

THE ROLE OF MICROFINANCE INSTITUTIONS ON ENTREPRENEURSHIP DEVELOPMENT: THE CASE OF SWAZILAND

WANDILE MNGADI

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ABSTRACT

The primary aim of the microfinance initiative is to eradicate poverty especially in developing countries. This is possible through the provision of micro-loans, micro-savings and insurance to previously disadvantaged communities. Entrepreneurship is the role that individuals undertake to create, an organization, product from an idea to implementation. With high unemployment and poverty levels, Swaziland is engaging the Microfinance Institutions and entrepreneurship to help drive employment, and poverty alleviation.

The study assessed several issues: Does microfinance contribute to Improvements in the economic welfare of borrowers' households, enterprise growth, diversification or stability? Do entrepreneur development programs; like training workshops have an impact on participant's attitude and behavior in conducting entrepreneurship activities. Is there a relationship between microfinance institution growth and entrepreneurship development?

Results indicated that microfinance institutions were still sorely focusing on providing credit and credit facilities, which meant that it had positive effects on capital assets but not the overall welfare of entrepreneurs. The behaviors that programs influenced were also in relation to credit, and not other aspects of entrepreneurship like innovation and technology. This meant that there's a gap in the effect of microfinance institutions on entrepreneurship growth as indicated chi-square was significant at 9.43 indicating no effect on the sampled population.

Therefore it is important that Microfinance institutions focus on the primary objective of developmental finance. They need to prioritize training programs that will cultivate a culture of building sound businesses, with proper risk management, and are willing to adapt to change. As currently the key focus seems to be on credit facilitation which could be profit driven?

DECLARATION

I, _____, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfillment of the requirements for the degree of Master of Management in Finance & Investment in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Wandile Mngadi

Signed at.....

On the..... day of 20.....

DEDICATION

Dedicating this research to my wife Banele McIntosh, and my two beautiful girls. Thank you for being supportive and patient. I would also like to dedicate it to my uncle Harry Nkambule, who raised me, and taught me what it means to be a man. And above all The Lord all Mighty, thank you for everything I am and have.

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The entire MMFI program team, you guys were so understanding, without you I wouldn't have made it.

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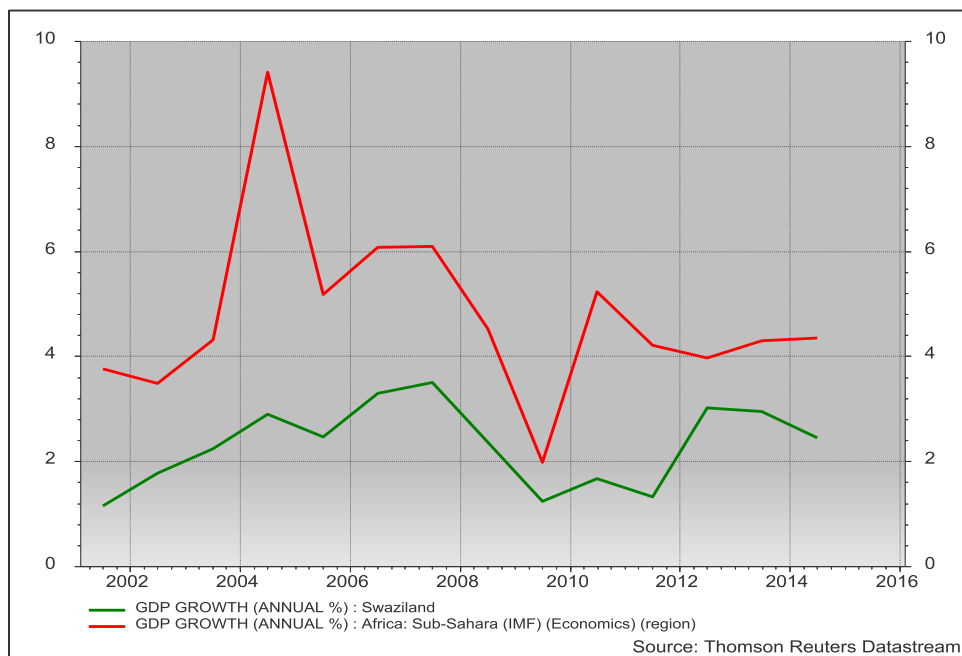
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CHAPTER ONE: INTRODUCTION

1.1 BACKGROUND

Swaziland has recorded the slowest GDP growth in the sub-Saharan region over the past ten years, with an average GDP growth rate of 1.4% against a regional average of 5.6% (IMF, African Department database, Oct 2013). Although data from Thomson Reuters is slightly better at an average growth rate of 2.3%, it is still lower than the mean growth rate of 4.8% in Sub-Saharan Africa.

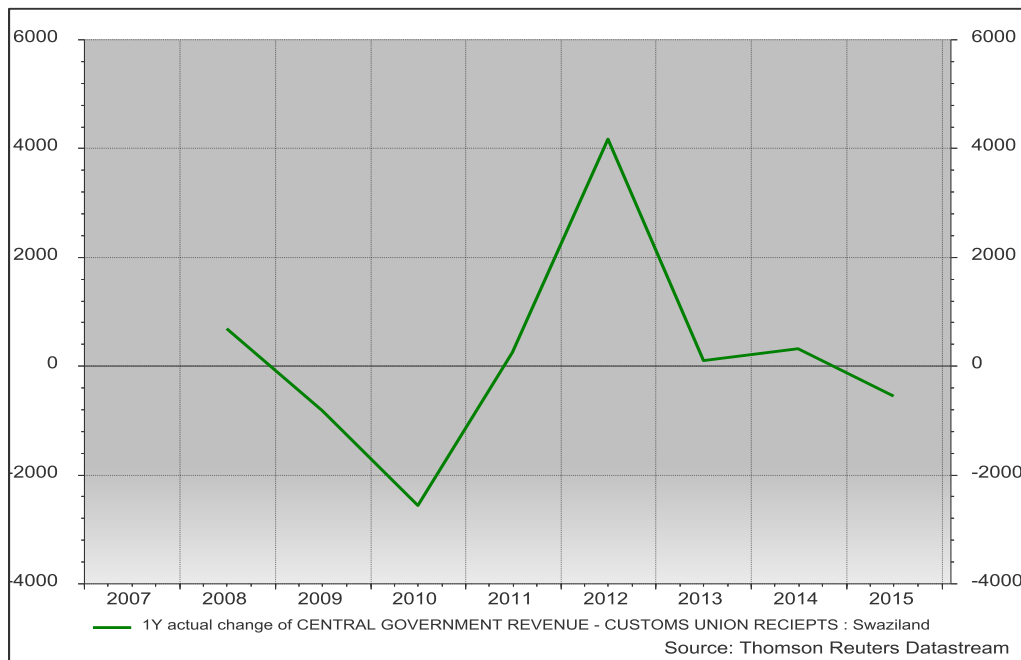
FIGURE 1 – ANNUAL GDP GROWTH RATE FOR SWAZILAND AGAINST SUB-SAHARAN AFRICA FROM 2002 TO 2015.



