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Research Paper

The Significance of Microfinance Establishments on The Growth of Small to Medium Enterprises in Zimbabwe

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Abstract

The study was conducted in the Midlands province of Zimbabwe, focusing on four towns: Kadoma, Kwekwe, Gweru, and Zvishavane. The study examines the establishment of microfinance institutions, which results in the growth of small to medium enterprises. Many SMEs in the Midlands province are finding it difficult to grow their business due to a lack of capital and the ability to access bank loans. The study aimed to determine the significance of microfinance establishments on the growth of small- to medium-sized enterprises in Zimbabwe. A descriptive research design was adopted. The study's sample size was 94 SME owners specialising in agriculture, mining, vending, groceries, beauty salons, auto repairs, transport services, and fast foods in the Midlands province. Data was analysed using Pearson correlation and simple linear regression. The study results showed a strong positive relationship between microfinance loans and Small to Medium Enterprise sales growth, as evidenced by a correlation coefficient 0.989. The results showed that microfinance loans positively affect the profitability of SMEs. The study also found that access to finance, competition, hyperinflation, and high taxes are the challenges affecting SMEs' firm size. The study shows several ways which can be done to improve the growth of SMEs, such as the extension of loan repayment tenure, review of lending policies, and lending SMEs higher packages for accomplishing their projects. The government should implement policies that find ways to reduce inflation, lower tax charges on SMEs, and draft policies that promote the development of SMEs in the country.

Keywords: *Microfinance, Loan, SME growth, Profitability, Sales, Firm size*

INTRODUCTION

Small to medium enterprises are recognised for improving an economy's growth and profitability development in every nation. Small to medium enterprises have created approximately 80% of employment globally. Nyathi (2018) highlights that a lot of people are slowly becoming entrepreneurs after losing their jobs. Access to capital and raw materials have been the major problems hindering small to medium enterprises' business expansion. Inability to access enough funds to enhance the growth and survival of their small-scale businesses. As mentioned by Magaisa and Matipira (2017), SMEs are not being considered by the formal sector as they are viewed as seriously risky businesses due to their low return on investment and the rate at which they fail to repay loans offered. The formal sector fears the huge risk and costs associated with offering credit services to these small firms. For business loans to be approved from the formal sector, they have to provide more insurance, such as security, proper financial records, and audited statements, among others.

Pluskota (2021) highlighted that Microfinance was then introduced, and the idea generation was to help the poor with financial services. They first emanated in Europe in the 15th century as a development tool that helps in the provision of financial products and services, for instance, loans and micro-insurance, to both small and medium firms. The microfinance industry in this sector has been performing well in providing tailor-made services to small to medium enterprises by predominantly providing reasonable funds for them to grow regardless of the nonexistence of collateral security. Pedraza (2021) stated that forty per cent of the small to medium enterprises in developing countries have an unmet financial need each and every year; hence, they are less likely

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to obtain bank loans. In Kenya, the microfinance industry is well known for boosting small to medium enterprises. Mutua (2017) highlighted the relationship between microfinance institutions' support and the growth of small to medium firms. They have become a powerful tool in the viability of small firms as they are filling in the gap left behind by the formal sector.

A study by Samudzimu and Munkumba (2022) showed that small and medium enterprises (SMEs) play a critical role in Zimbabwe's economic development. They contribute significantly to employment creation, economic growth, and poverty reduction. However, SMEs in Zimbabwe face a number of challenges, including access to finance. Zimbabwean small firms are facing this unmet financial need due to the perception by the formal financial providers that they do not have the capacity to repay. A study by the University of Zimbabwe in 2021 on the impact of microfinance on entrepreneurship and business performance in Zimbabwe found that microfinance can help to increase the number of entrepreneurs and improve the performance of existing businesses. The limited research on the topic has not adequately explored the significance of microfinance institutions (MFIs) on the growth of small and medium enterprises (SMEs) in Zimbabwe. This study aims to address this gap by determining the impact of MFIs on the growth of SMEs in Zimbabwe. Currently, Zimbabwe has 184 registered microfinance institutions. With all the MFIs that are financing this industry, a lot of SMEs are failing to expand their businesses. SMEs are failing to meet their desired growth in terms of firm size, profitability, and sales growth, among others. 40% of the business loans from Microfinance institutions are being offered to kiosk owners who are doing business independently due to a lack of funds to employ. Some of the firms are retrenching as a way of minimising expenses.

