The impact of Microfinance on the growth of Micro, Small and Medium Enterprises in Namibia

A Dissertation

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by

Elise Peneyambeko Uusiku

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Supervisor: Abdul Latif Alhassan, Ph.D.

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TABLE OF CONTENTS

ABSTRACT

Many governments around the world have recognised the vital role that Micro, Small and Medium Enterprises (MSMEs) play in promoting economic growth and restoring economies. Though with much recognition, MSMEs financing remains a challenge. Microfinance is regarded as a prominent tool in addressing the financing gap that emanates within the SMEs sector. Yet, the extent to which such initiative has prospered in addressing the funding gap is understudied. Therefore, this paper explored the impact of microfinance services on the growth of Micro, Small and Medium Enterprises (MSMEs) in Namibia.

The study employed a cross-sectional analysis on 45 small enterprises to examine the effect of microfinance activities on the productivity of MSMEs in Oshana region. The sample was drawn from a list of MSMEs who have accessed microfinance services offered by the Development Bank of Namibia. It uses the multiples regression to test the influence of a group of variables (types of microfinance, gender, business location, education, years of existence and the amount of loan received) on productivity a proxy for business growth.

The research indicated that a combination of loan (microcredit) and training as well as the number of years that the business has been in existence had a significant impact of productivity (proxy for growth). Consequently, microcredit as a main variable did not significantly contribute to MSMEs growth. Therefore, the study argues that gaining access to microcredit alone cannot lead to small business growth but rather a combination of other important variable such as education and business experience are essential for the full utilization of microcredit which may result in the growth of MSMEs. Likewise, poor management skills hindered the MSME's ability to fully utilise microfinance services.

The study further recommended that Microfinance Institutions should consider other factors such as advisory services, training and mentorship services. Therefore, a designed packages that combined different services other than the stand-alone package for microcredit is ideal to ensure that loans disbursed are fully utilized and maximised.

LIST OF TABLES AND FIGURES

LIST OF ACRONYMS

DBN	Development Bank of Namibia
GDP	Gross Domestic Product
MFIs	Microfinance Institutions
MITSMED	Ministry of Industrialisation, Trade and SMEs Development
MSMEs	Micro, Small and Medium Enterprises
NDP	National Development Plan
NGO	Non-governmental Organisation
R&D	Research and Development
SACCO	Savings and Credit Cooperative
SPSS	Statistical Package for Social Sciences
SSA	Sub-Saharan Africa
UCT	University of Cape Town
UNDG	United Nations Development Assistant Framework

CHAPTER ONE: INTRODUCTION

1.1 Introduction and Background

Following the global financial crisis of 2007-2008, many government and institutions around the world have realised the importance of the Small and Medium Enterprises sector in building a more resilient economy. This has spurred greater efforts towards developing policies and guidelines on how best government can support the MSMEs sector. Micro, Small and Medium Enterprises (MSMEs), herein referred to as Small and Medium Enterprises (SMEs), are regarded as important actors in promoting inclusive economic development and restoring economies throughout the world. Their roles varies from employment creation, to value addition, product innovation, exports and fair distribution of income. This is because in many countries, majority of the workforce are within the MSME sector, making it a major source of income for marginalised communities.

Available evidence indicates that SMEs account for 70% of employment and an average of 60% value addition in OECD countries, while in emerging economies their contribution to job creation and GDP stands at 45% and 35% of contribution respectively, (International Finance Corporation/World Bank, 2010b). Remarkably, the largest part of such contribution comes from the informal sector. According to the World Bank Enterprise Survey, the SME sector accounts for more than 95% of registered businesses worldwide, accounting for more than 50% of jobs and contributing about 35% of Gross Domestic Product (GDP).

The trend in African states reveals that, 92% of businesses in Ghana are SMEs who contribute about 70% to the country's GDP and creates about 85% of employment in the manufacturing sector. Whereas, in South Africa the figures stood at 91% of formal SMEs who contributed about 57% and 61% to GDP and employment, respectively (Abor & Quartey, 2010).

In the Namibian context, the last attempt to measure the contribution of MSMEs to employment and GDP indicated that SMEs accounted for 20% of total workforce and contributed about 12% to the country's GDP in 2004 (Nakusera, Kadhikwa, & Mushendami, 2008). Furthermore, it is estimated that 33700 (of which only 15000 are formally registered) provide employment and income to 160 000 inhabitants, accounting for one third of the country's total workforce (Ministry of Industrialisation Trade and SME Development, 2016). However, with lack of reliable and updated data, these figures might have changed. In addition,

in 2014, micro and small enterprises contributed 10.9 % annual growth of employment within the manufacturing sector compared to 4% of growth by their medium and large enterprise counterparts (Kumar, 2017). It is argued that, in as much as MSMES are regarded as the biggest creator of jobs, they are also responsible for a high number of job losses. However, its creation offsets its destruction compared to large companies (Bank of Namibia, 2010).

Many governments recognize the vital role that MSMEs play within their economies and treat it as part of their National Development Plans (NDPs). In Namibia for example, efforts includes an established department within the Ministry of Industrialisation, Trade and SMEs Development (MITSMED) that specifically deals with the SMEs sector (Bank of Namibia, 2010). Moreover, there are designed support programs for these enterprises such as the provision of physical infrastructure, machinery and production equipment, advisory services, training and mentorship. The ultimate goal is to provide an enabling environment for MSMEs to operate. Ideally, these enterprises are supposed to flourish especially in emerging economies, where the diversity and scale of large enterprises are inadequate to meet the demand for employment, new product development and innovation.

Although with much recognition, MSMEs all over the world are faced with numerous challenges and these are undoubtedly applicable to MSMEs in Namibia. These challenges cut across a range of issues such as; lack of financial support, limited access and high cost of land, as well as lack of entrepreneurial skills just to mention a few which limits the realisation of their full potentials. According to the World Bank Enterprise survey of 2014, 48% of firms in Namibia cited access to finance as a major obstacle to their operation which is twice the average of Sub-Saharan Africa. Amongst, 54% of these firms were small and micro firms, whereas 60.4% operated in Oshana region. In the same vein, Ogbokor and Ngeendepi (2012) estimated that 75% of newly-established small businesses in Namibia are likely to fail within their first two years of operation due to inadequate finances to start, sustain and expand themselves.

Other than designed support programs, Microfinance is regarded as a main and cheaper source of finance for enterprises that cannot access traditional banking services and an effort to minimize the financing gap that emanates within the MSMEs sector. The notion of providing MSMEs finance, implies that it empowers these enterprises to invest (working capital and R &D activities) and improve their performance. This in turn (sales, revenue or profit) results in improved production and employment creation (Kersten, Harms, Liket, & Maas, 2017).

The African Development Bank has noted that there are little or no MSMEs impact evaluation reports that are publicly available, hence the knowledge on effectiveness of microfinance support programs remains somewhat weak. For this reason, microfinance initiatives need to be evaluated against their objectives.

1.2 Problem definition

The contribution of MSMEs towards restructuring economies is well documented. For instance, Kongolo (2010) mentioned that MSMEs are capable of transforming an agriculture-driven economy into an industrialised one, and this opens up opportunities for processing activities which can generate a sustainable source of revenue and enhance development. In spite of the above, SMES around the world are faced with numerous challenges that hinder their performances. Access to financing is identified as a top challenge for MSMEs in many countries. Referring to International Finance Corporation/World Bank (2010a), it is estimated that about 11 to 17 million of MSMEs in developing countries do not have access to credit from formal institutions regardless of the need for finances. The greater discrepancies in relations to MSMEs growth and profitability in comparison to large enterprises is associated with financing. Small firms are opposed to high interest rate and collateral requirements.

Microfinance is regarded as a main source of finance for enterprises that cannot access traditional banking financial services and an effort to minimize the financing gap that emanates within the SMEs sector. Despite numerous microfinance initiatives to help entrepreneurs, their performance or growth rate remains relatively low and socio-economic challenges which are supposed to be resolved by these institutions stills persist in Namibia. The extent to which these initiatives have succeeded in addressing the funding gap is understudied. This paper attempts to explore the extent to which Microfinance Institutions initiatives impact on the performance and development of MSMEs sector, with particular focus on MSMES in Oshana region of the northern part of Namibia.

1.3 Research objectives and hypotheses

The study attempts to answer the following question:

- Does accessing Microfinance services lead to profit and growth realization of MSMEs in Namibia?

- What are the challenges that hinders the MSME's ability to fully utilise microfinance services offered?

1.4 **Research Hypothesis**

According to Bell (2010), a hypothesis creates a statement about the associations among variables. The same author defined a hypothesis as *"A tentative proposition which is subject to verification through subsequent investigation".* O'Leary (2004) further defined a hypothesis as a form of testable statement that provides a logical assumption about the nature of relationships between a number of variables.

This study is hypothesised as follows:

H_0: Accessing microfinance services does not promote MSMEs growth

H_1: Accessing microfinance services promotes MSMEs growth

1.5 Justification of Study

Baporikar et al. (2016) emphasised that the future of the Namibian economy lies in the hand of SMEs. Consequently, the issues of high unemployment rate and increase in poverty is a major concern to many Namibians. Therefore, it is crucial to understand the challenges hindering the growth of SMEs. On other hand, the microfinance landscape compromises of different stakeholders whose role and participation are crucial in the successful implementation of its programs and services. The microfinance arena is quite small in Namibia compared to other countries and a little has been done on the topic, particularly studies that focused on northern regions of the country. Hence, evaluating the impact of microfinance on the performance of SMEs can benefit microfinance practitioners and donors, academics, and policy makers within the private and public sector of Namibia and the world at large.

Notable contribution of this research work is as follows:

Microfinance Institutions and Donors: Microfinance is sought as an important intervention in reducing the financing gap within the MSMEs sector. Consequently, without impact assessment it is difficult to justify whether microfinance as an intervention has achieved its desired results. Hence, it is ideal for MFI practitioners to be aware of whether their services are making impact

on beneficiaries. The outcome of this research can be used as a means though which MFI can learn about their clients need and how they can improve their services.

*Policy makers***:** Namibia's Ministry of Industrialisation, Trade and SME Development is mandated to create a favorable environment for MSMEs; the study will provide recommendations that will serve as guidelines in formulation of policies and programs meant for SMEs and in the budget allocation to Business Support Services Program for MSMEs.

Academics: Several studies have been conducted on the topic but only few have focused on SMEs operating in the northern regions. This study is therefore a great and unique contribution to the existing body of academic knowledge in Namibia and elsewhere.

1.6 Organization of study

This research paper is divided into five chapters. These chapters are structured as follows:

Chapter 1: Introduction and Problem Statement
This section provides a background to the current situation of MSMEs financing in relation to Namibia. It then establishes the problem statement, the objectives of the study and the justification of the study.

Chapter 2: Literature Review
This section is devoted to both theoretical and empirical works that has been carried out on the topic. First, it spells out the various definitions of MSMEs in the Namibian context and around the world. This is followed by a highlight on the contribution of MSMEs to economic developments, the challenges they face and MSMEs growth determinant. Further, the concept of microfinance and its impact on the growth of MSMEs are reviewed. Lastly, a subsection is dedicated to the conceptual framework guiding this study.

Chapter 3: Research Methodology
This chapter discusses the research methodology applied in collecting the research data. Aspects of research design such as sample and sampling procedures, data collection instruments and procedures as well as the framework for data collection are discussed in this chapter. The

chapter also touches on the validity and reliability of measurements. Lastly, the ethical considerations guiding this study are discussed.

Chapter 4: Discussions of findings

This discussion of findings chapter provides both descriptive and inferential analysis of data. The descriptive analysis provides the statistics on demographic information, while the inferential analysis provides an analysis on the impact of microfinance on various aspects of the business with the aid of the regression model discussed in the preceding section.

Chapter 5: Conclusion and Recommendation

This is the last section of the dissertation. It conveys a summary of findings, conclusion and recommendations based on the findings of the study and it stresses propositions for future research.

CHPATER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter outlines the empirical and theoretical works available on the topic understudy. Firstly, it reviews various definitions of MSMEs around the world. This is followed by the role of MSMES in economic development, as well as the common challenges that small enterprises are faced with, and the conceptual framework of microfinance in Namibia. Lastly, the chapter reviews existing theoretical and empirical studies on the impact of microfinance on the growth and performance of MSMEs.

2.2 Definition of SMEs

Abor and Quartey (2010) stressed that the issue on the component of defining small or medium business is a chief concern in literature. Many countries and international organisations define MSMEs differently, hence it should be noted that there is no single internationally adopted definition of MSMEs. In fact, in some countries the micro enterprises are excluded in the definition. Nonetheless, the standard definition implies criteria such as; number of employees, amount of capital employed and amount of annual turnover.

The following table indicates the criteria used by different organizations in defining SMEs worldwide.

