sustainability. Early risk identification allows us to put mitigation measures in place. To comprehend the changing risks, we routinely examine borrower characteristics and market situations*."

Respondent 6 management opined that "*We have diversified our loan products in order to manage risk." We provide specialized solutions according to the creditworthiness and needs of the borrower. By minimizing our exposure to any one sector, this strategy lowers the portfolio's total risk*."

Respondent 4 loan officer highlighted that "*As an loan officer, I am the first line of defence in risk management. Throughout the loan application process, we carry out comprehensive evaluations and keep a close eye on borrower performance. Our familiarity with the area aids in the early detection of such hazards*."

Financial management

Respondent 4 noted that, "*In order to secure our long-term survival, we place a high priority on comprehensive financial planning. This entails establishing precise financial objectives, carrying out frequent audits, and modifying our plans in response to shifting market conditions. We can better handle financial difficulties if we take the initiative*."

Respondent 7 management suggested that, "*It is crucial to have strong budgeting procedures. We develop thorough budgets that account for our anticipated income, possible risks, and operating expenses. Frequent monitoring enables us to spot deviations and act quickly to address them*."

Respondent 9 loan officer said that, "*We always look for methods to control expenses and boost operational effectiveness. This include cutting waste, optimizing procedures, and utilizing technology to cut down on administrative costs. "Our bottom line is directly impacted by efficient operations*."

Client engagement

Respondent 1 management noted that, "*Building solid relationships is the first step in achieving client engagement. Understanding the requirements and goals of our clients is our first priority. We may establish a helpful atmosphere that promotes loyalty and repayment by cultivating trust and open communication*."

Respondent 3 loan officer aired that, "*As a loan officer, I try to provide a personal touch in every interaction. I take care to get to know my clients by name, learn about their companies, and monitor their development. They feel more at ease talking to me about their difficulties because of our personal connection*."

The findings from the research identified that MFI can enhance their sustainability by adopting various strategies that emphasize risk management, financial handling, and client engagement. The research findings were also supported by literature, the risks associated with lending can be minimized by offering various loan options and implementing stringent assessments of borrowers' creditworthiness (Mersland and Strom, 2020). Additionally, literature also indicated that incorporating environmental, social, and governance (ESG) criteria into the lending decision-making process is an effective method for enhancing lending practices (Rhyne and Otero's, 2021). According to Rhyne and Otero's (2021) research, microfinance institutions (MFIs) that implement ESG (Environmental, Social, and Governance) strategies tend to perform better and draw in investors with a focus on social concerns, thereby increasing their funding.

CONCLUSION AND RECOMMENDATIONS

- According to the study, key metrics of financial health which determine growth and survival include profitability measurements like return on equity (ROE) and return on assets (ROA). Consistent profitability is exhibited by sustainable MFIs, which is essential for funding expansion and meeting operating expenses.

- Measures such as the proportion of non-performing loans (NPLs) to total loans emphasize how crucial it is to keep a sound lending portfolio. Because they demonstrate successful risk management and client interaction tactics, lower NPL percentages are associated with greater sustainability.

- Quick loan processing improves customer retention and satisfaction. Increased loan disbursements and enhanced operational sustainability can result from speedy response times.

- The high percentage of borrower loan defaults was one other most urgent issues hindering MFI sustainability. Many clients are finding it difficult to fulfil their payback commitments as a result of economic uncertainty and a lack of financial literacy. This impacts MFIs' cash flow and makes it more difficult for them to lend to new customers.

- The operations of MFIs are seriously threatened by Zimbabwe's wider economic instability. High unemployment rates, currency fluctuations, and hyperinflation all contribute to an unstable climate that makes it difficult for MFIs and their clients to function efficiently.

- Regulatory frameworks may not always accommodate the particular requirements of MFIs and therefore be burdensome. Complying with intricate laws can be difficult for these organizations because it might take resources away from their primary operations.

- MFI rivalry is heightened by the rise of other financial institutions and unofficial loan sources. These substitutes frequently offer speedier access to funds, which may tempt customers away from official financial services and erode the clientele of MFIs.

- Ineffective client contact measures lead to clients misinterpreting loan conditions and expected repayment schedules. Clients who lack adequate financial education are less able to successfully manage their money, which raises the possibility of default.

- MFIs can more successfully identify, evaluate, and reduce possible risks by putting comprehensive risk management frameworks into practice. To reduce default rates, this entails keeping an eye on borrower behaviour, modifying lending standards, and keeping a balanced loan portfolio.

- Creating loan products that are tailored to the requirements of regional borrowers will improve customer satisfaction. Providing individualized solutions and varied repayment terms can help clients with a range of financial circumstances and enhance loan performance overall.

- Using technology can increase productivity and streamline processes. By using digital platforms for client administration, loan applications, and repayments, administrative expenses can be decreased while improving customer satisfaction and service accessibility.

- Strict cost-control methods can greatly enhance financial well-being. MFIs may lower overheads and boost profitability by routinely analyzing operating costs and looking for process optimizations, which will improve their sustainability.

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Questionnaire for loan officers

1. Name of MFI………………………………………………..

2. Date of commencement of the MFI…………………………

3. Number of branches of the MFI…………………………….

4. Number of years in operation of the branch………………….

5. What are the key indicators that determine sustainability of MFIs?

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Challenge	**Level of excessiveness (Low to High)**				
	1	2	3	4	5
High Default Rates					
Limited Access to Capital					
Regulatory Constraints					
Competition					
Operational Costs					
Client Over-Indebtedness					
Lack of Financial Literacy					
Market Saturation					
Technology Adoption					
Economic Instability					

6. **Challenges faced by MFIs that hinder sustainability**
7. What strategies can be implemented to improve MFI sustainability

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Thank you for your participation

INTERVIEW GUIDE

Name of MFI……………………………………………………………..

Date of commencement of the MFI……………………………………

Number of branches of the MFI…………………………………………

Number of years in operation of the branch………………………………..

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What are the key indicators that determine sustainability of MFIs?

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Challenges the hinder sustainability

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Strategies that can be implemented to improve MFI sustainability

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