Evidence shows that about 90% of Microfinance institutions in Zimbabwe's debtors are repeat clients who apply for credit on a monthly basis. This indicates that these SMEs are making little or no profits to support their businesses, resulting in them relying on MFIs each and every month. A lot of small to medium enterprises are operating at the breakeven point, whereby there is an equilibrium between the revenue they are getting from sales and the cost of borrowing and other day-to-day expenses. SMEs in Zimbabwe have low sales revenue. Small to medium enterprises are being funded to increase stocks in order to increase their sales revenue. Evidence from microfinance institutions showed that about 90% of their debtors are repeat clients who apply for credit on a monthly basis. This indicates that these SMEs are making little or no profits to support their businesses, resulting in them relying on MFIs each and every month. This then resulted in the study to look at the significance of microfinance establishments on the growth of SMEs. The following research objectives guide this study: (a) to examine the relationship between MFI loans and sales growth, (b) to assess whether the loans are being utilised efficiently for business profitability, and (c) to examine the challenges affecting SME firm size.

LITERATURE REVIEW

The concept of Microfinance

According to Pluskota (2021), microfinance plays a conforming role by prolonging credit to borrowers who were denied credit by banks due to high risks. Kumari (2020) noted that microfinance institutions offer loans with low-interest rates, offering credit on a group basis and loans for SME development. The aim of microfinance is to eradicate the gap created by formal banks through the provision of external sources of funds by offering loans to those lacking proper credit history documentation.

The concept of MFIs is often equated to microcredit as they are interchangeably used. Their significant role is to mitigate the effects of the financial crisis being faced by SMEs. Rajapakshe (2021) states that Microfinance has been defined as the most relevant tool for contending poverty by providing poor people with a wide range of financial services. The main agenda is to assist SMEs with small loans to develop their businesses. According to Hussen et al. (2021), MFIs provide funding to SMEs through loan recycling through loan recycling, ensuring that they grow. It is known for providing credit to all people. According to Sultakeev et al. (2018), most successful small- to medium-sized entrepreneurs depend on the loans that they are being granted by MFIs.

The concept of SME growth

SME growth has been pointed out to be the dependent variable in most research. Similar research on SME growth has been carried out in countries like Ghana, Zimbabwe and many others on the continent. SME growth is limited by a number of constraints. Among these constraints is a lack of financial security resources as they have limited choices to get external capital. SME growth can be categorised into different categories. Kiyabo and Isaga (2020) highlighted that there are resources-based categories, strategically based and many others. The resource-based category measures the firm's financial growth variables such as number of employees, sales growth and profitability.

Profitability

Iskandar (2021) identified profitability as a measure of a firm's effectiveness and efficiency as it indicates SME growth. Efficiency and effectiveness have a positive impact on profitability generation as it indicates maximisation in revenue generation and minimisation in costs. SMEs cannot attract capital from outside without profit, as it is used by finance institutions to measure the probability of future loan repayments. MFIs are interested in SMEs' profitability records as they give them a guarantee that they can get their funds back. This implies that profitability growth is an essential indicator that shows the growth of SMEs.

According to Kiyabo and Isaga (2020), SME growth can be indicated by profit before tax and profit per employee. The labour contribution per employee can be used to measure the profitability as well as net profit before tax deductions. SMEs are unlikely to grow in business without earning profits. Profitability is an important variable of SMEs' success. Profits show that SMEs' costs are less than the revenue they are generating.

Sales growth

Sales growth is another variable for measuring growth and the demand for the products offered by SMEs. According to Kiyabo and Isaga (2020), sales growth means a change in sales in a particular period of time. For SMEs to measure the growth in sales, they can do a comparison of the current year's sales to the previous year's sales. An increment in the figures relates to a positive impact, while a decrease indicates a negative effect on the growth of the SME firm. For SMEs to improve their growth, they have to push the volume of their sales. Sales growth is a strategic goal for SME owners (Cesinger et al., 2018). Every SME entrepreneur is interested in seeing his/ her firm indicating a positive result in business growth, as it is essential for the company's survival.