Table 1: Definition of MSMEs world wide

Institutions	Maximum number of employees	Maximum revenue or turnover (US$)	Maximum assets (US$)
World Bank	300	15,000,000	15,000,000
Inter-American Development Bank	100	3,000,000	None
African Development Bank	50	None	None
Asian Development Bank	50	None	None
United Nations Development Program	200	None	None

Source: World Trade Organisation (2014)

2.3 Definition of MSMEs in Namibia

The first definition of SMEs in Namibia was initially adopted by the **"Policy and Program on Small Business Development"** document launched by Ministry of Trade and Industry (now referred to as the Ministry of Industrialisation, Trade and SME Development) in 1997. The policy's objectives were aimed at addressing challenges facing MSMEs. However, the definition excluded micro enterprises and failed to account for structural economic changes that may affect the country's economy due to local, regional and global dynamics. Hence, a call for a revised definition which incorporates micro enterprises. In view of this, a new policy on Micro, Small and Medium Enterprises (MSMEs) was officially launched in 2015 in compliance with globally accepted standards, using number of employees and annual turnover as criteria.

The table 2 below indicates the revised definition of MSMEs in Namibia:

Table 2: The definition of MSMEs in Namibia

Category	Number of employees	Annual turnover (N$)
Micro	Up to 10	Up to 300 000
Small	11-30	Up to 3 000 000
Medium	31-100	Up to 10 000 000

Source: Ministry of Industrialisation, Trade and SME Development (2016)

2.4 SMEs contribution towards developing economies

The role of MSMEs in economic development is well acknowledged worldwide. There is a universal consensus that the growth and performance of MSMEs are vital for both social and economic development of many developing countries (Abor & Quartey, 2010). Small and medium enterprises have been recognized as key drivers through which growth objectives can be attained. MSMEs are sources of income, new product development and innovation, employment, poverty alleviation and promotion of economic growth in many countries (Ministry of Industrialisation Trade and SME Development, 2016). Moreover, the flexible nature of MSMEs make them less vulnerable to changes in market conditions compared to larger firms.

Notably, MSMEs are the main engine in the innovation process due to their ability to invest in new technological space and to expand the high technological information networks. Thus, they are quicker at establishing regional networks compared to larger enterprises (Savlovschi & Robu, 2011).

2.5 Challenges facing MSMEs

Despite the global recognition on the vital roles of MSMEs in the advancement of growth in many counties, these entities are faced with vast number of challenges that inhibit their growth potential. These challenges varies across countries and sector and are more severe in emerging economies than in developed countries. The common challenges includes access to finance (Babajide, 2017; Baporikar, Nambira, & Gomxos, 2016; Kongolo, 2010; Okpara, 2011; Sandor, 2011), social factors (corruption and crime) as cited by Olawale and Garwe 2010, lack of management skills, bureaucratic practices (Kongolo, 2010; Ministry of Industrialisation Trade and SME Development, 2016).

2.5.1   Access to finance

Finance has proven to be a crucial component for the growth of MSMEs. According to Baporikar et al. (2016) finance assists businesses to start up, expand and invest in new products. However, limited access to finance has been constantly echoed in many studies as a top challenge that hampers MSMEs in realising their growth potential (Babajide, 2017; Baporikar et al., 2016; International Finance Corporation/World Bank, 2010b; Kongolo, 2010; Okpara, 2011). Babajide (2017) stresses that MSMEs willingness to expand is often shuttered by financing constraints and this problem prevails in many emerging economies.

MSMEs are perceived to be risky which makes them unattractive to banks and other financial institutions. Equally, small businesses lack appropriate skills that enables them create bankable business plans and frequently are not backed up by sufficient collateral that allows them access credit (Ministry of Industrialisation Trade and SME Development, 2016). This results in SMEs counting on their own source of capital to achieve stable growth which time and again have proven insufficient. According to Olawale and Garwe (2010), lack of financial support is the biggest contributor to low rate of newly created firms and also to the rate of business failure. Lastly, International Finance Corporation/World Bank (2010) argued that the financing gap that emanates from the MSMEs sector is a result of a mismatch between the real need of SMEs and the supply of financial services. Therefore, a call for interventions such as best practices for MSMEs lending approaches from banking institutions perspective, is crucial to creating a conducive environment for lending to MSMEs. This includes; enhanced credit bureau, collateral registries and insolvency regimes.

2.5.2 Social Factors (crime and corruption)

Crime rate is noted to be high in developing countries (Olawale & Garwe, 2010). SMEs in Namibia experience more losses as a results of theft and vandalism compared to larger enterprises (Ministry of Industrialisation Trade and SME Development, 2016). The alarming increase in crime activities forces SMEs to take various security measures to minimise the prospects of crime resulting in cost escalation. Olawale and Garwe (2010), noted that corruption in most African countries is associated with a range of issues from bureaucracy to regulatory compliance. MSMEs inability to comply with regulatory requirements may result in them targeting corrupt officials to bypass bureaucratic processes. (International Finance Corporation/World Bank, 2010b).

2.5.3 Cumbersome administrative process

High cost of licensing and registration requirements serves as a deterrent to the progress of MSMEs (Akugri, Bagah, & Wulifan, 2015). According to International Finance Corporation/World Bank (2010) , SMEs are consistently incapable of navigating through the complications of regulatory and bureaucratic procedures. As a result, the bureaucratic process that MSMEs are faced with at start up, encourages the supremacy of large firms in a legally regulated economy (Kongolo, 2010). Likewise, because of tax burden, labour and licensing policies, small firms opt to remain informal as a way of avoiding the complexities that come with these aspects (Sleuwaegen & Goedhuys, 2002).

Referring to the World Bank's Doing Business Survey of 2017, Namibia is ranked 106 with regards ease of doing business index, compared to 82 and 81 ranking for South Africa and Botswana respectively. This implies that the business registration process in Namibia remains lengthy and costly. For this reason, a business has to go through 10 different steps and has to wait for 66 days to complete registration - a rather discouraging prospect for most start-ups (Ministry of Industrialisation Trade and SME Development, 2016). Furthermore, the complicated administrative procedures are associated with costs and in most cases MSMEs are incapable of complying with these procedures. Eliminating such hitches could enhance MSMEs access to finances.

2.5.4   Lack of management skills

Managerial competencies is one of the bedrock of MSMEs growth. Olawale and Garwe (2010) have noted that lack of managerial experience is the reason for the high failure rate of new firms. Given their small sizes, MSMEs managers/owners are required to perform a multiplicity of tasks ranging from accounting, business planning, market research etc., all requiring multiple skills that often MSMEs are not in possession of (International Finance Corporation/World Bank, 2010b). This results in under-investment in areas that could potentially enhance growth.

2.5.5   Heavy Tax duties and competition

Firms in the informal sector are often not regulated and do not pay tax. This implies that they can charge lower prices, thus holding greater patronage appeal for customers, compared to their formal sector counterparts. In this light, high amounts of tax imposed on formal sector businesses may lead to a larger number of businesses operating in the informal sector, resulting in loss of government revenue.

Unfair competition is linked to lack of confidence in the quality of locally produced products by consumer compared to imported products (Govori, 2013). Globalisation is also a contributing factor (Ministry of Industrialisation Trade and SME Development, 2016).

Other factors MSMEs are faced with include, high cost of electricity, lack of investment in new technologies, lack of access to accurate information, access to land (International Labour Organisation, 2015; Ministry of Industrialisation Trade and SME Development, 2016).

2.6 The determinants of firms growth

The determinants of firms growth has been studied in numerous disciplines such as economics, entrepreneurship, sociology and marketing. Notably, several theories have been developed to explain the growth of small enterprises. From the economic and business perspective, the growth of firms is viewed from financial outcomes such as profitability, growth in sales, efficiency and output (Sarwoko, Surachman, & Hadiwidjojo, 2013).

The theoretical contribution to the determinants of firm's growth is often divided into stochastic and deterministic approach. The stochastic approach suggests that changes in rate of growth is all due to chance , whereas the deterministic approach infers that the difference in growth rates is associated with a set of observable industry and firm specific characteristics. It is worth noting that there is no unique theoretical model which explains the growth of small business. The literature remains insufficient and lacks integrated analysis (Zhou & de Wit, 2009). Moreover, some authors have noted that the growth of firms depends on the interactions of various circumstances such as human resources, financial resources and changes in surrounding environment.

Lee (2010) identified three models that are strongly viewed to be relevant to the study of small firm's growth. These are: stochastic model, human-capital model and learning model.

2.6.1 The stochastic model

Derived from Gibrat's Law of Proportionate Effect, the stochastic model suggests that the growth rate of a firm is independent of its age and size. According to Storey (1994) , this model argues that firm growth is not determined by either its age or by its size or stage of growth, however the growth is based on pure chance. Therefore, there is equal chance of growth rate for firms within a given industry at a given period. O'Farrell and Hitchens (1988), added that the firm size is subjected to collective random shock over time. This implies that the size distribution of a business at a certain period, is a product of series of random growth pattern in market history.

Empirical studies on the validity of Gibrat's Law shows mixed results with some finding a negatives correlation between firm's size and its growth. Aw (2002) finds a negative relationship between a firm's growth measured in terms of productivity and size, such that firms grow because of being productive and not necessarily because they are large in size. Consequently, the notion of Gibrat's law is rejected by scholars such as (Becchetti & Trovato, 2002; Bentzen, Madsen, & Smith, 2012; Löfgren, Persson, & Weibull, 2002) . Bechetti et al. (2002) argued the Gibrat's law only holds for larger firms but not for smaller firms. Nonetheless, this laws only consider age and size as potential variables that may impact the growth of firms, but it fails to consider market and industry effects. According to Davidson, Kirchhoff, Hatemi and Gustavsson (2002); Bentzen et al. (2012) smaller firms in terms of size

and age have high growth potential. Bentzen et al. (2012) added that smaller firms have better growth potentials than the larger ones.

2.6.2 The Learning model

The learning model was developed by Jovanovic in 1982, and implies that firms enter the market unaware of their potential. Like the product life-cycle, small firms go through different phases as they grow. Firstly, they make entry into the market, then they grow by overcoming challenges and eventually reach maturing and decline (Gupta, Guha, & Krishnaswami, 2013). The owners or entrepreneurs have incomplete information regarding the business and only get to learn more about the business and its surrounding as it grows. Hence, the firm's growth and survival depends on its capacity to learn (Storey, 1994).

2.6.3 Human Capital model

The human Capital model is derived from the resource-based theory. This theory infers that for a firm to grow its must deploy its resources to identify and explore unlimited opportunities that the market offers. These resources range from financial, to human and technical capabilities. The human capital refers to management ability of individual entrepreneurs which will influence their accomplishment in the business. In the absence of owners/ entrepreneurs knowledge, the organization is unable to discover and exploit possible opportunities, and this will hamper the business performance (Wiklund & Shepherd, 2003). Therefore, knowledge-based resource is positively related to business performance.

2.6.4 Other determinants of firm growth

Empirically, business growth determinants are commonly classified into three dimensions: individual factors, organization or firm's specific factors and environmental factors (Zhou and de Wit,2009; Lee, 2010).

Individual characteristics: This includes knowledge, skills and ability and personal background (level of education, gender and experience) of the business owner. These attributes are essential for the growth and development of small firms. For instance, owner's education is positively related to business performance. According to Sarwoko et al. (2013) , the

entrepreneurial characteristics has a strong influence on business performance. SME's owners with higher levels of entrepreneurial competency will make bigger impact on performance such that they possess capabilities to take risks, learn about the firm's strengths and weaknesses and explore new ideas that are in favour of a business.

Organization characteristics: This suggest that the growth of small firms is determined by the organisations capabilities to transform its resources into competitive products. Such characteristics include: firms attributes (age, formality and available resources, demographics), strategies, and structure (Sarwoko et al., 2013).

Location: some locations are surely more conducive for firm growth than others. The locations role in the growth of a business implies that firms tend to choose locations in regions where it is either cheaper to produce, or where there is a high concentration of customers, or where it is close to supplies to cut transport cost. Thus, location enables firms access to inputs required to carry out their activities.

Environmental factors: these are aspects of conditions or events surrounding the business setting. The environment in which a firm operates provides it with possible opportunities that these firm can exploit (Wiklund & Shepherd, 2003). The environmental factors can be structured into two parts, namely: internal factor and external factors. Internal factors are the factors that the business has absolute control over such as personnel, its management strategy, financial resources and technical capabilities. Whereas, external factors are those factors which the business has no control over and are a threat or opportunity to the organization, such as, regulatory and legal, political, demographics and geographical factors.