It can be argued that the country has also faced challenges emanating from the global economic crisis that has stifled growth across the globe, but Swaziland has faced a different kind of problem; the reliance of the sovereign state on the Southern Africa Customs Union (SACU) receipts (revenue) leading to a shortfall in government revenue, which had a ripple effect across the economy. The government

of Swaziland is the biggest employer and any government freezes in salary or hiring (which was implemented) meant a slowdown in employment. Also the government is a huge player in the private business space as entrepreneurs supply goods and services, the shortfall in revenue meant cuts in expenditure, hurting the economy and jeopardising SMEs who relied on the government.

FIGURE 2 - ACTUAL ANNUAL CHANGE OF SACU REVENUE FROM 2007 TO 2015



SACU receipts account for 60% of government revenue, and the Swazi Government is the biggest employer with a wage bill that accounts for “18% of GDP, the highest in Sub-Saharan Africa” (TMSA, 2012). Thus, the need for the country to emphasize Entrepreneurial growth as means to grow its revenue base through tax, and increased employment opportunities outside the government realm has never been higher. Swaziland like many other developing countries has sought to tackle unemployment and eradicate poverty according to one of the eight-millennium development goals, which Swaziland adopted as part of the UN Millennium Declaration in 2000.

1.2 SIGNIFICANCE OF THE STUDY

Rooyen, Stewart, and Wet (2012) reviewed the core of my research, the purports of a positive impact due to microfinance inclusion, and concluded that the impact of microfinance in sub-Saharan Africa may seem succesful but can be detrimental to the poor as well. Thus raising the need to collate and review the impact of the primary development programs. Their findings show that microfinance can be prosperous; helping the poor, empowering woman, and increasing child welfare, but can also be detrimental making borrowers worse off in the long run.

This raises an interesting question, can microfinance decrease poverty, increase levels of education and empower woman? Barnes (2009) found that the Zambuko Microfinance program increased household welfare, woman participation, and enterprise growth. Therefore the need to examine the role of microfinance institutions in Swaziland: that is, have they had a positive impact on entrepreneurship growth in Swaziland? Are the institutions providing the right type of finance to foster growth, according to Aftab and Naveed (2012) “Microfinance institutions should distribute loans to start a business other than using it for, marriage, education, and housing”?

The study should also fill in a gap, in that it will provide policy makers, entrepreneurs, microfinance institutions and other stakeholders such as researchers, information on the activities of microfinance institutions in Swaziland and their contribution to the development of entrepreneurs. The study will also provide the government with the needed information in designing a policy framework to enhance development. It would also enlighten the public on the role of microfinance institutions. It may also be useful to entrepreneurs as it may unveil the success and failure of enterprises.

1.3 PROBLEM STATEMENT

Microfinance is according to Rooyen, Stewart, and Wet., (2012) “one of the largest development programs worldwide, both in financial terms and in relation to the number of people targeted”. Swaziland has also embarked on an aggressive microfinance policy implementation to help it alleviate poverty and unemployment. However, the analysis of the impact of the current microfinance institutions and their impact on entrepreneurship growth has not been undertaken. Therefore, it is unclear if the policy measures and microfinance institutions have enhanced entrepreneurship, the right way, and the way that benefits the economic growth of the country.

Entrepreneurs can be defined as engines of the economy, driving it from the ground up. However in Swaziland this drive has been slowed down by severe pressure like access to credit, and economic challenges. As stated by Fisseha & Mepherson (1991) “that a significant percentage of SME's use their savings in establishing a business in contrast to only 2.3% that gets their credit from financial institutions in the formal sector and the remainder were said to have obtained it from the informal sector”.

“The Ministry of Finance established the Micro Finance Unit (MFU) in September 2010 to facilitate the development and sustainability of the microfinance sector in the country and thus enable the industry to continue to contribute effectively to the development of small business units” (Finmark Trust, 2011).

“The objectives of the MFU are;

- *To facilitate the provision of efficient and effective financial services on a sustainable basis;*
- *The development of an enabling and enhanced environment for business development in rural areas, and;*
- *The establishment of micro- and small-scale enterprises as well as business services in rural areas.*

“A key constraint in pursuit of these objectives has been the lack of comprehensive information about the levels of financial inclusion, as well as the factors inhibiting usage of financial services” (Finmark Trust, 2011).

1.4 OBJECTIVES AND RESEARCH QUESTIONS

The aim is to investigate empirically, the impact of Microfinance Institution activities & growth of entrepreneurship and establish whether a statistically significant relationship exists between the two variables.

Specifically, the study attempts to answer the following questions:

1. Is there a significant difference between entrepreneurs who use microfinance and those who do not?

- Does microfinance contribute to Improvements in the economic welfare of borrowers’ households, enterprise growth, diversification or stability?

2. What is the role of microfinance institutions activities in enhancing entrepreneurship behaviors - the objective of this evaluation is to assess the changes in attitudes, work habits and willingness to adopt innovativeness?

- Will an assessment of entrepreneur development programs; like training, & workshop’s show an impact on participants ’ attitudes and behavior in conducting entrepreneurship activities.

3. Is there a relationship between microfinance institution growth and entrepreneurship development?

- What are the prospects of microfinance in the development of

entrepreneurship in Swaziland? Does entrepreneurial development have any implication on the industrial development of Swaziland?