Firm size

Firm size can be measured by a number of things. Among them are total company assets, number of employees and market value of equity (Cesinger et al. 2018). SMEs are defined as small businesses which employ a maximum number of 250 employees. He also stated that the majority of the SMEs have less than 10 employees. To measure firm size, we divide the number of employees in a firm by the total number of firms in that particular industry. A large number of employees indicates SME growth since employees are regarded as the central tool for obtaining and maintaining company growth.

According to Hung et al. (2021), firm size is an indicator of SME growth. He stated certain variables that affect firm size. Total assets were regarded as the biggest variable of firm size. He also indicated that a high total labour force shows a positive firm size growth. The total assets that a firm holds define how big or small the firm is. If the company has many assets, firm size contributes positively to a firm's growth. A large number of SMEs own a few assets; this implies that those SME firms are still struggling to improve their firm sizes.

MFIs loans and sales growth

Kumari (2020) noted that MFI loans play a crucial role in promoting sales growth in European countries. To a greater extent, MFI credit leads to an escalation in the volume of gross sales. SME entrepreneurs are being granted funds by MFIs to boost sales. The provision of loans to small to medium enterprises helps them boost their productivity. This has triggered a significant impact towards broadening SME sales growth. The loans are being used to enhance sales growth, resulting in a boost in sales revenues.

Salahuddin et al. (2021) assert that MFI loans play a vital role in promoting the sales growth of women in Pakistan's agriculture SME sector. MFIs are acting as financial intermediaries for the enhancement of business growth for women in the agriculture sector. MFI loans are aligned with the definite desires of female entrepreneurs to expand their sales growth. Financial support is one of the key motives for successful women in entrepreneurship, as it plays an important role in boosting their sales. SME growth is being enhanced while the lender gets profit, thus increasing the availability of more funds to endure sales growth. This illustrates a positive relationship between MFI loans and the sales growth variable of SMEs. According to Geoffrey and Emenike (2018), there is a positive relationship between SMEs in Nimule and the loans offered by MFIs. A large number of SMEs commenced businesses with diminutive capital, resulting in stagnation in sales growth. MFI loans, therefore, boost sales. The research illustrates that the loans are positively contributing to the growth in sales. SMEs are being granted MFI loans as a significant financial stretch for their business activities, thereby resulting in a noticeable and subsequent change in sales growth.

Gyimah (2018), MFI loans have a positive impact on the sales growth of SMEs. The research illustrates a positive correlation between the loans granted and the sales revenue. However, the research identified a negative relationship as well between MFI loans and SME sales growth. Iskandar (2021) states that MFI loans have a positive contribution to the gross sales of SMEs. This proves that MFI loans are essential for the revenue generation and growth of SMEs. MFI loans have been revealed to flourish as a resolution to meltdown glitches with working capital. Without the help of MFI loans, most SME sales growth would remain low. Moussa (2020) says MFI loans are positively influencing the sales growth of small to medium enterprises. There is a positive connotation between the amount of loans granted by MFIs and the resulting growth in sales. MFIs have a great influence in developing small to medium enterprises in Lebanon as there is a notable relationship between the loans being disbursed and the sales of the commerce, trade sector and other beneficiaries in the country. A study on the effects of MFI credit on SME growth in Lagos state by Onyeiwu (2021) showed a positive relationship between MFI loans and the growth of SMEs. The research showed a significant positive relationship between the two variables, indicating the relevance of MFI loans on sales growth.

According to Aladejebi (2019), the majority of small to medium enterprises experience positive sales growth through participation in micro-credit schemes, which results in increased sales revenue. According to research done by Akinadewo (2020), there is a positive nexus between microfinance products and SME growth. MFI loans have a positive connection with SME sales growth. MFI sustenance to SMEs has created the opportunity for SMEs to engage with the loans which they use to enhance sales growth. This implies that many SME sales are being boosted positively by MFI loans. This indicates the significant relationship that lies between SME sales and

MFI loans. The studies done so far show that SME sales have greatly improved through MFI loans. Cesinger et al. (2018) say a lot of SME entrepreneurs have been able to expand operations due to the positive sales growth they are experiencing. A lot of people who had access to MFI loans were able to increase their sales. The microfinance sector has contributed enormously to the growth of small to medium enterprise sales. This indicates a favourable relationship between the MFI loans and SMEs' sales growth.