2.7 Financing SMEs for growth

Access to finance has been viewed as one of the factors hindering the growth and performance of MSMEs predominantly in developing countries (International Finance Corporation/World Bank, 2010b). The issue of MSMEs lacking access to finance is associated with many factors. Lack of business and managerial skills can magnify obstacles to accessing finance. This includes low level of financial literacy among MSMEs which prevent them understanding and exploring different financing options available to them. Consequently, MSMEs cannot access conventional loans from commercial banks. Furthermore, banks demand high collateral,

associated with the level of risk that a particular business possesses. In the case of MSMEs, they are perceived as high risk, thus driving the demand for collateral higher.

MSMEs require a combination of different types of financing instruments for their growth. The figure below depicts different financing tools available to small enterprises through two dimensions: firm size and maturity of financing.

Figure 1: MSME Finance Coverage map
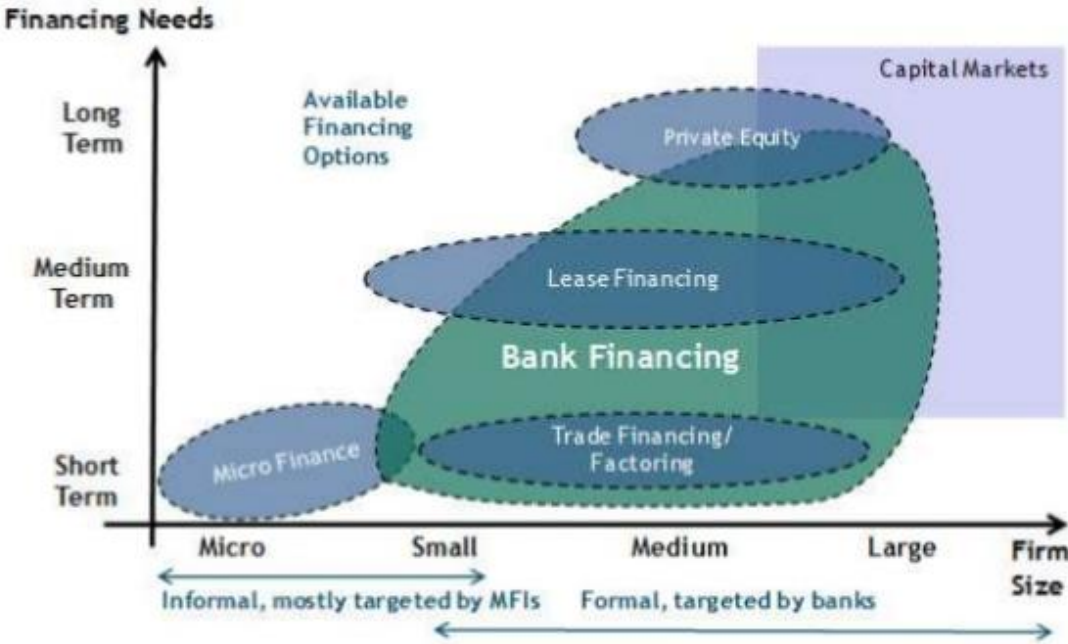
Source: International Finance Corporation/World Bank (2010)

Based on figure 1 above, accessing equity finance remains a challenge to MSMEs in developing countries and their MSME finance coverage appears to be limited to few financing options. Banks shy away from financing micro and small enterprises. Hence, only microfinance has specialized programs that makes provision for small loan to MSMEs, but with limited capacity as these firms grow.

2.8 The institutional framework of SME financing in Namibia

Currently, the development of the MSME sector in Namibia is spearhead by the Ministry of Industrialisation, Trade and SMEs Development (MITSMED), responsible for designing

relevant policy frameworks and support programs. Also, there are many public, private institutions and civil societies that offer support programs designed for MSMEs. However, there is an absence of coordination between all these institutions, resulting in the replication of intervention measures, which in turn obstructs the efficiency in supporting MSMEs.

2.9 The rationale behind SMEs finance program

The United Nations Development Assistant Framework (UNDG, 2017) defined a theory of change as:

A method that explains how a given intervention, or set of interventions, are expected to lead to a specific development change, drawing on a causal analysis based on available evidence

A theory of change helps to identify solutions and give guidance in addressing the actual cause of a problem that hinders progress. The previous section highlighted the challenges facing MSMEs, with greater focus on access to finance. Credit constraints to small businesses represent a key limiting factor to growth. According to Kumar (2017), employing various targeted instruments that lessen credit constraints especially at a firm level, lead to the growth and development of MSMEs. The figure below indicates a simple theory of change for SMEs finance program

Figure 2: Theory of change for MSME finance program

Intervention	• SME finance
Output (direct effect)	• Improved access to finance for supported SMEs • Higher investment by supported SMEs
Outcomes	• Improved performance of supported SMEs (sales, revenues, etc.) • Higher employment at supported SMEs • Higher productivity & wages at supported SMEs
Impact (Policy gaol)	• Economic development • (Net) employment creation • Poverty reduction
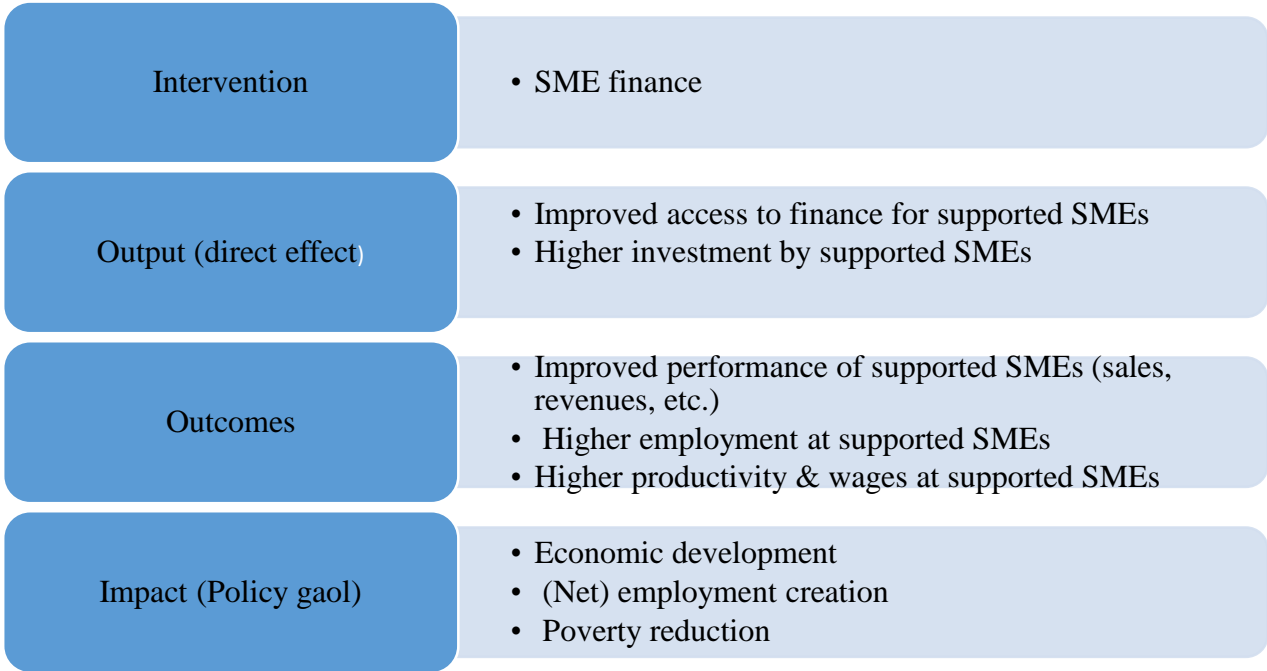
The figure above provides a snapshot of how MSME finance programs are thought to function. By providing finances to MSMEs, they are enabled to invest in assets or working capital that may improve their performance (Kersten et al., 2017) . Alternatively, improved performance may lead to more access to finance and more investments.

2.10   Microfinance concept

Microfinance is often referred to as the provision of financial services to low-income clients, poor communities and small, micro and medium enterprises that cannot access formal banking services, with a goal of transforming them out of poverty. These financial services include: micro-credit, micro-savings, micro-insurance and fund transfer. Other than lending, microfinance institutions also provide financial and social intermediaries such as: business development trainings, financial literacy and management skills.

Generally, providers of microfinance compromise of the following:

i.   Formally registered institutions: commercial banks, rural (village banks), Savings and Credit Cooperatives (SACCO)
ii.   Semi-formal institution: Non-governmental organisations (NGOs)
iii.   Informal institutions: micro-lender's , family and friends, stokvels

2.11   The evolution of microfinance

The concept of microfinance has its roots in theoretical views and paradigm on who the poor are and ways to lift them out of poverty (Tondei, 2016). The process of lifting them out of conditions of poverty involves the provision of financial and technical support that enables them to take up active roles in society.

The revolution of modern microfinance is often attributed to Dr. Mohammad Yunus in 1976, who started lending his personal finance to a group of women who were involved in bamboo furniture making in the village of Jobra, Bangladesh. Certain that a loan to the poorest of the poor was feasible; he formed the Grameen (Village) Bank in 1983. The institution focused on providing credit and infrastructural assistance to the rural poor who could not access credit from formal banking institutions due to lack of collateral. Between 1950's and 1970's, government and international donors were predominant providers of subsidised agricultural credit to small

17

farmers as a mean to enhance their production and earnings. These subsidised schemes were however unsuccessful as it resulted in as a result of large accumulation of losses loan by these institution. The mid 1980's then saw a strong shift from large disbursement of subsidised credit to the inclusion of microfinance as an essential part of the general financial system. Finally, the 1990's indicated a recognition of microfinance as a poverty alleviation tool (Ledgerwood, 1999).

The figure below illustrates the advancement of microfinance

Figure 3: The evolution of microfinance

1950's	• Provision of subsidized credit by government
1960's - 1970's	• Provision of microcredit through NGOs/ NPOs
1990's	• Formalisation of MFIs
mid-1990's	• Commercialisation of MFIs
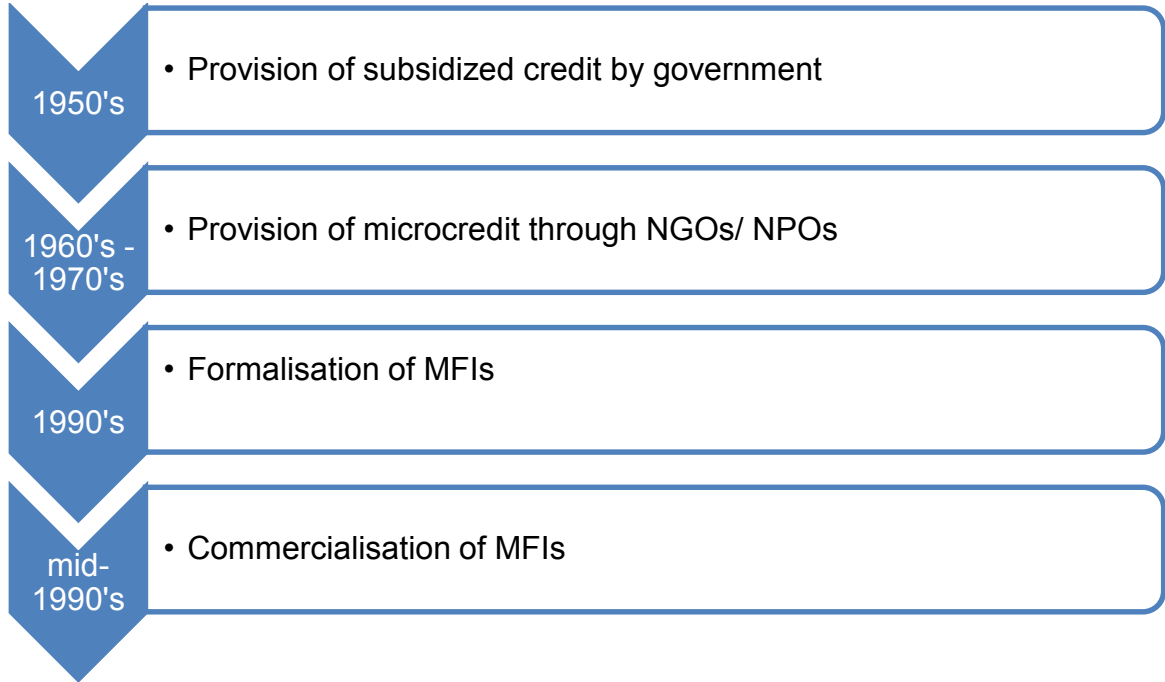
Source: Abor (2011)

2.12   Conceptual framework for Microfinance

Firstly, it is important to note that government's economic and social policy as well as the level of financial infrastructure, affects the delivery of financial services by microfinance institutions. Therefore, it is crucial to understand the country's financial system in order to position the needs and opportunities for providing microfinance services.

Microfinance as a concept has gained momentum in emerging economies. Many Sub-Saharan African countries have acknowledged microfinance as part of their financial systems. This involved creation of special units and agencies that supervise microfinance activities within the public and private sectors.