1.5 OUTLINE OF THE STUDY

This study is divided into five chapters. Chapter one is the introduction/background, significance of the study, problem statement and objectives of the study. Chapter two reviews the empirical and theoretical literature on microfinance, microfinance in Swaziland, microfinance in aiding entrepreneurship development, entrepreneurship, SME conceptualization for entrepreneurship development, the MFI landscape in Swaziland, and challenges facing SME and MFIs. Chapter three provides the research methodology and describes how the study is to be carried out. Chapter four is devoted to analysis, presentation, and interpretation of the econometric results. Finally, chapter five will draw conclusions, policy recommendations and suggestions for further study from the empirical results.

CHAPTER TWO: LITERATURE REVIEW

The chapter will be focusing on microfinance concepts, microfinance institutions and the role they play in the development of entrepreneurs in general, and particularly in Swaziland.

We will begin with an overview of microfinance, and its role. It then looks at entrepreneurship and how we contextualized it for purposes of the study, Challenges facing entrepreneurs. We then look at the MFI environment in Swaziland and provide an assessment of the theories pertaining to the possible impact of the institutions on entrepreneurship.

2.1 MICRO-FINANCE

Various researchers defined Microfinance in different ways; according to Blundell (2008), "*Microfinance is the provision of financial services to low-income poor and very poor self-employed people*". In broader terms, (CGAP, 2010:1; Copestake, 2011), stated that "*micro financial services include the provision of a much bigger range of financial services such as deposits, loans, payment services, money transfers and insurance products to the poor and low-income households, for their microenterprises and small businesses, to enable them to raise their income levels and improve their living standards*".

More to this, (Alubi et al., 2007: 301) "states that the term microfinance refers to the provision of financial services to low-income households and micro-entrepreneurs (both urban and rural) for productive purposes." In the idea of productivity, Microfinance can be defined from the social community perspective as Schreiner and Colombet (2001: 339), defines microfinance from the unbanked perspective as "the attempt to improve access to small deposits and small loans for poor households neglected by commercial or formal banks". These loans can be granted to small households by the borrower's cash flow or potential to develop a modest

and sustainable income generating activity such as building businesses from scratch to profit driven enterprises, improving your wealth and income levels.

On a more different perspective, Copestake (2011) argues that “microfinance should be more inclusive and should take into consideration informal financial arrangements such as moneylenders and financial support from relatives who constitute an important source of funding for the poor”. This notion would support the understanding that the ideology of microfinance would be used as stated by (CGAP, 2011:1) “a powerful tool to fight poverty that can help poor people to; raise income, build their assets and cushion themselves against external shocks”.

Therefore we can define microfinance as a tool that allows the poor, from anywhere in the economy access to services, such as credit facilities, micro-savings and insurance. The primary aim of this initiative can be considered to eradicate poverty especially in developing countries (Haynes, Seawright, Giauque, 2000). However, other researchers like Chemin (2008); Littlefield, Murdoch, and Hashemi (2003); Simanowitz and Brody (2004) argue that “microfinance does not aim at just providing services, it is a development tool that should be perceived as an important role in the achievement of the Millennium Development Goals (MDGs)” which are regarded as a significant poverty reduction tool in developing countries like Swaziland.

Therefore based on the various definitions of Micro finance, Collins (2009) attested that Micro-Finance can be defined:

“As a development tool that grants or provides financial services and products such as very small loans, savings, micro-leasing, micro-insurance and money transfer to assist the very or exceptionally poor in expanding or establishing their businesses. It is mostly used in developing economies where SMEs do not have access to other sources of financial assistance”.

2.2 ROLE OF MICRO-FINANCE

2.1.1 MICROFINANCE IN AIDING ENTERPRISE DEVELOPMENT

Siebel, (2007) states that *“Microfinance is that part of the financial sector which comprises of formal and informal financial institutions, small and large, that provide small-scale financial services in theory to all segments of the rural and urban population, in practice however mostly to the lower segment of the population”*. But (Jegatheesan, Ganesh, and Kumar S, 2011) argue that *“If microfinance has a sustainable impact on poverty eradication, then it must level up, into starting a private sector of entrepreneurs who function in a formal economy. It can support inventiveness for direct supply and market linkages to small and medium businesses that target entrepreneurs in non-traditional, low volume but high value added products in potential role growth areas of the economy”*.

It's not just defining entrepreneurship as a poverty alleviation tool which helps the economy grow, the (United Nations report, Swaziland 2012), defines it clearly as productive entrepreneurship which is “a job creation tool” that uses “technology adoption and innovation” to advance its cause as well “as poverty alleviation”. Ojah and Mokoteli (2010) point that the advantages of entrepreneurship are that it is largely community-based and thus aids job creation in the community, but mention that the challenge in South Africa is securing financing to start, and/or actualize business ventures. While Ojah and Mokoteli (2010) looked at how South Africa would address microfinance shortfalls in aiding enterprise development. Olu Ojo (2009) tackled the *“question of whether microfinance improves or worsens entrepreneurial development, to which he concluded that the major contribution of microfinance institutions to the developing economy like that of Nigeria is its role in promoting entrepreneurship development in the nation”*. There seems to be little coverage of such questions outside of South Africa in the sub-Saharan region, whilst globally it has been covered extensively.

2.1.2 MICROFINANCE IN SWAZILAND

The government of Swaziland has implemented various policies and programs to help it eradicate poverty, high unemployment, and stimulate growth. These include the establishment of the Micro-Finance Unit in September 2010 by the Ministry of Finance, whose objectives according to (Finscope Swaziland, 2011) is:

“To facilitate the development and sustainability of the microfinance sector in the country. The objectives of the unit are to facilitate the provision of efficient and effective financial services on a sustainable basis: the development of an enabling and enhanced environment for business development in rural areas; the establishment of micro and small scale enterprises as well as business services in rural areas”.

The establishment of Micro-finance institutions has not necessarily been a new development, as the government of Swaziland established the Enterprise development fund in 1995, to foster enterprise growth through the provisions of loans to small & medium scale business. The fund grew to be a fully-fledged private microfinance institution, FINCORP. The Youth Enterprise Fund established in 2009, aimed at “the reduction of youth unemployment through the provision of business capital for qualifying individuals, associations, and companies” (“about-yef.co.sz” www.yef.co.sz). Outside of government initiated schemes, the industry is dominated by small money lenders (shylocks), savings and co-operatives unions, and NGO's. The success of privately founded microfinance institutions has been minimal except Select Management Swaziland, who only caters to salaried employees and not business loans.