MFI loans and SME profitability

Geoffrey and Emenike (2018) postulated a positive relationship between MFI loans and SME profitability. The loans that are granted by MFIs result in high profitability in Nimule. Therefore, the loans granted by MFIs are being utilised efficiently for SMEs' profitability. This shows that, to a greater extent, the loans granted to SMEs are utilised for business growth. Coleman (1999), as cited by Ngeno (2019), investigated whether the loans being granted to SMEs by MFIs are being utilised efficiently. The research showed that women ended up in a malicious cycle of debt due to the diverting of loans which they acquired for business purposes and ended up being used for consumption. This resulted in borrowing extra funds from money laundering at high-interest rates as a way of repaying the village bank. Moussa (2020) showed a significant relationship between MFI loans and SMEs' profitability. An increase in the profitability levels indicates that the loans are being used for SME growth to a larger extent. Kibichii and Wafula (2020) asserted that SMEs have access to Microfinance loans. MFI loans are used by SMEs for sales and profitability boosting. Small to Medium Enterprises acquire loans for capital boosting so as to enhance profitability growth. The research indicated that there is a positive change in SME entrepreneurship growth as there is a positive change in the profits that were being recorded. The positive change concludes that the loans are being utilised for profitability to a greater extent. The provision of MFI loans is contributing positively to the attainability of SME profits.

Microfinance loans have been regarded as a cushion for small to medium enterprises' profitability growth due to the accumulation of capital in order to improve productivity levels. A surge in profitability growth of SMEs has been identified. Small to Medium Enterprises have been using Microfinance loans provided to them to attain better profits. MFI loans are used as mechanisms to boost SME profits, and this shows that small to medium enterprises utilise MFI loans for profitability (Gyimah, 2018). Onyeiwu (2021) noted a positive relationship between Microfinance loans and the profits attained by Small to Medium Enterprises. The research revealed that a number of Small to Medium Enterprises are being funded by Microfinance Institutions and banks for business expansion. Small to Medium Enterprises noticed positive changes in profits they obtained from sales. The positive changes showed that Small to Medium Enterprises are mainly using Microfinance loans for business purposes. According to Akinadewo (2020), microfinance banks and other microfinance institutions have been confirmed to have a positive impact on small-to medium-sized enterprise profits. Variables such as profitability have been examined, and their connection to microfinance loans has been proven. The provision of Microfinance loans to Small to Medium Enterprises has resulted in an upward shift in SME growth in terms of profitability. The upward surge in profitability indicates efficient and effective utilisation of microfinance loans by small to medium enterprises across the world.

Challenges affecting SME firm size

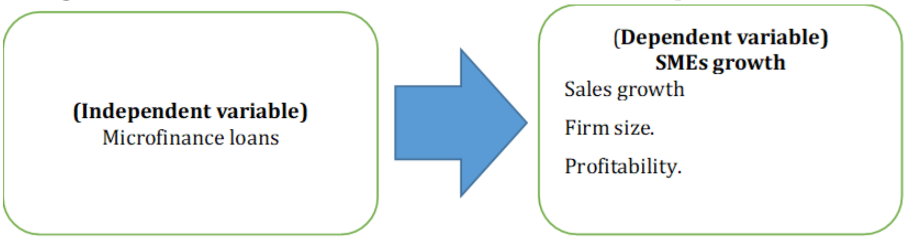
Access to credit facilities is one of the major challenges affecting the size of SME firms. (Islam et al. (2021) noted that 21 out of the 80 entrepreneurs managed to get funds from banks and non-bank institutions, indicating the challenge of credit facilities by SMEs. According to Yoshino and Taghizadeh-history (2016), a number of SMEs find it hard to access credit as banks prefer to fund large firms compared to SMEs. Small to medium enterprises find it hard to raise funds. Another challenge affecting the size of SME firms is tax. Anim and Kusi (2020) state that tax administration is an unnecessary foul which increases production costs, thereby slowing growth. Extreme tax regimes have a negative impact on SME firm size as they hamper growth. Judith et al. (2022) reviewed that taxes hamper SME growth. Therefore, the amounts that the government collects from SMEs should be revised and reduced so as to promote their growth. Wang (2016) stated that competition also affects SME firm size. Small to medium enterprises face stiff competition due to a changing environment beneath dynamic competitive situations in which they operate. This has an effect on the sales level as competitors will be trying their level best to do the impossible. A lot of SMEs are being affected by government bureaucracy. The regulations that are put in place by the government are extremely complex and contradictory to SME growth. According to Kusi (2018), the significance of small to medium enterprises is influenced by the policies and regulations that allow efficiency that the government puts in place.