Table 3: Type of legislation by Country

Type of Legislation	Countries
Specialized Microfinance Laws (29)	Burundi Comoros DRC Djibouti Ethiopia The Gambia Guinea Kenya Madagascar Mauritania Mozambique Rwanda Sudan Uganda Zambia
Drafting Specialized Microfinance Laws (5)	Cape Verde Liberia Malawi Sierra Leone Zimbabwe
MFIs implicitly or explicitly fall under the broader banking or non-banking financial institutions legislation (15)	Angola Botswana Ghana Lesotho Liberia Malawi Mauritius Namibia Nigeria Sao Tome Sierra Leone Somalia South Africa Tanzania Zimbabwe
No Legislation/No Framework (3)	Eritrea Swaziland Seychelles

Source: CGAP (2009)

2.13 The Micro-finance landscape in Namibia

Unlike other countries such as Nigeria, Kenya, Ghana and South Africa among others with well-established Microfinance institutions, the MFI sector in Namibia is still relatively underdeveloped despite high demand for its services. For this reason, MFIs implicitly or explicitly fall under the broader banking or non-banking financial institutions legislation.

The following are some of the regulatory frameworks that guide the provision of microfinance in Namibia: Banking Institutions Act, Usury Act, Agricultural Bank Act, Namibia Development Corporation Act, Post and Telecom Act, Co-operative Act and NGOs. Those institutions that fall outside the sphere of these laws are registered as non-governmental organisations (Nakusera et al., 2008).

2.14 Microfinance impact assessment

Microfinance is believed to address the financing gap for MSMEs who cannot access the formal financial services in the absence of credit histories and collateral. Consequently, it has a potential to enable small businesses establish and/or expand their existing businesses as well as to gain access to new markets.

In terms of microfinance, impact assessment refers to assessing the difference between the outcomes on an enterprise that has received the intervention against the value that occurred in the absence of an intervention. Hulme (2000) proposed two schools of thought in carrying out the impact assessment of microfinance programs namely: intended beneficiary approach and

intermediary beneficial approach. The intended beneficiary approach digs deeper into the value chain to distinguish who benefited from the intervention and how. On the other hand, the intermediary approach assesses the sustainability (operation and financial) and outreach of microfinance programs e.g. number of users.

2.15   Empirical evidence on the impact of microfinance on the growth MSMEs

In countries where SME's contribution to the progression of an economy is vital, microfinance is increasingly an imperative strategy to promote micro, small and medium enterprises (MSMEs) as a means to promote growth and alleviate poverty. Though, without much recognition, the impact of microfinance on MSMES has been a subject of intense debate. Notably, the existing literature on microfinance impact assessment has revealed an emergence of numerous conflicting themes. These debates range from definitional problems, methodological approaches to impact assessment and complex objectives of MFIs.

To date, various researchers such as Afrane (n.d); Duvendack, Palmer-jones, Hooper, Loke, and Rao, (2011); van Rooyen, Stewart, and de Wet, (2012), have undertaken a systemic review of the existing evidence of microfinance impact in order to find the "best fit" of what works in microfinance. Duvendack et al. (2011) opined that most impact evaluation studies suffered from weak methodologies and insufficient data, leading to reliability concerns. Therefore, engaging more on evaluation techniques and understanding their limitation is crucial in attaining more reliable impact assessment outcomes.

Notwithstanding these debates, numerous researchers continue to evaluate the impact of microfinance programmes towards the development of the MSME sector, particularly in emerging economies such as Asia and Africa. The outcomes of these studies are mixed results with some finding a significant impact and some with no impact. Even in countries where the MFI sector is big and with successful stories such as India, Bangladesh and Thailand, assessing microfinance impact on MSMEs remains a challenge.

 Crépon, Devoto, Duflo, & Parienté (2011) carried out a study on the impact of microcredit in rural Morocco using a randomized experiment. The experiment was grounded on the assignation of a treatment village where microcredit was offered by Al Amana, the largest MFI in Morocco, against the control village that did not benefit from microcredit. The impacts were measured on three types of activities; non-livestock agriculture, livestock and non-agricultural

businesses. The results revealed that microcredit allowed households to expand existing self-generating activities with a notable increase in number of livestock's which had a minor effect on sale and increased savings in terms of livestock value.

Similarly, Banerjee, Duflo, Glennester, & Kinnan (2013) in the urban setting of Hyderabad, India, concluded that microfinance did not lead to creation of new businesses but rather to an expansion in scale for existing businesses. This is because entrepreneurs were unlikely to start new businesses, but rather invest more on existing businesses. Also, microfinance indicated a positive impact on new product development, improved and expansion of business sites and a reduction in cost of inventory for client's household and their enterprises in Uganda (Morris & Barnes, 2005).

While many focus on accessing micro credit, it is argued that loans alone cannot solve the financing difficulties faced by MSMEs. Therefore, other business support services and non-financial services such as training are essential. Atmadja, Su, & Sharma (2016) carried out a study to establish how financial (microloan), human (level of education and business experience and social capital (participation and interaction group lending programs) affects the business performance of women-owned microenterprises in Indonesia respectively. The results revealed; a negative relationship between performance and financial capital, and a positive relation for performance-human capital and performance -social capital. They concluded that microloan alone does not necessarily guarantee better business performance, but factors such as education and social capital matters.

Aside the provision of business training to enhance enterprise owner's capability to manage their businesses thereby exploring new business opportunities such as new product development, establishment of new sales channels and adoption of new technologies are also contributory factors Kessy (2013). Kessy & Temu (2010) studied the impact of training on a group of 225 MSMEs in Tanzania who were beneficiaries of a micro- credit program. The groups comprised of beneficiaries who had received training and those who had not. The main objective was to determine the impact of training on changing behaviours of business owners and characteristics of firms. The study revealed a higher level of assets and sales revenues among those who received training compared to non-recipients of training. Hence, added to accessing credit, training in business skills development is essential for performance, growth of MSMEs and improved owner's living standard.

In contrast Kisaka and Mwewa (2014) research revealed that training provided by MFIs in Kenya to be statistically insignificant such that it may not be based on the real needs of MSMEs. All in all, the empirical studies shows a mixed results of the impact of microfinance on the growth of microenterprises.

2.16   The conceptual framework

The conceptual framework refers to identification and clarification of key variables and their interrelatedness to each other. According to Newman, Schwarz, and Borgia (2014), conceptual frameworks are developed to describe how the provision of microfinance can translate into formation of new enterprises and growth of existing ones in an emerging economy. Accessing microfinance (credit, savings or insurance) and other support business services such as training of small businesses, allows for the accumulation of assets (buying new machines) which in turn enhances productivity, translating into increased sales and later to the realization of profit. Hence, provision of microfinance leads to enterprise development, expansion, profitability and diversification.

Figure 4: Relationship between microfinance and MSME's growth
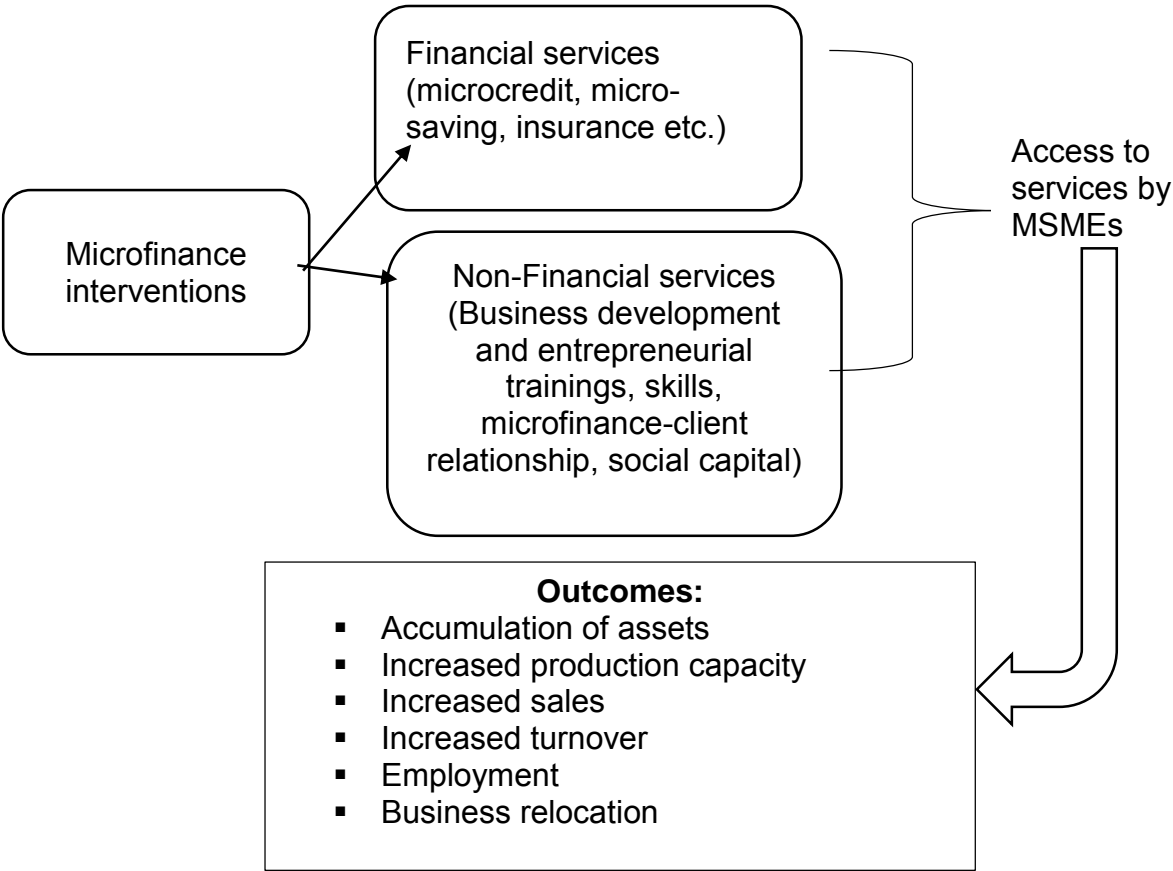
Source: Researcher's own construct

2.17   Chapter Summary

This chapter examined the existing theoretical and empirical literature on the topic. The empirical studies showed mixed results, with some researchers citing a positive impact of micro credit, saving and non-financial services on growth and performance of MSMEs in many countries around the world. Notable impacts include, increased volume of sale and income, stock accumulation and in some cases adoption of new technologies. However, little has been written on employment creation due to difficulties in quantifying the impact.

It should be noted, that there are still conflicts on methodologies to be applied in measuring what constitutes impact analysis and what variables are to be used in this analysis. This study includes subjective measures of variables which are rather difficult to quantify such as employment and level of productivity.

CHAPTER THREE: METHODOLOGY

3.1 Introduction

The previous chapter explored the theoretical and empirical literature on microfinance and its impact on small and medium enterprise's growth. This chapter discusses the methodology employed in collecting data for this research. This chapter is comprised of eight subsections including the introductory section, and adds to the narrative of the research methodology. The second section deals with the population from which the sample was drawn as well as the sample size. This is followed by the research instruments used in collecting data and how they were administered. Other sections include the framework used in analysing data, the reliability and validity and the final section is devoted to the ethical considerations with regards to the data collection process.

3.2 Research design

According to Vaus (2001), research design refers to the overall approach that one chooses to integrate different elements of the research in a coherent and logical way to effectively address the research problem. In other words, it is a master plan specifying the methods and procedures for collecting and analysing the required information (Adams, Khan, Raeside, & White, 2007). A research design outlines the procedures required for collection, measurement and analysis of information which are essential in solving business research problems. These elements ranges from sampling methods, data collection methods and techniques used in analysing data.

Sreejesh, Mohapatra, and Anusree (2014), acknowledged three main types of research designs namely; exploratory, descriptive and causal research designs. An exploratory research design is carried out when there is a little or no earlier studies that one can refer to when predicting an outcome. They are useful in gaining insights and assessing the critical component of the research problems. Sreejesh et al. (2014) further added that this type of research design is conducted mainly to examine a problem/situation, to appraise alternatives and discover new ideas. Even so, exploratory designs employ small samples sizes and their findings cannot be generalised to the population as a whole. On other hand, descriptive research design is intended at defining a phenomena (Adams et al., 2007). It assists in solving questions of who, what, when and how related to a particular research problem. Most importantly, the information collected by means of a descriptive approach can be statistically inferred to a population.

Finally, the casual design looks at a cause and effects relationship between variables. With this type of research design, replication is possible.

For this study, a quantitative, cross sectional descriptive design was employed to assess the impact of microfinance on the growth of MSMEs in Oshana region of Namibia. Babbie (2010) defined cross sectional study as an observation of a sample or cross section of a population at a given point in time. This type of study gives a clear portrait of the outcome and the characteristics related to an outcome at a given point in time. Although, cross sectional study employs survey techniques to gather data, it is often relatively low-cost and takes less time to conduct. The study adopted this type of research design for validity and reliability sake which will be explained in the later sections.