2.3 ENTREPRENEURSHIP

Gartner (1988) defines “Entrepreneurship as the creation of organizations. What differentiates entrepreneurs from non-entrepreneurs is that entrepreneurs create organizations, while non-entrepreneurs do not”. This is one of the most simplistic

definitions, but while Gartner (1988) boldly defined entrepreneurship as creation, his conclusion that “the entrepreneur is not a fixed state of existence, rather entrepreneurship is the role that individuals undertake to create the organization” fully opens up his definition.

Ozigbo (2014) says that “entrepreneurship can be viewed as the formation of a new firm that uses innovation to enter existing markets” (or to create new ones) and “grow by making the new demand while taking market share away from existing suppliers” Stefanovic, Rankoovic, and Prokic, (2011). On the other hand, Collins, Hanges & Locke (2004) define “an entrepreneur is someone who independently owns and actively manages a small business”. An entrepreneur is someone who introduces new ideas and improves enterprise growth. Dragan, Gruevski, & Symorg, (2012) also focuses on sizing the entrepreneurial resource for those who represent certain example of successful individuals who manage, through determining the levels of their inventive - creative and confidence dimension, as well as the attitude towards risk, taking and acceptance of change.

(Lahimer N. et al., 2013), Further differentiates entrepreneurship into two (i) necessity entrepreneurship and (ii) opportunity entrepreneurship, where necessity entrepreneurship provides resources for, survival and subsistence production. While opportunity entrepreneurship focuses on market needs and gaps, which can be exploited to produce financial gains. While The Global Entrepreneurship Monitor (GEM) of 2012, GEM is instrumental in the contribution to the recognition of “longitudinal studies and comprehensive analyzes of entrepreneurial attitudes and activity across the globe” and assesses the entrepreneurial as:

- *“Potential entrepreneurs – those who see opportunities in their environments, have the capabilities to start businesses and are undeterred by fear of failure.*
- *Intentional entrepreneurs – those who intend to start in the future (in the next three years).*

- *Nascent entrepreneurs – those who have taken steps to start a new business, but have not yet paid salaries or wages for more than three months.*
- *New entrepreneurs – those who are running new enterprises that have been in operation between three and 42 months and are paying salaries.*
- *Established business owners – those who are running a mature business and have been operating or more than 42 months.*
- *Discontinued entrepreneurs – those who, for whatever reason, have exited from running a business in the past year”.*

2.4 DEFINITION OF SME'S FOR CONTEXTUALIZING OF ENTREPRENEURSHIP DEVELOPMENT

It is important to define what is meant by entrepreneurship Ojah K., (2010), this will set a clear guideline for the paper. Leach & Melicher, (2010) describe “entrepreneurship as the process of changing ideas into commercial opportunities and creating value”.

(Stefanovic I. et al., 2011) say that “entrepreneurship is strongly linked to small and medium-sized enterprises (SMEs), the main developing force of the developed market economies (SMEs usually represent) the majority of all the enterprises and accordingly they are primary driving force of entrepreneurship development and economy” (Stefanović I. et al., 2011). Stefanović goes on to state that, “the Importance of Entrepreneurship and SMEs development for long-term economic growth is quite evident”. “For example, in European Union (EU-27), SMEs account for 99.8% of all enterprises, out of which the vast majority of firms are micro enterprises (they comprise 91.8% of all businesses)”, and SMEs provide jobs to 67.1% of all employees, Nyang'au P. (2014)

(Thurik et al., 2002), states that “entrepreneurship and small business are related

but not synonymous concepts”. They believe that entrepreneurship is a behavioral process that can happen on any firm large or small while small business are vehicles for entrepreneurship and can also be a means to an end. However, they acknowledge & state that “in today's world, both economists and policymakers increasingly see small businesses, particularly new ones, as a vehicle for entrepreneurship, contributing not only to employment and social and political stability but also to innovation and competition”.

In the context of Swaziland, The microfinance unit has defined entrepreneurship as the creation of business from an idea. The Ministry of Finance through its National Policy for SME's of 2003 defined entrepreneurship by Small, Medium, and Micro Enterprises. These are classified as follows by the Ministry of Enterprise and Development;

TABLE 1.1: SME CLASSIFICATION BY MINISTRY OF ENTERPRISE & DEVELOPMENT

| | Micro | Small | Medium |
|-----------------|---------------|-----------------------|--------------------------|
| Value of assets | under E50,000 | E50,001 to E2 million | E2 million to E5 million |
| Staff employed | 1 to 3 people | 4 to 10 people | 11 to 50 people |
| turnover | Up to E60,000 | Up to E3 million | Up to E8 million |

The study will adopt the National Policy for SME's as the definition of SME's.

2.5 CONSTRAINTS ON ENTREPRENEURSHIP IN SWAZILAND

“Numerous factors constrain entrepreneurship across developing countries. Besides well-studied access to credit for the established SMEs”, says (Brixiova z. et al. 2014) the “key for start-ups appears to be the regulatory framework and the business environment, the initial capital, and entrepreneurial skills”, as stated by Ncube M et al. (2014). The economic environment can also affect growth as the United Nations

Development Assistance Framework (UNDAF) 2010. Stated that Swaziland had inherent challenges:

- *Its a landlocked country.*
- Tough economic environment internally and externally, coupled with shaky trade agreements are threatening *Exports*.
- Swaziland with one of the highest infection rates of HIV and AIDS estimated at 1 of 3 people has affected the economy hampering by reducing the labor market.
- Slow implementation, and sometimes poor maintenance of infrastructure has also affected the country, making it difficult for businessesees to connect with each other easily or support communities in the outskirts of the country.

The working paper on the analysis of youth entrepreneurship in Swaziland, Ncube M et al. (2014), identified that the youth entrepreneurs viewed several issues as their primary constraints; The Lack of skills and finance as top barriers to start-up, lack of policies in promoting their economic interests including entrepreneurship, a weak business environment disproportioning youth because they lack experience & limited professional networks, and lack of information on business opportunities, including infrastructures such as incubators for youth business ideas.