According to Ajagbe (2018), inflation affects SME firm size as it results in low levels of returns on investments, thereby facing a decline in growth. Nyathi et al. (2018) noted that it is necessary for small to medium enterprises to keep accurate and appropriate records of their day-to-day operations. Many SMEs are failing to grow due to a lack of comprehension of the importance of keeping accounting information. Accounting information is an important tool in the effective management of the business as it helps SMEs make informed choices pertaining to business survival as well as business growth. Lack of accounting information can result in SME closure. Ibrahim et al. (2020) commented on accounting information as a vibrant resource for efficient and effective facilities for decision-making and planning business activities. They stated that SMEs should extremely manage their accounts and finances as it helps in firm growth. Nsoke et al. (2021) noted that the accounting information of SME operatives has a substantial influence on firm size. If accounting knowledge and bookkeeping are practised appropriately, SMEs experience continuous firm growth. According to Obokoh (2017), one of the most critical factors to SME growth is infrastructure. The deficiency of infrastructure negatively impacts firm size due to high costs incurred in the distribution of goods. There is a positive relationship between infrastructure obstacles and SME failure as it increases the cost of goods (Khan 2022). Mugo and Resource (2019) looked at the effects of infrastructure on SME development and found out that the accessibility of road networks and the endowment of telecommunication services have assisted in SME growth; therefore, SME growth is caught up by poor infrastructure.

Conceptual framework

The conceptual framework shows the effect of microfinance loans on SMEs' growth. Microfinance loans are the dependent variable, and SME growth is the dependent variable, which is measured by sales growth, firm size and profitability. Sales growth, firm size and profitability are the predictor variables or explanatory variables considered in this study.

Figure 1. Microfinance loans and SMEs Growth conceptual framework



In light of the above conceptual framework, the following hypotheses are proposed. Microfinance institutions can help small businesses access the capital they need to start or expand their businesses, improve their business skills, and reduce their vulnerability to financial shocks (Masanga & Jera, 2017). The authors argued that small businesses that managed to receive microfinance loans were more likely to report an increase in sales and profits.

Hypothesis 1: Microfinance loans positively affect the sales growth of small to medium enterprises (SMEs) in Zimbabwe.

Hypothesis 2: Microfinance loans positively influence the profitability of small to medium enterprises (SMEs) in Zimbabwe.

RESEARCH METHOD

The study adopted a mixed research methodology that combined qualitative and quantitative data collection approaches (Turnbull, Chugh, & Luck, 2021), cited by Ikebuaku & Dinbabo (2023). Primary quantitative data was collected using closed-ended questions to quantitatively estimate the coefficients of the relationships that exist between microfinance loans and SME growth, while primary qualitative data was collected using open-ended questions. The goal for the collection of qualitative data was to give the participants the freedom to express their opinions, perceptions, and intentions regarding the challenges that affect SMEs' firm size (Cresswell & Plano, 2017).

The total population was divided into seven strata; each strata represented the sector the business was operating in, which was agriculture, mining, vending, groceries, beauty salons, auto repairs, transport services, and fast food. A stratified sampling technique was used in the selection of the participants, and the sample size of the study was 94 SME owners from Kadoma, Kwekwe, Gweru, and Zvishavane, which was determined by making use of Slovin's formula. Spearman`s rho non-parametric test and simple regression model were used to test the relationships that exist between microfinance loans, sales growth and profitability, making use of SPSS version 25. Descriptive statistics were used to analyse data on the challenges affecting the firm size of SMEs.