3.3 The population and sample

The population is defined as a set of objects which the research draws its interest from. The population of this study consisted of MSMEs and microfinance services providers (in this case, the Development Bank of Namibia) who conduct their businesses within Oshana region in the northern part of Namibia, and SMEs that have benefited from microfinance initiatives. Oshana is one of the fastest growing regions in the northern part of Namibia and it is where majority of businesses in the north regions are located. Hence, the region forms an important potential for commercial and industrial focus. The region provides the potential for growth of MSMEs given the presence of MFIs. Oshana region was chosen in this study because many past studies have focused on central and southern parts of the country, mainly Windhoek (the capital city), without much focus on this region.

Through DBN's SME Centre, funding is provided for start-up enterprises and those enterprises that needs finance to grow. These finances are provided to businesses involved in manufacturing, tourism, transport and logistics, retail and wholesale outlets, private health facilities etc. The Development Bank of Namibia offers products which range from asset-backed finance (vehicles and other assets), to term loans, contract (tender) based finance and business acquisition finance.

3.4 Sample and sampling procedures

A sample is a subset of the population selected to participate in a study (Greener & Martelli, 2018). Sampling requires a sampling frame, which consists of a list of members of the population being investigated. The sampling technique follows two methods; the random sampling and non- random sampling. The two techniques are differentiated by the randomisation of the sampling. In the random sampling technique, a sample is taken from a known sampling frame where each unit has equal chances of being selected. While non- random sampling method does not depend on randomisation and often results in sampling bias. The random sampling was used for this study.

The sample consist of Micro, Small and Medium Enterprises operating in Oshana region in the northern part of Namibia, that have benefited from microfinance initiatives. A total of 70 SMEs were sampled based on accessibility, availability and affordability. These businesses were randomly drawn from the database of MSMEs that have accessed microfinance services offered by the Development Bank of Namibia northern branch. The microfinance institution (DBN) was purposively selected for this study (three staffs were sampled).

3.5 Data collection instruments design and procedures

For the purpose of this study, a survey method was used. A survey is defined as a research technique in which a questionnaire is employed to gather information from a sample of respondents, drawn to be a representative of a defined population (Sreejesh et al, 2014). The advantage of this approach is that it is flexible, as it allows the researcher to modify his/her research design at any time. Besides, it is less expensive compared to other methods such as experiment which may require the use of costly equipment (Babbie, 2010). On the contrary, the weakness of this approach is that it might not be a suitable means of deriving a statistical description of a large population and thus not all the composed information is quantifiable. The questionnaire used in the study was developed with the aid of previous studies of Atmadja et al. (2016); Wilfred and Max, (2013) and the literatures discussed in Chapter 2.

Survey involves questionnaires administered to an individual or a group of individuals by means of interviews. These can be conducted by either meeting the respondents in person or

can be contacted via telephone or questionnaires can be sent via email. Delivering questionnaires to the respondent's physical address has a distinct advantage over any other method. This allows the researcher to clearly explain the purpose of the research before the informant answers the questions and there is high chance that the respondents complete the questionnaire right-on the spot which saves time. Alternatively, sending questionnaire via email or telephone have higher levels of anonymity and privacy of information, but is often associated with low response rates and low quality of information. To enhance the response rate, the questionnaires were hand-delivered to the enterprise's address identified for the study. A follow-up via telephone was conducted to make arrangements for collection. Notably, sending questionnaires via email was used as a second alternative in a case where the respondents could not be reached physically.

As far as data collection tools were concerned, the research involved the use of self-administered questionnaires. The questionnaires used in this study consisted more of closed-ended questions and less of open-ended questions. The unstructured questions allowed respondents to express their views rather than being restricted to giving specific responses. On the other hand, the structured questions consisted of definite number of responses that the respondents could select from in the midst of the alternatives specified. This gave the researcher the exact information being sought in a considerable amount of time. Furthermore, this information has a high degree of reliability and reduced the likelihood of bias.

The questionnaire was structured into three parts. The first part captured the demographic information of the owner (age, gender and education), the second part captured information regarding the characteristics of the business (business category, years of existence , number of employees etc.) and lastly the last part dealt with owner's subjective view on the impact of microfinance on various aspects of their business. The evaluation was based on rating using the Likert scale. The rating form 1 indicating the lowest level of satisfaction to 5 indicating the highest level of satisfaction. Other parts consisted of open-ended questions to allow for respondents own views on the subject matter.

3.6 Analytical Framework

Data analysis helps the researcher to gain insight of the collected data and to make informed judgement and conclusions. The study employed quantitative techniques in performing the data analysis. The quantitative technique consist of two components: the descriptive analysis and the inferential analysis. Onwuegbuzie and Combs (2011) defined descriptive analysis as a technique used to organise and summarise data so as to gain understating while inferential analysis is used in making generalisation of the sample to the population from which it was drawn. The Statistical Package for Social Sciences (SPSS) was used to generate both the descriptive and inferential statistics respectively.

Moreover, a multiple regression was performed to establish the relationship between SMEs financing by means of microfinance and the growth and performance of SMEs in Oshana region. The study modelled the relationship between microfinance on the growth of MSMEs as shown below;

$$sprod_i = \beta_0 + \beta_1 m\_type_i + \beta_2 edu_i + \beta_3 reg_i + \beta_4 lctn_i + \beta_5 gnd_i + \beta_6 loan_i + \varepsilon_i$$

Where $sprod_i$ refers to MSME productivity$i$; m_type_i represent microfinance activities made up of the types of microfinance services received (production equipment, loan and training) and,$loan_i$ amount of loan; edu_i is the level of education of the owners; reg_i denotes the number of years in business; $lctn_i$ is the geographical location.

3.7 Measurement and Description of Variables

Different models have been developed to determine the growth of MSMEs. This study made use of a combination of two models specifically: the learning model and resource-based model. The learning model as suggested by Jovanovic (1982) explains the life-cycle of a business existence. Unaware of their capabilities, firms enter the market, by overcoming the challenges and by realizing their abilities the firms' growth reaches maturity and eventually declines Gupta et al. (2013). This has an implication on firm's age and size, such that upon entering the market, firms should learn about their ability and surrounding environment and eventually make strategic choices to adjust to changes in internal and external environment Lee (2010).

The resource- based model focuses on enterprise's resources. Moreover, it explains that firms grow because of an endogenous formation and accretion progression of definite resources. It further suggests that with unlimited sources of opportunities within the market, it is important to deploy firms' sources to detect and exploit the next growth opportunities (Gupta et al., 2013).

Based on literatures and previous studies, the growth factors of small and medium enterprises can be classified into three, namely: individual characteristics (entrepreneurs related), organisation's characteristics (firm related) and environmental factors (those relates to strategy),(Baum, Locke, & Smith, 2001; Sarwoko & Frisdiantara, 2016; Zhou & de Wit, 2009). **Individual factors**: this includes, personal background, motivation and competencies. Entrepreneurs with motivation and practical knowledge (in terms of experience) are more likely to grow their businesses as opposed to those with a strong need to achieve more (Zhou & de Wit, 2009). **Organisation characteristics:** These are the organisations capabilities to transform its resources into product and services by employing various strategies. **Environmental factors:** This involves choice of strategies that respond to changes in market conditions such as competition or change in market dynamics.

Dependent Variable: MSME Productivity

It should be noted that there are no standard measures of the growth of small and medium firms, scholars have used a variety of different measures using attributes such as turnover or sales, employment, asset, market shares and profit (Davidsson et al., 2002; Zhou & de Wit, 2009). Notably, common means of operationalizing firm growth is through relatively objective and quantifiable features – such as growth in sales turnover, total assets and employment growth. However, these measures are relatively indisputable (systematically), (Mateev & Anastasov, 2010). Compared to other indicators, sales, employment and market shares are regarded as more objective measures, although it can be tricky when it comes to dealing with SMEs lacking reliable data.

Productivity measure is commonly defined as a measure of ratio of output compared to ratio of input used in the production process. The Macroeconomic theory implies that firms use a pool of resources to produce a product. These resource can be financial (e.g. capital) and non-

financial (labour). Productivity is an important indicator of firms performance (Palia & Lichtenberg, 1999). In fact, a change in any program will first reveal an improvement in productivity before the results of increased sales, profit or cash flows are seen (Palia & Lichtenberg, 1999). For this study using a Likert scale, respondents were subjectively asked to indicate whether accessing microfinance services had improved the level of productivity.

Reasons for subjective measures of firm's growth

For this study, level of productivity is employed as a subjective measure and used as a dependent variable for the regression model. This is based on the subjective perception of the owner/manager of the business performance whereby respondent is required to do a self-reporting on the impact of microfinance on various aspect of their businesses.

Measuring profit for enterprises without formal record proves to be difficult (World Bank, 2007). Babajide (2017) added that objective measures are often not readily available and are subjective to manipulation and incompleteness. Many researchers prefer subjective measures in assessing business performance. According to Atmadja et al. (2016), microenterprises often do not keep record of their business transaction due to lack of adequate accounting or financial management skills. Schayek and Dvir (2009) added that small businesses are very sensitive as far as disclosing information regarding the firm's financial performance is concerned. Therefore, the subjective measure of growth by means of owner/manager's perceptions is the finest approach to discovering information that would otherwise be hard to collect (Alfoqahaa, 2018).

Independent Variables

In this study, variables were selected based empirical literature on the most important indicators of business growth as proposed by(Baum et al., 2001; Davidsson et al., 2002; Sarwoko & Frisdiantara, 2016; Zhou & de Wit, 2009). Alternatively, all these variables are closely related to the theoretical models that explain growth in SMEs i.e. the resource-based model and the learning model respectively. The independent variables include factors and individual variables representing individual determinants, organizational determinants, and environmental determinants.

Experience: This is the number of years the owner has been running the business. Entrepreneurs with preceding start-up experience have a discrete advantage as they have a

greater influence on decision making and are more likely to avoid costly mistakes compared to entrepreneurs with no prior entrepreneurial experience (Barringer, Jones, & Neubaum, 2005).

Level of education: higher level of owner's education indicates higher capability to make influential decisions regarding the business. The higher level of education can have an impact on growth in terms of operation and management of the business

Business registration: Business are regarded as formal if they are registered and fulfil all fiscal obligations such as company taxes, business license at local and national level. Consequently, being formalised means they are entitled to have access to business support services offered by state agencies (Sleuwaegen & Goedhuys, 2002). In Namibia's context, all businesses are administered under the Business and Intellectual Property Authority (BIPA).

Geographical location: Empirical studies suggest that location and proximity matters. Location within a geographically positioned area or agglomeration results in greater productivity of a business (Audretsch & Dohse, 2007). Firm location provides inputs such as skilled labour, supply chain and knowledge spill-over needed for business activities. Also, firms tend to be located near regions in proximity to customers and where cost of production is low.

Financial services offered by MFIs: This is indicated by the amount of loan received from microfinance institution as a source of external finance. External finance plays an important role in the growth of MSMEs by overcoming financial constraints. Literature argues that microenterprises funded through external financing are likely to be more efficient, however finance is necessary but not sufficient for growth of MSMEs (Nichter & Goldmark, 2009). Besides, financial capital is positively linked to business growth and survival as it enables entrepreneurs to invest in productive activities and exploit business opportunities (Atmadja et al., 2016).

Non- financial services (Training): These are support services to SMEs in the form of business, financial and managerial training offered by MFIs. The non-financial services such as training offered by MFIs are complementary to MSMEs, who often lack sound business management skills (Toindepi, 2016). Training can have a strong influence on strategic decision making of owners across firms. Also, it enhances productivity. Other types of services offered by MFIs includes advisory services and production equipment. Table 4 indicates the expected sign of variables under study based on the theoretical and empirical literature highlighted in the previous sections.

Table 4: Descriptions of variables

Variables	Measurement	Expected sign
Dependent variable		
Level of productivity	Proxy for growth. Subjective measure of whether accessing microfinance has an impact of the production activities. Measured by means of Likert scale score designed to test of owner's level of agreement	
Independent variables		
Owner's level of education	Education enhances the managerial abilities of the owner. A dummy variable takes on a value of 1 = no education, 2 = secondary education, 3 = vocational training and 4 = tertiary education	Positive
Years of experience in business	Measuring total experience of owners, which includes the experience gained within this industry (industry-specific experience). The higher the number of years, the higher the impact on business growth. The variable takes the following form: 1= less than a year, 2 = 2 to 3 years, 3 = for a business operating for more than 5 years	Positive
Business location	A dummy variable that takes on value of 1 for firms operating in urban areas and 2 for firm operating in rural areas	Positive
Business registration	A value of 1 for those registered and 2 otherwise	Positive
Amount of loan received	The amount of capital that was borrowed. measured in Namibian Dollars (NAD)	Positive
Sources of capital	Where the owner has obtained capital to commence his/her business. This can be personal savings, contributions from families and friends, loan and venture capitalist.	Positive
Types of Microfinance received	The types of microfinance accessed by the SMEs owner/manager. The variables take the following form: 1 = loan, 2 =grant, 3 =advisory services, 4 =training, 5 =production equipment, 6 = others, 7 =loan and training, 8 =production equipment and training	Positive

Source: Author's own construct

3.8 Reliability and Validity of data

Adams et al. (2007), pointed out reliability, validity and generalizability as the three important criteria for evaluating the goodness of a measurement. These criteria are used to test and evaluate variables so as to ensure the quality and overall accuracy of research results. For the survey to produce sufficient and appropriate evidence, it should provide information that is both valid and reliable.