Brooks C. "what is entrepreneurship" <http://www.businessnewsdaily.com> Jan 5, 2015 defined "entrepreneurship is the development of the business from the ground up, coming up with an idea and turning it into a profitable business". Entrepreneurship is thus the journey of business creation, how has Swaziland what are the challenges, constraints entrepreneurs have faced in business:

(i) **Access to Finance/Funding**

"Obtaining finance has been identified as a critical factor for SMEs to succeed in their objective to build productive capacity, to compete, to create jobs and to contribute to poverty alleviation in developing

countries” (United Nations paper, 2001). However, the stringent conditions and requirements to access finance for SMEs and start-ups make it possible to access finance. The National Policy on Development of SMEs 2003, states that “as in most countries SMEs find it difficult to secure funding for their businesses. The lack of collateral and security consistently disqualifies SMEs from the criteria set by financial institutions”. Hlatshwako P. (2012) identified that “36% of entrepreneurs in the Manzini region felt that there was a lack of access to financial resources to either start or develop their businesses. They highlighted that financial institutions were not willing to help them, citing that they are high-risk business & lack collateral that banks would normally require before giving loans”.

According to Magagula P (2002), “73% of SMEs reported that availability of reasonably priced finance was a problematic factor to the development of their businesses”. More than 60 percent of their start-up capital had come from their funds, and some reported that they had, at some stage of their business life, attempted to secure a loan from a financial institution, but the loan had not been granted. However, she states that in Swaziland the problem of finance and credit relate more to access than availability. An assessment of the liquidity ratios for the various financial institutions indicates that in reality there is no shortage of loanable funds in the country, as evidenced by their excess liquidity status. In fact over the post-independence period the country has maintained a consistent flow of loanable funds. It seems banks in Swaziland find it more profitable and less risky to take deposits locally and then deposit the funds in South Africa where, because of the interest rate differential between the two countries, they earn spread. She concluded that it seems that risk aversion by banks is a major factor in the lack of credit for SMEs in Swaziland. Banks refuse credit to SMEs largely because they perceive them as unprofitable and risky.

(ii) Poor management and accounting practices

According to Duvendack (2011) “poor management and accounting practices hamper the ability of smaller enterprises to raise finance, coupled with the fact that small businesses are mostly owned by individuals whose personal lifestyle may have far-reaching effects on the operations and sustainability of such businesses”. As a consequence of the ownership structure, “some of these enterprises are unstable and may not guarantee returns in the long run” (Hansen et al., 2012).

“Along with the poor management in accounting practices, most SMEs lack the capacity in terms of qualified personnel to manage their activities; as a result, they are unable to publish the same quality of financial information as those big firms and as such are not able to provide audited financial statement, which is one of the essential requirements in accessing credit from the financial institution” according to (Hansen et al., 2012; Karlan, 2010).

“Financial management was found to be the key skill lacking for some of the respondents, in challenges facing SMEs in the Manzini region” study by Hlatshwako P., (2012). This finding and that of a lack of management training business owners would not have the required skills to run successful businesses. According to McPherson M. & Fisseha Y. 1991 this “led to 10% demise of enterprises who could not sufficiently manage their credit processes”. Hlatshwako P. (2012) continues to identify this as “Lack of entrepreneurial culture among business owners. Most owner managers treat the business as a personal project thus they use the proceeds anyhow they wish”

(iii) Lack of collateral

“The other factor that hinders SMEs to obtain financial assistance for business expansion is that of lack of collateral. In the case of debt financing, lenders typically request collateral to mitigate the risks associated with the ‘moral hazard.’ The lack of collateral is probably the most widely cited obstacle encountered by SME in accessing finance” (Hansen et al., 2012). In Swaziland this is worsened by the fact that 70% of land is held in trust for the King, an individual cannot have legal right over, making asset to risk calculation more important and frequent.

Kondo (2008) states that in most cases, “The enterprise may be unable to provide sufficient collateral because it is too new because it is not firmly enough established. That problem is closely related to the ‘higher risk’ argument presented above. In some cases, the lender may deem the collateral insufficient (given the size) of the loan requested. In other words, the proposed expansion project may be too large in comparison with the current size of the firm”.

Again, according to (Hansen et al., 2012)

“This is an issue related to the ‘higher risk’ argument presented above. In other cases, the collateral may be insufficient simply because the managers-owners tend to siphon off resources from the company for personal or other purposes. Again, this is closely related to the risk profile and the moral hazard issues. Lack of collateral can be viewed more as a symptom than as a direct cause of the difficult relations between SME and providers of finance. Whatever the sequence of causes and effects, it is widely acknowledged that in developing countries the issue of collateral is comparatively much more severe”.

(Beck and Demirgüç-Kunt, 2006; Hansen et al., 2012) “The undeveloped state of institutional and legal frameworks prevents the possibility of

pledging the owned assets as collaterals. Indicate those entrepreneurs living in deprived areas perceive themselves to be disadvantaged in obtaining bank finance because of a lack of collateral, arising from low property values or a dependence on rented living accommodation, and lack of personal savings thus this limited access to finance always makes them not perform properly when it comes to implementing organizational activities”.

In Swaziland, the land tenure system, with limited title deed land, also contributes to the constraint to collateral and consequently access to credit. This constraint relates mainly to businesses located on Swazi Nation Land (which covers a great part of the country's land area); wherein there is no individual security of tenure. Consequently, SMEs located on SNL cannot use it as collateral when applying for credit. Moreover, because businesses located on SNL do not hold a title deed to the land, banks may not accept as collateral houses or other structures erected on it. The land ownership system on SNL has been regarded as one of the major drawbacks in stimulating private sector development, particularly small-scale commercial agriculture. Magagula P. 2002

(iv) Lack of managerial competence/management training

More to this, Martin & Staines (2008) “examined the importance of management competence in small firm success; They found that lack of managerial experience, skills, and personal qualities as well as other factors such as adverse economic conditions, poorly thought out business plans, and resource starvation is the main reasons why new firms fail to obtain financial assistance”. “The distinguishing feature of high growth and low growth small firms is the education, training, and experience of managers” Vinod & Uma (2010).