Linear Regression Model

A linear regression model was used in equation (1) to predict the relationship that exists between microfinance loans and the profitability of SMEs. The model was chosen because it is a simple and effective way to predict a dependent variable from a set of independent variables (Montgomery, Peck, and Vining 2013) cited by Ikebuaku & Dinbabo (2023).

$$\boldsymbol{Y} = \boldsymbol{\alpha} + \boldsymbol{\beta 1 X 1} + \boldsymbol{\beta 2 X 2} + \cdots + \boldsymbol{\beta k X} + \epsilon \quad (1)$$

Where Y is the dependent variable, $X1 \ldots Xk$ are the independent variables, β = regression coefficients to be estimated ϵ = error term in the model.

Ethics Considerations

The researchers got authorisation from all the respondents to deliver questionnaires to them. By doing this, the researcher warranted free will consent from all the respondents. For confidentiality purposes, respondents were all anonymous in the sense that their names and other important information were not revealed. There was utmost confidentiality in the collected information.

FINDINGS AND DISCUSSION

Reliability and Validity of Quantitative Data

Reliability was assessed so as to see the degree to which the items that were used to measure the results provided the same results over the different number of trials. The study made use of the Cronbach`s Alpha test to assess reliability. According to Taber (2018), "a Cronbach Alpha score of 0.7 and above indicates an acceptable level" of reliability of the construct. The Cronbach Alpha score for this study was 0.986, which is considered to be an acceptable level.

Table 1. Testing the internal consistency of a scale using Cronbach's alpha

Cronbach's Alpha	Cronbach's Alpha Based on Standardised Items	N of Items
.986	.986	14

A pre-testing method was used to ensure the validity of the research instruments. This involved randomly distributing sample research instruments to a small group of people before the main data collection began. The purpose of the pre-testing was to test the consistency of the instruments and to ensure that they were worded correctly (Hilton, 2017). This would help to minimise any misinterpretations when the instruments were used with the main sample.

The pre-testing also helped the researchers to identify any problems with the instruments. For example, if the respondents found any of the questions to be confusing or difficult to answer, the researchers could revise the questions before the main data collection began. The researchers made some adjustments to the instruments after the pre-testing. These adjustments improved the respondents' level of understanding of the instruments. The respondents were then able to understand all of the questions, which made the instruments valid and reliable. This ensured that the instruments would provide accurate data for the study.

The relationship between MFIs loans and sales growth

The results in Table 2 show a correlation coefficient of 0.989 between microfinance loans and sales growth, depicting a strong positive relationship between the two variables. The study results were supported by Kibichii and Wafula (2020), who asserted that there is a positive correlation coefficient between MFI loans and SME sales growth because loans equip many Small to Medium Enterprises with the ability to start their operations as well as expand their businesses resulting in sales growth. Kumuri (2020) also supported the results as he alluded that MFI loans play a crucial role in promoting sales growth. The author argued that, to a greater extent, MFI credit leads to an escalation in the volume of gross sales. SME entrepreneurs are being granted funds by MFIs to boost sales. Based on the illustrated results, Hypothesis 1 was accepted as it indicates a strong positive relationship between Microfinance loans and SME sales growth. The findings of this study are in line with the results by Onyeiwu (2021), who found that there is a positive relationship between microfinance loans and the growth of small and medium-sized enterprises (SMEs) in Lagos State, Nigeria. The study found that a significant positive relationship exists between the two variables, indicating that microfinance loans can be a valuable tool for promoting SME growth. The results of the study showed that microfinance loans had a positive impact on the sales growth of SMEs.