Adams et al. (2007) defined reliability as the extent to which an instrument produces the same measures each time it is used under the same setting and with the same object. The most important aspect of reliability lies in the description of variables that are being measured. Such that it needs to be certain that is actually being measuring is what was intended to be measured. Sreejesh et al. (2014) added that, an instrument is reliable when it is free from error and produces constant results. Ambiguous questions may lead to poor quality information if the respondent fails to understand the questions. Bell (2010) pointed out that reliable instruments do not mean validity. This means that an instrument can produce similar response each time, but might not be measuring what it ought to measure. This is supported by Babbie (2010) who noted that that reliability does not ensure accuracy and thus precision does.

Farquhar (2012) pointed out that, the quality of an instrument is judged through the test for validity (construct, internal and external) and reliability (discussed earlier).Validity is commonly defined as the ability of a measuring instrument to produce results that are relevant to the researcher. That is, whether an instrument measures what it is intended to measure. Internal validity measures a magnitude to which a variation in a dependent variable is explained by the independent variables. Whereas external validity has to with the degree to which results can be generalised to the population from which the sample was drawn. In the same vein, construct validity tests whether the established variables truly reflects the measured phenomenon. Pearson's correlation matrix was used to measure construct validity. For the purpose of this study, the variable chosen for regression were based on already established literature and empirically tested and the conceptual framework established in Chapter 2.

For this study, reliability issues came in at the stage of question wording and piloting of the instrument. Firstly, in order to ensure reliability, the questionnaires were sent to the research supervisor for verification before they were disseminated. This was followed by pre-testing of questionnaire. Pre-testing of an instrument provides an opportunity for a researcher to identify possible errors arising from the design elements such as wording or sequences. The questionnaires were initially handed over to a group similar to the one which formed the population of this study. This was done to confirm the duration it takes to complete the questions, to test whether the instructions and questions were clear and also to remove items that did not produce functional data. In conclusion, the reliability and validity was guaranteed by ensuring that questions were structured in a manner that was well understood by the respondents.

3.9 Ethical considerations

The fact that the researcher is directly involved or is in direct contact with the respondents can raise ethical concerns. According to O'Leary (2004), to act ethically implies guarding the dignity and wellbeing of the participants as much as possible, while maintaining equal balance of bias and subjectivity of being a researcher. Therefore, obtaining informed consent prior to the commencement of any study is a prerequisite. The concept of informed consent places emphasis on precisely informing the potential informant about the nature of the research. This involves the principal mechanism of explaining the research's concept to potential participants, allowing them the opportunity to make an informed decision regarding their participation. O'Leary (2004) added that obtaining informed consent from participants depends merely on how well they understood the study concepts.

Confidentiality, voluntariness and anonymity are identified as important aspect when it comes to ethical considerations. Babbie (2010) opines that such concerns should be responsibly confronted by the researcher. Confidentiality simply means protecting the identity of the respondents. Moreover, aspects of confidentiality comprises of obtaining approval for successive use of data, and publishing of research findings in such a way that does not allow ready identification of subject. On the other hand, anonymity goes beyond confidentiality, as it implies protecting against the identification of respondents information by any means possible including identification by the researcher.

For the purpose of this study, initial approval was granted by the UCT's Ethics Committee. Prior to this, research approval was obtained from the MFIs institution to sample their clients, complemented by a non-disclosure agreement signed with the institution. Consequently, informed consent was obtained from all participants prior to data collection. The consent form highlighted the issues of confidentiality, voluntary participation and the respondent's rights to withdraw from the study at any point in time. An appointment was scheduled two days in advance to ensure that the study did not interfere with the enterprise's work schedules.

3.10   Chapter Summary

This chapter discussed the research methods for assessing the impact of microfinance on the growth of Micro, Small and Medium Enterprises (MSMEs). It emphasised the sampling

techniques and procedures, data collection instruments and analytical techniques employed in analysing data. The analysis of data collected as well as the discussion on findings are presented in the next chapter.

CHAPTER FOUR: DISCUSSIONS ON FINDINGS

4.1 Introduction

This chapter presents the analysis of findings for the data collected. The first section outlines the descriptive statistics, the discussion of the output from the analytical technique employed and the reliability and validity of the research findings. The survey was conducted in three towns within Oshana region namely: Ondangwa, Oshakati and Ongwediva and nearby villages operating in town and villages closer to town. The sample consists of enterprises involved in various activities such as construction, consulting, tailoring and hospitality, mainly in the tertiary and secondary sectors. These enterprises are beneficiaries of microfinance iniatives within the region. The questionnaires consisted of three parts. The demographic information (gender, age group and level of education), the business information (types, years in operation, location) and the impact assessment of microfinance on various aspects of the business.

4.2 Respondent rate

A total of 73 questionnaires were administered by the researcher, which were then distributed to MSMEs in Oshana region. These questionnaires were classified into two: one for MSMEs and the other for MFIs. Out of 73, only 48 questionnaires were returned indicating a 65.7% response rate. The returned questionnares included 3 from MFIs and 45 from MSMEs. All analysis in this study were based on the 48 questionnaires that were collected. The results of the response rate are indicated in the table below.

Table 5: Response rate (MSMEs and MFIs)

Category	Administered	Response	Response rate
MSMEs	70	45	64.29 %
MFIs	3	3	100%

Source: Researcher's own construct

4.3 Descriptive Statistics

4.3.1   Demographic Characteristics

The first part of the questionnaire captured the characteristics of enterprise's owner. Individual characteristics include gender, age , level of education and the number of years that the business had been in operation. The results are presented in the next section.

The respondents were asked to indicate their gender, age group, as well as their highest qualifications. The table below contain summaries of MSMEs owner's characteristics.

Table 6: Demographic Profile

	Classification	Frequency	Percentage
Gender	Male	25	56%
	Female	20	44%
Age	18-25	1	2%
	25-35	14	31%
	Above 35 years	30	67%
Education	No education	1	2%
	Secondary	13	29%
	Vocational	11	24%
	Tertiary	20	44%

Source: Author's estimates from Survey results, 2018

Table 2 below depicts that most of the respondents -55.6 % - were male, compared to 44.4 % who were female. It is evident from Table 1 above that the majority of MSMEs owners were men. In terms of age, the majority of the respondents were aged above 35 years, with 67 %, while 2% and 31% reflected the respondents whose ages were between 18 to 25 and 25 to 35, respectively.

Education is believed to enhance the managerial ability of MSMEs owners. Respondent's level of education was categorized into four segments; no education, secondary education, vocational training and tertiary education. The graph below indicates that most of the respondents- 44.4 % - had tertiary qualifications, followed by 28.9 % with Secondary education and 24.4 % and 2.2 % with vocational qualification and with no education, respectively. These statistics indicate that this was a highly-educated sample. Most importantly, the level of education is relevant in determining the condition for sources of capital for startups, as well as capacity to access more capital (Babajide, 2012).

4.3.2 Business Characteristics

The second part of the questionnaire captured the business information, such as business location, category, sector of operation and source of capital for start-up, as well as the number of employees. The results are presented in the section below.

Table 7: Business profile

	Classification	Frequency	Percentage
Business Location	Urban	36	80%
	Rural	9	20%
Business Sectors	Manufacturing	29	64%
	Services	16	36%
Business Category	Micro	32	71%
	Small	10	22%
	Medium	3	7%
Sources of Capital	Personal Savings	22	49%
	Family and Friends	9	20%
	Loan	9	20%
	Venture Capital	1	2%
	Savings and Loans	4	9%
Years in Operation	Less than 1 year	3	7%
	2-3 years	10	22%
	Over 5 years	32	71%

Source: Author's estimates from Survey results, 2018

With regards to the location where the enterprises were operating from, majority of businesses in the sample operated in urban areas, with an indication of 80%, compared to 20% of those operating in rural areas. Empirical literature such as those of Audretsch and Dohse (2007), suggest that agglomerations of economic activities have positive impacts on business growth. This is because firms tend to be located where they have greater access to knowledge resource; where it is cheaper to produce and with a high concentration of customers. A high population of inhabitants in Oshana region are located in towns.

The respondents were asked to indicate the types of business activities that they are involved in. These activities ranged from construction, to consulting, tailoring, brick making and others. For the purpose of this study, these activities were categorized into primary, secondary or tertiary sector. The results indicated a highest rate of 64% operating within the manufacturing sector.

To determine the category of business, the respondents were required to indicate the number of employees they had. Based on the number of employees that each respondent indicated, this was then categorized into either primary, secondary or tertiary sector. The classification were based on Namibia's definition of MSMEs as adopted by the National Policy on Micro, Small and Medium Enterprise of 2015. The table below indicates that the majority of the businesses understudy were micro at 71.1%, followed by small at 22.2 % and only 6.7 % were medium

enterprises. Based on the statistics, it is clear that majority of enterprises in Oshana region are micros.

A source of capital is crucial for the business to carry out its daily operations. Capital can be sourced from either personal saving, relying on families and friends, loan or venture capital. In some cases, the business requires a combination of both savings and loan to kick-start their operations. The respondents were asked to indicate where they obtained their capital to start their business. It's evident from the Table 3 above that about 48.8 % of respondents sponsored themselves for the commencement of their businesses, 20 % relied on friends and family as well as acquiring loans from financial institutions, with only 8 % pooling from combined personal savings and loans to start their businesses.

The accumulation of savings serves as an important tool to generate business growth (Gathogo, 2014). Likewise, Markova & Petkovska-Mircevska (2009) suggested that entrepreneurs who lived a little while on personal savings and internally generated funds, tend to have low external risks capital and more sovereignty. On the other hand, high rate of savings as a source of capital implies that MSME's lack knowledge on other sources of finance available in the market. Alternatively, the low rate of respondents who accessed loan for startup is due to high collateral requirement imposed by financial institutions and this can be a major setback for MSMEs to access external funds at their earliest stages. Notably, respondents cited that the required capital for operations is often inadequate to cater for the needs of MSMEs.

The number of years that the business has been in operation was segmented into; (i) those in operation for less than a year, followed by (ii) those in operation for 2 to 3 years and lastly, (iii) those in operation for more than five years. The majority of business has been in existence for more than five years evidenced by 71 % of responses, compared to 22.2 % of those who had been in operation for two to three years. Lastly, only 6.7% of businesses were recently opened in Oshana region.

4.4 Accessing Microfinance Services

4.4.1 Type of Microfinance services accessed by respondents

Microfinance institutions offer a wide range of services. Respondents were asked to choose from a list of services that are commonly offered by MFIs that they had access to. The results are presented in the graph below.

Figure 5: Types of microfinance services
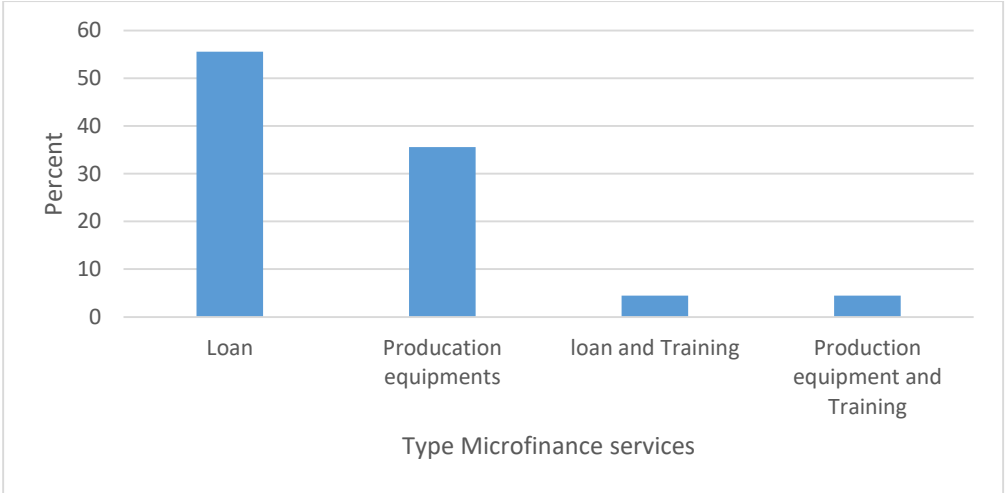
Source: Researcher's construct from survey results, 2018

Loans was the most used service that the respondent had access to with a rate of 55.6 %, followed by production equipment at 35.6% and a combination of training and loan and production equipment and training both at 4.4 %. This is true, as access to finance is one of the top challenges hindering the growth of SMEs, hence the large number of microcredit (Atmadja et al., 2016). This is supported by Babajide (2012), who cited lack of finance being identified as one of the major challenges facing MSMEs. The provision of financial services (herein microcredit) is another means for mobilizing resources for a more dynamic use.