In support of the given notion, Musoke (2007) argues that “competencies are more important than just knowledge and skills for the successful performance of complex tasks with a high level of responsibility”. Musoke (2007) adds “that as far as knowledge and skills are concerned, many people are equal as can be seen from Degrees, Diplomas and certificates and work experience and work results. Therefore, it is the employee's effort, enthusiasm, motivation and the underlying self-image that distinguishes the successful employee from the unsuccessful one”. Vinod & Uma (2010) “SMEs need competent managers who do not simply respond to change but proactively recognize when change is necessary, understand the change management process, and foster an environment of promptness, learning, and strategic anticipation”.

Well trained managers, as stated by (Vinod & Uma, 2010) “are able to assess the change power of endurance, prepare for resistance, gain support for change, involve people in decisions that affect them, provide clarity about behavioral expectations, create opportunities to practice new skills, use the feedback process to monitor implementation, reward and reinforce both progress and success, and align systems to support the new and desired behaviors”.

The National Policy on the Development of SMEs in Swaziland 2003, highlighted that, “poor management due to lack of business management and entrepreneurial skills and other factors necessary for the effective administration of a successful business. SMEs frequently have excellent products or services, yet lack the marketing and sales skills to generate adequate revenue over time”.

(v) High-interest rates

The other factor to consider as a possible cause of failure is the high-

interest rates which are demanded by the money borrowers. The higher the interest rate, the more expensive it becomes to start up a business or to run it in general. SMEs balk at high-interest rates, but this reflects issues on the demand side as well as the supply side. Interest rates are consistently cited as a top barrier to SME borrowing, as high-interest rates mean that only the most profitable SME investments will justify a loan. Banks may overestimate the riskiness of the SME market, but in many cases, the pricing of loans by banks appears rational given expected inflation and high historical default rates.

The problem of high-interest rates is exacerbated when SMEs do not have the skills required to make project finance decisions, including the ability to weigh the potential return on investment against the cost of capital. Furthermore, SMEs share some of the same conservatism and risk aversion typically associated with banks: because of the historical volatility of the economies in these countries, many SMEs are reluctant to commit to longer-term loans at high-interest rates even if the investments themselves appear sound.

Magagula P. 2002 identified that “one of the challenges for exporting SMEs in Swaziland are "High-interest rates and high transactions costs that make the cost of borrowing too high”. Some managers mentioned high-interest rates as one of the challenges to the smooth operations of their businesses. High-interest rates increase the cost of borrowing, thus making credit unaffordable to small firms. Problems of finance and credit force SMEs to opt for less than optimal solutions to their problems, like using informal lenders, or buying in smaller than reasonable quantities, therefore, losing-out on volume and payments discounts. According to McPherson M. & Fisseha Y. (1991) “18% of SMEs at start-up, 29% at growth & 11% of mature SMEs are affected by high-interest rates which have led to bad debts in Swaziland”

(vi) Access to markets

According to Hlatshwako P. (2012) "SMEs usually find it difficult to secure markets for their products. In the rare instances that markets are secured, issues of timely supply and poor quality of the goods or services result in a lack of confidence from the intended market". The study on the effectiveness of assistance programs for SMEs in Swaziland by Hlatshwako P. (2012) identified;

"That 8% of SMEs had a lack of markets for the product, some respondents highlighted that there is a severe lack of markets for their products. Because Swaziland is a small country, hence the industries quickly get saturated. Another contributing factor is the lack of barriers to entry. For instance, anyone who wants to start a salon can easily do so even if there are already a lot of salons in that particular area".

According to McPherson M. & Fisseha Y. (1991) "About 21 percent of their respondents cited market difficulties, such as demand shortfalls, as the primary culprit/reasons enterprises closed". In their nationwide study of SMEs in Swaziland, Hlatshwako P. (2012) concluded that "lack of product demand seemed to be the main problem, with 24.5% of start-ups, and 27.6% of mature SMEs affected. Probably due to keen competition within the small scale enterprises sector. Although the survey did not address the issue, it seems likely that competition from South African imports contributes to this".

Magagula P. (2012) noted that "Marketing is one of the critical factors in the growth and development of SMEs." SMEs viewed issues relating to marketing and markets as a problem. About 57 percent of the people surveyed had issues with market accessibility. Also, finding suitable distributors was on the balance more of a problem than a helpful factor. Some service providers indicated that one of the daunting challenges

facing SMEs in the country was finding markets for their products. Most SMEs start producing without carrying out a thorough market research for their products. As a result, they often get stuck with their products. According to some service providers, sometimes the piling up of stock is not because of insufficient demand, but because of poor connections between suppliers and demanders - often attributed to a lack of advertising and poor information flow. Owing to the resource constraint facing many SMEs, most are unable to engage in meaningful market research and or advertising. Announcements over the local radio are the most affordable mode of advertising. Besides that, many try to participate in the domestic trade fair, held annually for two weeks in September. Consequently, some service providers noted that partly as an indication of the difficulties SMEs face and the importance attached to marketing, popular requests for assistance by SMEs pertain to locating markets and marketing activities.

(vii) High dependency on external suppliers

Importation of goods and services, especially from South Africa (Swaziland imports about 70% from South Africa), incurs more costs for SMEs as they inherit South Africa's inflation & transportation costs, and most importantly these factors are outside of their control. According to McPherson & Fisseha (1991) "unavailability of raw materials was a major issue for 9.2% start-ups and 9.3% of mature SMEs".

In general, concerning inputs, cost issues seem to raise more concerns among SMEs than issues of availability. Although most inputs are not available locally, Swaziland's location, next to a relatively developed economy, South Africa, seems to have helped with the sourcing of many inputs. Another challenge cited by SMEs was fluctuations in inflation rates. In the last two decades inflation rates in Swaziland have fluctuated

considerably, ranging as low as 6.4 percent to a high of 20 percent. To a large extent the variations in inflation rates in Swaziland are determined by developments in the South African economy owing to the close integration of the two economies. Inflation impinges on the activities of SMEs in various ways. Of primary concern was its impact on the prices of raw materials. "Due to increases in inflation, the prices of some raw materials increased thus pushing up the overall costs of production". Magagula P. (2002).