Table 2. Microfinance loans and sales growth

Variables	Correlation Coefficient	Sig. (2-tailed)	N
MFIs Loan	1.000	.000	81
Sales growth	.989**	.000	81

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

Assessment of MFI loans being utilised efficiently for business profitability

Table 3 shows that microfinance loans have a positive and significant effect on small to medium enterprise profitability. The study accepted Hypothesis 2, which stated that microfinance loans positively influence the profitability of small to medium enterprises (SMEs) in Zimbabwe. The findings of the study are in line with the study by Geoffrey and Emenike (2018), who found that there is a positive relationship between microfinance loans from MFIs and the profitability of SMEs. Onyeiiwu (2021) also found that there is a strong positive correlation between microfinance loans and profitability. This means that as the amount of microfinance loans increases, so does profitability. Onyeiiwu explains this finding by arguing that microfinance loans provide Small to Medium Enterprises (SMEs) with more capital, which can be used to invest in the business and increase profits. The results are also supported by Moussa (2020), who showed a significant relationship between MFIs loans and SMEs' profitability. An increase in the profitability levels indicates that the loans are being used for SME growth to a larger extent.

Table 3. Microfinance loans and Profitability

Model	**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
Regression	73.005	1	73.005	8615.558	.000[b]
Residual	.669	79	.008		
Total	73.674	80			

a. Dependent Variable: Loan
b. Predictors: (Constant), Profitability

The challenges affecting SME firm size.

The results in Table 4 show that access to finance, government taxes, hyperinflation, and competition are the major challenges affecting small to medium enterprise firm size in Zimbabwe. This was shown by the mean, which was above 4, and a mode of 5, depicting that the respondents strongly agreed that these are the challenges affecting firm size in Zimbabwe. The results were supported by Islam et al. (2021), who said that access to finance is one of the most difficult problems faced by SMEs.

Anim and Kusi (2020) also said that it has been proven that taxes slow the growth rate of SMEs. Judith et al. (2022) also reviewed that taxes hamper SME growth; therefore, the amounts that the government collects from SMEs should be revised and reduced so as to promote their growth. Wang (2016) stated that competition also affects SME firm size. Small to medium enterprises face stiff competition due to a changing environment beneath dynamic competitive situations in which they operate. This has an effect on the sales level as competitors will be trying their level best to do the impossible. Another author, Ajagbe (2018), said that inflation affects SME firm size because it affects the level of investment in SME operations.

Table 4. Microfinance loans and sales growth

Variables	**Mean**	**Mode**	**N**
Access to finance	4.49	5	81
Government taxes	4.46	5	81
Hyperinflation	4.25	5	81
Competition	4.07	4	81

CONCLUSIONS

The study examined the importance of establishing microfinance institutions (MFIs) to help small and medium-sized enterprises (SMEs) grow. It also explored the significance of microfinance loans as a valuable tool for increasing SMEs' sales and profitability. The study found that microfinance loans have a strong positive relationship with sales growth and positively influence profitability. It also found that access to finance, government taxes, hyperinflation, and competition are the major challenges affecting the size of SMEs in Zimbabwe. Theoretically, the research will provide other researchers with insights into the significance of microfinance institutions (MFIs) to small and medium-sized enterprises (SME) growth. It will do this by highlighting how MFI loans contribute positively to SME entrepreneurs. In practice, the research will give MFIs an idea of the effectiveness and importance of their products in contributing to SME growth.

Microfinance institutions should regularly review their lending policies and regulations to provide Small to Medium Enterprises with higher loan packages to enable the entrepreneurs to accomplish their projects, which have a significant bearing on their lives and communities as these packages will help them in production, thereby resulting in more sales, surging revenue and forming other social entrepreneurs to develop in other potential sectors.

Microfinance institutions should consider the creation of flexible loan repayment periods for Small to Medium Enterprises. The repayment period should be adjusted to meet the needs of small- to medium-sized entrepreneurs. This enables them to improve their investment portfolios, thereby increasing profitability and growth rate.

The government should create an enabling environment where SMEs can operate with fewer challenges, and they should monitor and control inflation and charge low taxes to Small to medium-enterprise entrepreneurs. The government should also provide finance to SMEs as well as draft policies that promote the development of SMEs.

LIMITATION & FURTHER RESEARCH

This study is limited in that it only focuses on the growth of SMEs. However, there are other factors that affect the performance of SMEs, such as operational efficiency and market share. Future research should be conducted to examine the relationship between microfinance loans and these other performance variables.

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