4.4.2 Reason for borrowing

The needs of MSMEs varies from enterprise to enterprise, hence the reason for accessing microfinance services may as well differ. The respondents were asked their reasons for borrowing from microfinance institutions. Their reasons for borrowing were as follows:

- To start up their businesses
- To acquire more funds to expand existing businesses
- To procure production equipment and machinery

- To cover operating cost (e.g. worker's salaries)
- To procure more stocks

4.4.3 Loan amount

Respondents were asked the range within which the amounts they borrowed fell. The results shown in Figure 3 below indicated that majority of respondents had access to loans of more than N$ 100 000.

Figure 6: Amount of loan borrowed from Microfinance institutions
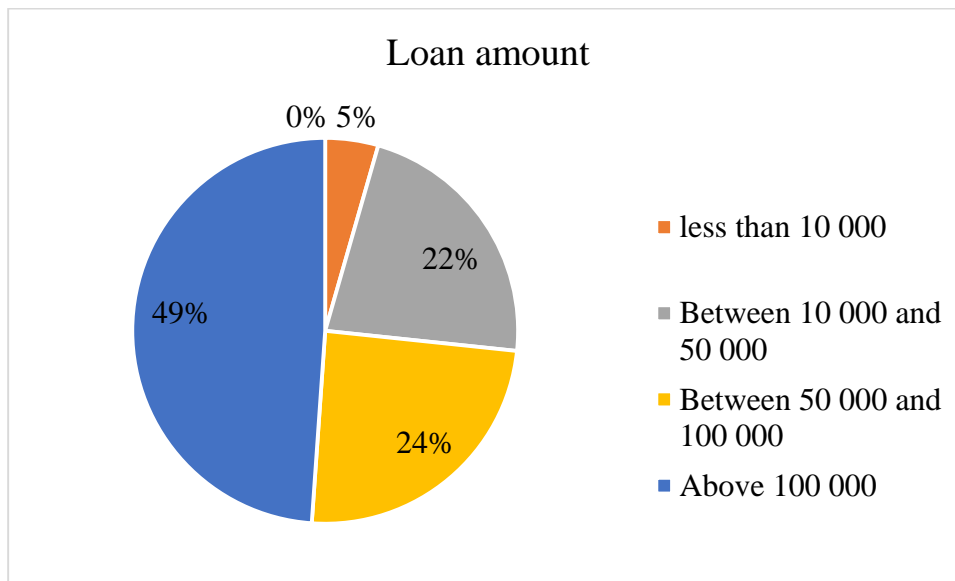
Source: Author's estimates from Survey results, 2018

4.4.4 Challenges faced by MSMEs in accessing microfinance

An open -ended question required respondents to indicate the challenges they had encountered when applying for microfinance. Few respondents answered the question- it is assumed that majority did not encounter any challenges. Nonetheless, respondents cited that accessing microfinance was rather a cumbersome process. Lenders had strict collateral requirement policy, some had to wait for a year for their application to be approved. For instance, it is required that those providing their houses as security, should have bonds which they had held for at least one year.

4.4.5 The impact of microfinance on the performance of MSMEs (MSMEs perspective)

The last part consisted of 11 items related to the impact of microfinance services on different aspects of the business. Based on the Likert-style five point scale (1= strongly disagree to 5=

strongly agree), the respondents were requested to indicate whether they had noticed any improvement in certain aspects of their business upon receiving microfinance services. It is commonly known that often MSMEs lack accurate financial records and in some cases they are not willing to release such information. Therefore, a subjective measure was applied to these questions- this method is similar to the methods of (Atmadja et al., 2016).

Table 8: The impact of accessing microfinance

Parameter	Mean	maximum	Minimum	Total
More competitive	4.32	5	3	44
I bought new stock	4.18	5	2	45
Increased production	4.16	5	1	45
Improved financial skills	4.07	5	3	44
I bought new equipment	3.78	5	1	45
More confident in running the business	3.78	5	1	45
New employment	3.60	5	1	45
Provision of training has improved management skills	2.57	4	1	7
Established new business	1.69	5	1	45
Moved to new premise	1.33	5	1	45

Source: Author's own construct, 2018

The table above indicates respondent's level of agreement on the impact of gaining access to microfinance had on different aspects of their businesses. These aspects ranges from purchasing of new equipment, new stock, increased income, increased level of production, employment etc.

In terms of buying equipment, 40% were in agreement that accessing microfinance had enabled them to buy new equipment with a mean of 3.78. A lower mean of 2.2% disagreed. With regard to new employment, 37.8% and 31.1% was recorded for those who agreed and strongly agreed that they created extra employment, respectively.

When respondents were asked whether they had opened new businesses or perhaps moved to new premises upon receiving microfinance services, 84% majority were in total disagreement. Nonetheless, respondents agreed that accessing microfinance services had indeed increased their production, with 53.3% and 33.3% agreeing and strongly agreeing, correspondingly. Most importantly, a mean of 4.16 indicated that respondents were in agreement that their level of productivity had increased as a result of gaining access to microfinance services. However, of all respondents only 7 out of 45 were in agreement that their management skills has improved as a result of training offered by MFIs.

4.4.6 Understanding the impact from the MFI's perspective

This section seeks to establish the level at which the respondents (MFI's representative), were in agreement with the impact of their support on the growth and performance of MSMEs. The three construct of MFIs support were: provision of loans, training and awareness.

Table 9: Impact of microfinance services on MSMEs performance (MFI's perspective)

Parameters	Mean	Standards deviation	Total
SMEs owner's or manager who have received training are now able to perform basic accountings for their business	4.00	1.000	3
Impact of financial services provided to SMEs			
Providing loans has reduced their financial burden	2.67	0.577	3
Increased sales, revenue or productivity	2.67	0.577	3
Improved product quality	2.67	0.577	3
SMEs have become more competitive	2.33	0.577	3
Awareness of SMEs on funding options available in the market			
SMEs are fully aware of different funding options available to them	2.33	0.577	3
SMEs are too risky , thus lack of willingness to finance them	2.33	1.155	3
Training provision and SMEs performance			
SMEs owners/manager trained on management skills can grow their business	2.00	0.000	3
Training offered has increased the SMEs confidence in managing their business	2.00	0.000	3
Poor management skills hampers the growth and development of SMEs	1.33	0.577	3

Source: Author's own construct from survey results, 2018

Based on table above, the respondents were neutral that the provision of loans to MSMEs had reduced their financial burden, indicating a mean and standard deviation of 2.67 and 0.577 respectively. However they were in agreement that MSMEs were more competitive upon receiving financial support from microfinance institutions. The respondents were in agreement that SMEs lack management skills which hindered their ability to fully utilise the support services. Moreover, training offered to MSMEs has increased their confidence in managing their businesses.

4.5 Regression analysis

Multiple regression analysis was performed to test the incremental influence of owner's level of education, business experience, business location and the amount of loan received on the performance of MSMEs. To ensure the validity of the regression model, various procedure were

followed to ensure that the following conditions were met; linearity, normality and heteroscedacticity (assumption of equal variance.) This involved constructing a histogram and analysis of variance.

4.5.1 The relationship between variables (correlation coefficients)

The correlation coefficients provides a measure of association between two or more variables. Notably, a strong correlation between certain variables does not necessarily imply a "cause and effect" relationship. However, it only indicates the extent to which one variable is related to another variable (Greener & Martelli, 2018). The positive or negative sign indicates the direction of these relationships.

Pearson Correlation (r) was applied to establish the relationships between the variables. The results are indicated in the table below.

Table 10: Correlation matrix

	SPROD	M_TYP	GND	EDU	LCTN	REG	LOAN
SPROD	1						
M_TYP	0.2052	1					
	(0.1764)						
GND	-0.0631	0.2869	1				
	(0.6805)	(0.056)					
EDU	-0.0244	-0.2007	-0.1104	1			
	(0.8737)	(0.1863)	(0.4702)				
LCTN	0.0423	0.1901	0.000	-0.1852	1		
	(0.7825)	(0.211)	(1.0000)	(0.2232)			
REG	-0.604	-0.129	0.1685	0.1489	-0.0754	1	
	(0.000)	(0.3985)	(0.2684)	(0.3289)	(0.6226)		
LOAN	-0.1598	-0.4517	-0.6064	0.1897	-0.156	0.1339	1
	(0.2943)	(0.0018)	(0.000)	(0.2121)	(0.3061)	(0.3806)	

Notes: SPROD=Subjective measure of productivity; M_TYPE= Type of microfinance services; GND= Gender of respondent; EDU=Educational level of respondent; LCTN=Location of respondent; REG=Registration status of respondents; LOAN=loan amount received by respondents. P-values in parenthesis; Source: Author's estimation from survey results, 2018

From Table 7 above, the type of microfinance and business location showed a positive sign. It can be seen that there exists a correlation between microfinance type and productivity as well as between productivity and business location respectively. This implies that they were

observed to be significantly and positively related to productivity. However, the same cannot be said for education, number of years of existence and loan.

4.5.2   The multiple regression model

The regression model below was used to determine the extent to which the predictors i.e microfinance type (production equipment, loan and training, production equipment and training), gender, education, business experience and amount of loan received can explain the dependent variable, in this case, MSME growth (measured in terms of productivity).

Table 11: Overall regression results

Productivity	Coef.	Std. Err.	t	P>t
Constant	7.748	0.941	8.23	0.000***
M_type				
Production equipment	-0.167	0.287	-0.58	0.565
Loan & Training	0.911	0.491	1.85	0.072*
Production equipment and Training	0.252	0.545	0.46	0.647
Gender (female)	0.027	0.266	0.1	0.92
Education	0.060	0.119	0.5	0.619
Business Location (rural)	-0.050	0.288	-0.17	0.863
Year of Registration	-3.175	0.714	-4.45	0.000***
Loan	-0.166	0.165	-1.01	0.321
F(8, 36)	3.6			
Prob > F	0.0036			
R-squared	0.4447			
Adj R-squared	0.3213			
Root MSE	0.65617			
Observations	45			

The results reveal that the predictors have a potential to explain up to 32% of the SMEs growth variable as indicated by the Adjusted R Square = 0.3213. Alternatively, R^2 = .4447 implies that about 44% of the variation in the performance of MSMEs (measure by level of productivity) could be accounted for by owner's level of education, gender, business experience, business location, types of microfinance received and the amount of loan received, suggesting a high goodness of fit. On other hand, the F-value = 3.6 > p-value of 0.00036, indicates that the model was indeed significant.

45

4.5.3 Interpretation of the co-efficient

The coefficients describe the relationship between each of the independent variables, (in this case education, experience, location, gender, microfinance type and loan amount) and the dependent variable (in this case business growth), measured by level of productivity in the sample.

The sign of a regression coefficient indicates whether the correlation between each independent and dependent variable is negative or positive. The value of the co-efficient denotes how much the change is in the mean of the dependent variable as a result of a one-unit change in independent variable, while constantly holding other variables in the model. From table 8, the coefficient of education is positive which indicates higher levels of education enhances business growth measured in terms of level of productivity. Consequently, a value of 0.060 for education implies that a percentage change in owner's level of education will increase the level of production by 6%. Thus, a higher level of education seemingly increases the possibility of increase in business performance. However, the relationship was observed not to be significant. This finding is similar to Sarwoko et al. (2013) who cited that enterprises who are run by highly educated individuals are more likely to accomplish more compared to the less educated ones. Also, Peña (2002) emphasised that human capital factors inclusion of level of education are crucial tangible component that affect firm's growth. The study further revealed that majority of businesses that experienced increase in sales, employment and profit were likely to be managed by college graduate entrepreneurs.

Business location indicated a negative relationship with productivity. This finding relates to Audretsch and Dohse (2007) study which found location to have no influence on firm's growth as measured by employment. The result of this study shows a negative relationship between the amount of loan received and the level of productivity (proxy for business growth). The findings are quite consistent with Atmadja et al. (2016) who noted a negative relationship between amount of loan and profitability of women owned enterprises in Indonesia such that profits decrease with the increase in amount of loan. Likewise, in terms of gender, the results indicated a positive impact for female owned businesses.