(viii) Government Rules and Regulations and Policies

Surprisingly according to the study that was undertaken by Magagula P. (2002), "On the balance SMEs view most of the government-controlled factors as causing problems than assistance to their operations. For example, factors like tax concessions, general business regulations, tariffs, unfair competition, the legal system, and corruption among government officials were reported to be problematic to the operations SMEs. About 69 percent of the respondents indicated that government business advisory services were a problem.

On government-related factors, SMEs seem to suggest that there is some discontent with the quality of services offered by the government officials and, some of the rules and regulations are not of assistance to the business operations of firms. A view held by both SMEs and service providers is that the Government has for a long time been more interested in providing incentives to large foreign investors than encouraging small and local investors".

These constraints or challenges facing entrepreneurs are non-exhaustive, as other factors such as; high competition, lack of managers' confidence, various working papers have also identified high risk of failure and lack of innovation.

2.6 MICRO-FINANCE INSTITUTIONS & THEIR DEVELOPMENT IN SWAZILAND

Aftab M & Naveed A. 2013 purported that;

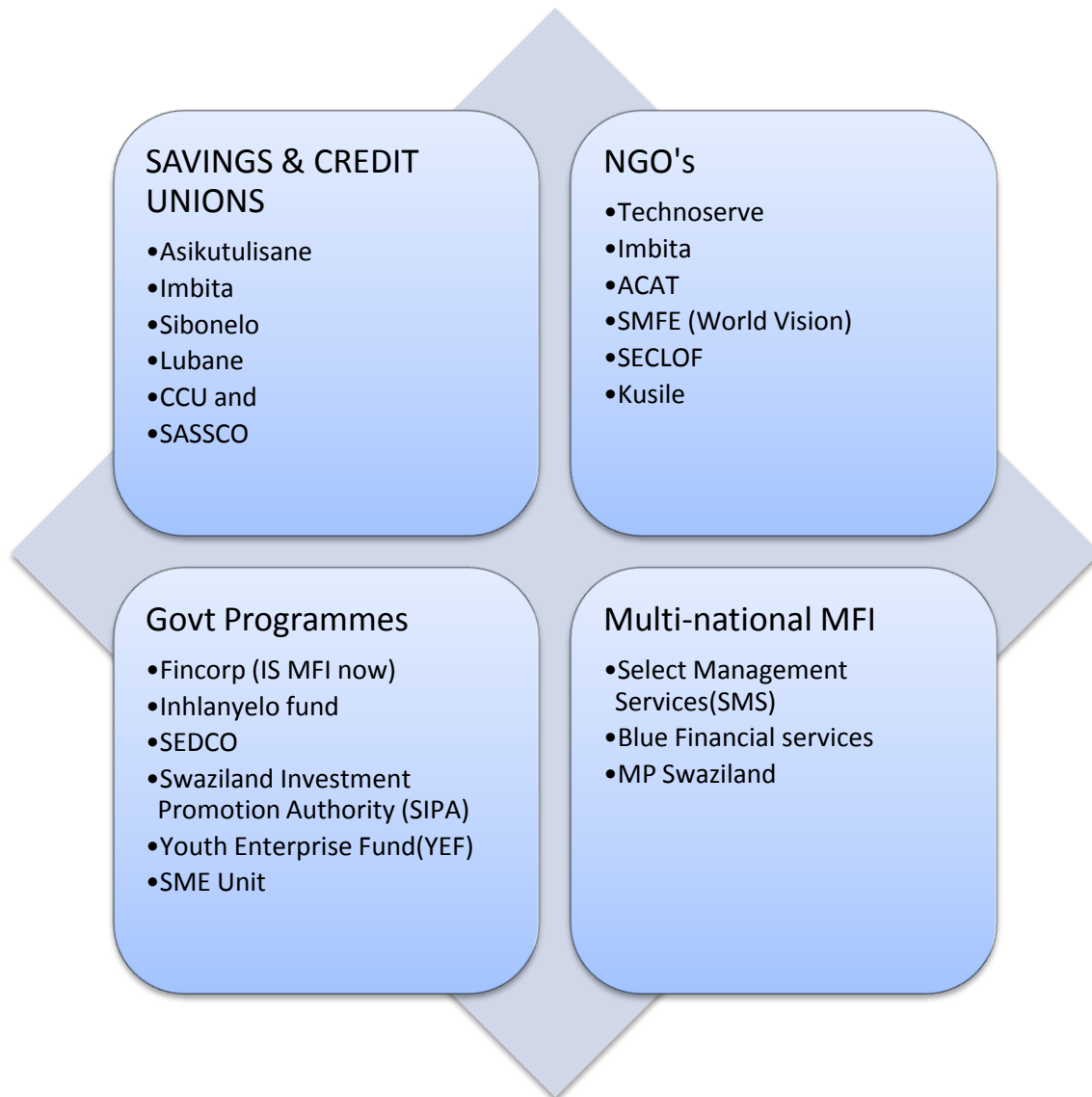
“Microfinance has three types of sources:

- 1. Formal institutions such as; Rural banks and co-operatives,*
- 2. Semi-formal institutions such as non-governmental organizations(NGOs),
and*
- 3. Informal institutions such as moneylenders and shopkeepers”.*

What's important is, do all these types of MFI cater to the SME's, is there a progression of or particular types of MFI cater to the Swazi SME.

The growth of microfinance institution in Swaziland has largely been endogenous, driven by necessity. The first documented institutions were credit cooperatives that ran savings schemes which began by borrowing users for consumption use, eventually expanding to cater for working capital support amongst their members. Asikutulisane, which was established in 1976, is such a co-operative. The next transition was government & Non-Governmental Organizations(NGOs) taking the opportunity to establish agencies that would assist the entrepreneur from ground level (seed funding, training, and promotion) to fully fledged SME's, this has been the most successful as the largest MFI in Swaziland, FINCORP which was established as fund in 1995, came from this initiative. The last is we have seen formal, and mostly multi-national MFIs come into the market. However these have purely targeted consumption and don't cater for SMEs, by providing (Finmark Trust, 2003), “loans to employed people, and only a few provide loans to self-employed individuals”.