The result in Table 8 above, indicated that a combination of loan and training positively impacts on productivity at a significance of 10%. The result is consistent with Kessy and Temu (2010),

whose study revealed a positive outcome in MSMEs that accessed both microcredit and training. The researcher further emphasized that other than credit alone, training is essential in enhancing business skills development for greater performance. On other hand, the number of years that the business has been in existence showed a p-value of 0.000 which was statistically significantly. This result is related to a learning model, where the business learns about its own capabilities and surroundings as it grows.

4.6 Chapter conclusion

This chapter provided a detailed analysis of the collected data. The analysis was classified into two: the descriptive analysis and inferential analysis. The descriptive statistics indicated that the majority of the respondents that formed part of the sample were male and had tertiary qualifications. Also, the results revealed that most MSMEs cited personal savings as a main source of capital for commencement of businesses. Notably, respondents indicated their reason for borrowing which ranged from; start-up, improving existing business, cover for operating cost and purchase of stock and equipment.

The inferential statistics on the other hand indicated a positive association between education, a combination of loan and training, production equipment and training and gender, but not for production equipment, amount of loan, business location and the number of years that the business had been in existence. The loan amount was insignificant. The next chapter draws conclusions and makes recommendations from the research findings.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

5   Introduction

The overall objective of this study was to establish whether accessing microfinance has an impact on the growth of Micro, Small and Medium enterprises (MSMEs) from Oshana region in the northern part of Namibia. The analysis of the findings were discussed in the previous chapter. This chapter provides a summary of the research findings and offers conclusions and recommendations based on the research findings. Lastly, this chapter highlights the limitations of this study and proffers propositions for future research.

5.1 Summary of findings

The analysis were based on data collected from 48 respondents (MSMEs owners and MFI staff). In terms of the types of microfinance services, the descriptive statistics indicated that majority of the respondents had acquired loan and production equipment. A highest number of 64% of the respondents operated in the manufacturing sector. The study also revealed that majority of SMEs relied on their own personal savings as a main source of capital for commencing their businesses and only a few had acquired credit to start.

The research was to determine the extent to which the respondents were in agreement with a set of statements that evaluated whether accessing microfinance services had an impact on various aspects of their business. The results of the Likert scale revealed that overall, majority of the respondents were in agreement that gaining access to microfinance services empowered them to purchase more stock and equipment, increased income and productivity, as well as their confidence in running their businesses. However, they were in disagreement that by accessing microfinance they were able to open new business or move to new premises.

From the inferential statistics, the sign of a regression coefficient indicated a positive sign for education, a combination of loan and training, production equipment and training and gender denoted a positive impact on business growth measured in terms of level of productivity. However, the same cannot be said for production equipment, amount of loan, business location and the number of years that the business had been in existence. Lastly, the results highlighted that a combination of loan and training, and productivity are statistically significant at a 10% level of significance, while the amount of loan had proven otherwise.

5.2 Conclusion

This paper aimed to assess the impact of microfinance on the growth of micro, small and medium enterprises. Based on the results of the study, several factors were identified which had an impact on the growth of micro, small and medium enterprises. Amongst these are the amount of loan received, the level of education of owner, the business location, as well as the number of years that the business had been in existence.

The results showed a negative (insignificant) impact of loan on the growth of MSMEs, such that the amount of loan received does not necessarily enhance growth. This indicates that the accumulation of microcredit leads to higher levels of indebtedness which is likely to unfavorably affect business growth. Similarly, the respondents stressed that the interest rates charged by MFI was quite high, posing a high risk of default and these rates became a burden.

Based on the above, if small businesses are unable to utilize micro-credit and make returns, then the idea of microcredit enhancing growth might not be ideal. Alternatively, positive results of education, location and business experience implies that these variables are ideal in utilizing microcredit.

The overall conclusion that can be drawn from this research on microfinance as an enabler for small business growth is that gaining access to microfinance alone cannot lead to small business growth. However, several determinants of growth such as those alluded in Chapter 2 of this study, need to be considered.

5.3 Recommendations

MSMEs cited that MFI's are strict when it came to collateral requirements. In some cases it was required that for those providing a housing bond as collateral, such bond should be older than a year. Hence, entrepreneurs had to wait for a year for their loans to be approved. Therefore, government intervention is necessary in formulation of policies that makes it easier for small enterprises to access loan. Specifically, reasonable interest rates and collateral requirements specifically for MSMEs should be thoroughly considered in policies.

Furthermore, the results of this study indicated a significant impact on those who received a combination of loan and training on business growth. Therefore, it is ideal that microfinance institutions consider other factors such as advisory services, training and mentorship services to ensure that loans disbursed are fully utilised and maximised.

5.4 Limitations and future research

The study set out to establish the impact of microfinance on the growth of MSMEs in Oshana region, therefore the results cannot be generalised for businesses that were not part of the study or for those in other regions. Due to time and cost implications, most of the businesses that formed part of the survey were operating in urban settings and only a few from rural areas.

For future research, it is ideal to include other regions for a broader demographic base. The study only sampled 70 enterprises which might not fully represent the entire population of small businesses in Namibia. Increasing the sample size could make the inference more realistic.

The study adopted a cross-sectional analysis approach, therefore for the future a longitudinal approach can be adopted to measure the performance before and prior to receiving microfinance services in order capture growth differences.

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APPENDIX A: QUESTIONNAIRE FOR SMES

Questionnaire Survey

Development Finance Centre (DEFIC), Graduate School of Business

University of Cape Town

My name is Elise Uusiku and I'm currently pursuing a Master of Commerce Degree in Development Finance at University of Cape Town Graduate School of Business. The program requires me to complete a research. I'm currently conducting a study on **"The Impact of Microfinance on the growth of Micro, Small and Medium Enterprises in Namibia"** You're kindly requested to fill in the following questions. The information provided will be treated with outmost confidentiality and will be used purely for academic purpose. **DO NOT INCLUDE YOUR NAME ANYWHERE IN THE QUESTIONNAIRE**

Thank you for taking time to complete this questionnaire.

Please tick [   ] where applicable and supply details where required

Ownership information

1. Gender: Male [   ]   Female [   ]
2. Age group: below 18 [   ]   18 to 25 [   ] 25 to 35 [   ]   above 35 [   ]
3. Level of education:

   No education [   ]   Secondary education [   ]   Vocational Training [ ] Tertiary education [   ]

Business information

1. Business Location: Urban (Town) [   ] or Rural areas   [   ]
2. Type of business activity………………..
3. Is your business registered? Yes […..] or No […..]
4. If yes, which institution is your business registered with?

   Ministry of Industrialization [   ]   Town Council [   ]   Others, specify:…..
5. For how long have you been running your business?

   Less than a year […..]   2 to 3 years […..]   over 5 years [   ]
6. Source of capital for start-up (where did you get the money to start your business:

Personal savings [.....]   family and friend [.....]   loan [.....]   venture capital [.....]

7. How many employees do you have?

1 to 10 [   ]   11 to 30 [   ]   31 to 100 [   ]

Accessing microfinance services

1. Have you ever received financial assistance from any institution (Commercial banks, government, Development Bank of Namibia?   Yes [   ]   or   No [   ]

2. What was the reason for borrowing?..

3. What form of services received from MFIs

   3.1. Loan [   ]   Grant [   ]   advisory services [   ]   training [   ] production equipment [   ]   Others, specify ………………………….

4. How did you come to know about the services offered by MFIs?

Radio [.....]   local Newspaper [.....]   company website [.....]   other……….

5. How do you rate the process of obtaining a loan?

   5.1. Very slow [   ]   Slow [   ]   Fast [   ]   Very Fast [   ]

6. What is the loan amount you have received?

   a. N$ 0 - 10 000 b. 10 000 to 50 000 c. 50 000 to 100 000 d. above 100 000

7. How do you rate the services offered by MFIs?

   7.1. Excellent [   ]above average [   ]   average [   ]   below average [   ] Poor [   ]

8. What challenges did you encounter when applying for microfinance services?

   …………………………………………………………………………………………
   …………………………………………………………………………………………
   ……

9. What can be done to eliminate such challenges?

   …………………………………………………………………………………………
   …………………………………………………………………………………………
   …..

Impact of accessing microfinance- credit on the performance of the business?

10. Have you noticed any improvement in your business? Yes [   ]   No [   ]

11. On a scale of 1 to 5, How do you are the impact of the services on the following aspects of your business?

    kindly indicate the changes in your business after you have received the loan:

Factors	Strongly disagree (1)	Disagree (2)	Undecided (Not agreeing or disagreeing) (3)	I Agree (4)	I strongly Agree (5)
I bought new equipment's					
I bought more stocks					
My income has increased					
I employed more people					
I increased my level of production (producing more)					
Opened a new business					
I moved to a new premise					
Training received has improved my management skills					
My financial skills have improved (I'm keeping record of all transactions)					
I can now compete with others					
I am more confidence in running the business					

8. What do you think would have happened to your business without the support of the MFI?

   Collapsed [   ]No change [   ]   Better [   ]

APPENDIX B: QUESTIONNAIRE FOR MICROFINANCE INSTITUTIONS
PART A

1. Name of institution…………………………………….

2. Position of respondent:

    a. Top management position   [   ]

    b. Senior management position [   ]

    c. Middle-management position [   ]

    d. Support staff   [   ]

3. What are the main objective of your microfinance program?

……………………………………………………………………………………………
……………………………………………………………………………………………
……………………………………………………………………………………………
……….

4. Indicates the types of product and services your offer to SMEs:

    a. Loans   [   ]

    b. Grant   [   ]

    c. Business management training   [   ]

    d. Financial literacy   [   ]

    e. Advisory services   [   ]

    f. Marketing   [   ]

    g. Production equipment's   [   ]

    h. Mentorship   [   ]

    i. Others, specify……………………………….

5. How do you create awareness of your services?
    ……………………………………………………………..

6. How many SMEs have benefited from your loan facility since the establishment of your institution?..

7. What is the average success rate (%) of applicants for SME funding in your institution? …………………………………………..

8. What is the maximum and minimum amount of credit offered by your institution? Max ...., Minimum……………………

9. What is the interest rate applied to credit for SMEs?...........................

10. 2. What is the time limit for paying loans for SMEs?...........................

Provision of microfinance services

11. What is the average length to: assess the application…………, awards the loan……….?

12. Is the program well understood by SMEs? Yes [   ]   or No [   ]

PART B: Impact of microfinances services on SMEs

How do you rate the impact of your services on the growth and performance of SMEs? Please indicate the level of your agreement with the statements using the symbol √; 1- Strongly agree (SA), 2- Agree (A) 3- Neutral (N), 4-Disagree (D), 5- Strongly Disagree (SD)

	SA	A	N	D	SD
Impact of financial services provided to SMEs					
Providing loans to SMEs had reduced their financial challenges					
SMEs who have accessed funding were able to increase their sales, revenue or productivity					
SMEs have become more competitive					
SMEs has improved their product quality					
Impact of provision of training (financial and management) to SMEs performance					
Lack of financial management skills among SMEs has been a major hurdle towards their growth and development					
SMEs owner or managers can do basic accounting for their business					
SMEs owners / managers trained on management skills can grow their business better					
Training offered has increased the SMEs confidence in managing their business					
Awareness of SMEs on funding options available					
SMEs are fully aware of different funding option available to them					

SMEs are too risky, thus lack of willingness to finance					

13. What do you think are the challenges that hinders the ability of SMEs to fully utilise the microfinance services offered?

………………………………………………………………………………………………………

………………………………………………………………………………………………………

………………………………………………………………………………………………………

………

14. What can be done to improve SMES access to microfinance services?

………………………………………………………………………………………………

………………………………………………………………………………………………

………………………………………………………………………………………………

………………

The End

APPENDIX C: LETTER OF CONSENT

The Branch Manager

Development Bank of Namibia

Ongwediva branch

Republic of Namibia

13 September 2018

Dear Sir or Madam

Re: Request for authorization to conduct a study at your organisation

My name is Elise Uusiku and I am currently pursuing a Master of Commerce Degree in Development Finance at University of Cape Town Graduate School of Business.

As part of the program I'm required to complete a research. I'm currently conducting a study on **"The impact of Microfinance on the growth of Micro, Small and Medium Enterprises in Namibia",** with specific focus on SMEs in Oshana region. The main objective is the access the impact of microfinance as a mean to bridge the SMES financing gap in Namibia. As part of the data collection, I need to conduct a survey on your organization as a Microfinance services provider and SMEs (herein your clients).

I'm kindly requesting for permission to conduct a study at your organization as well as a list of SMEs that have benefited from your SMEs financing program to be interviewed. All the information will be treated strictly confidential and purely for academic purpose. The participation in this study is voluntary and the participants can withdraw at any time without fear.

For any further information don't hesitate to contact me, email: usikuelise@yahoo.com or 081 6803389.

Your approval to conduct this study will be greatly appreciated and thank you for your time.

Sincerely

Elise Uusiku