TABLE 2.1: A SYNOPSIS OF MFIS IN SWAZILAND



Source: Mawocha T. 2009

2.6.1 THE HISTORICAL REVIEW OF MFIS IN SWAZILAND

The section will not try to uncover when Micro-Finance Institutions started in Swaziland, as that analysis can be muddled by the existence of informal lending institutions called shylocks.

PRE-1980S: THE FOUNDATION

The foundation has three very significant events, the creation of Tibiyo TakaNgwane, a national empowerment organization that has invested in the creation of major MFIs. The establishment of Cooperative unions, which have governed over the very first form of Microfinance people identified with, and the creation of The Small Enterprise Development Company (SEDCO) a pillar in supporting and providing technical assistance to SME's:

- (i) ***Tibiyo TakaNgwane*** – as taken from (<https://en.wikipedia.org>), “was formed by King Sobhuza II at independence in 1968 by Royal Charter to promote and encourage peace and stability, to preserve culture and tradition and to promote a high standard of living for the Swazi Nation through the provision of employment”. The organization is not an MFI in itself but has had a contribution in the creation of some in the form of funding.
- (ii) ***Co-operative Unions*** - The history of savings and credit cooperatives in Swaziland dates back to the 1960s when they were established, although their existence was short-lived, as most of them became dormant because much focus was on farmers' cooperatives (Mavimbela, Masuku, and Belete, 2010). There are two main associations for Cooperatives in Swaziland, which are: "Central Cooperatives Union (CCU)" and "Swaziland Association of Savings and Credit Societies (SASCCO)" as of March 2003, this association (the latter) had a total of 24 000 members from 35 different cooperatives. It was not until April 2002 when the activities of SASCCOs accounted for 1.4% of GDP in savings and 1.2% in loans (Fadiran. 2005).
- (iii) ***Small Enterprise Development Company (SEDCO)*** – as taken from Hlatshwako P. (2012) is “A public company which was created by the government in 1970 with the sole purpose of supporting and promoting the small business sector in Swaziland”.

“Its mandate is to ensure the promotion and development of SME's.

Done by facilitating the creation of a supportive and cooperative environment that will enhance the performance of SMEs” (SEDCO, 2012).

“Even though this organization does not, in essence, provide financial assistance to SMEs, it has played a very vital role in providing training which if considered very well is a sort of assurance of the financial aid achieving its purpose” (Fadiran, 2005)

1980 TO 1989: TRANSITION PERIOD

- (iv) ***Co-operative Union legalization*** - SASCCO was registered as a secondary cooperative by the Cooperative Societies Act of 1964 Hlatshwako C. (2010), to consolidate the sector. Because as from 1977, the volume of credit increased and the number of accounts expanded tremendously without a fully implemented system, a clear credit policy, adherence to existing rules, a monitoring and controlling force and the necessary managerial skills in primary societies. “The consequence was that the cooperative movement was heavily indebted to farm suppliers to the extent that its entire future was jeopardized” Hlatshwako C. (2010).
- (v) ***Asikhutulisane Savings & Credit Cooperative Society*** – was started in May 1983 by a group of eleven people. At the end of August 1989, it had membership of 2200 from all over the country and deposits of E843 930. (Mmaphefo A. 1989). It started off as a social club lending out personal loans and adopted SME lending when it partnered with USAID which assisted them with funding.
- (vi) ***Swaziland Industrial Development Company (SIDC)*** – was created in 1987 as a partnership between it, the state, Swazi and international banks. Was established for the promotion of industrial development of already established companies. “It diversified its operations into the facilitating of SME’s in understanding & joint ventures with foreign investors” (Fadiran 2005).

1990 TO 1999: THE GOLDEN AGE

From 1990 to 2010, this period has had the most activity in regards to Microfinance establishment and growth.

- (vii) ***Woman's Finance Trust (IMBITA)*** – created in 1991 aiming to tackle the lack of access to financial services for women. Its initial capital was funded by the formerly known "Development and Savings Bank" it also received donations from Dutch donor organizations. In its operations, it operates both savings and lending schemes. The organization works in such a way that loans are only available to those who have some savings with the institution, such that the individuals savings acts as the collateral for the loan being given and an individual is only entitled to five times the amount of savings it has with the organization. Thus, savings is necessary for a loan to be obtained(Fadiran, 2005)
- (viii) ***Central bank Swaziland – Small scale enterprise loan guarantee scheme;*** Established 1991 initial investment of 4 million emalangeni, to support enhanced access to credit for indigenous Swazi citizens. Encourage banks to provide finance to nominally “un-creditworthy” borrowers through the theoretical reduction of their financial risk.
- (ix) ***Swaziland Development Finance Co-operation (FINCORP)*** – perhaps the largest MFI in size. FINCORP was launched in 1995 as The Enterprise Trust Fund, through Tibiyo TakaNgwane, who provided initial funding of 44 million Emalangeni. Its prime objective according to(Mawocha T. 2009) “Was that of stimulating job creation through the provision of financial and allied services to Swazi Entrepreneurs, and also promoting the establishment and growth of existing Swazi- owned businesses”.
- (x) ***Tinkundla empowerment fund (SIPA)*** – Established 1998 SIPA as defined by Hlatshwako C. (2010) “is a Public Enterprise whose mandate is to: “Promote, coordinate and facilitate foreign direct and local investment in Swaziland, with the objective of creating the wealth necessary to enhance the Social and Economic Development of the

Kingdom and its people”.

- (xi) **Select Management Services (SMS)** – started operating in Swaziland since 1999. The multi-national MFI focuses on the issuance of retail unsecured, incremental housing microfinance, education loans, and consumer finance to the non or under-banked market. Select Africa currently operates in four countries, namely Kenya, Malawi, Swaziland, Lesotho and has administrative and support hubs in Mauritius and South Africa.

2000 TO 2010 CONSOLIDATION PERIOD

The term consolidation might perpetuate this to mean an economic cycle period of consolidation while this is merely describing the action of the industry. We have seen Government come back to intervene and try to bring in sense, the Government of Swaziland, created the:

- (i) **The Small and Medium Enterprise (SME) Unit** – “was established as a department of the Ministry of Enterprise and Employment in 2001 to unify and coordinate the functions of a majority of the organizations mentioned above”. (report of the Ministry of Enterprise and Employment for 2002/2003) “The unit also facilitates the free flow of SMEs daily businesses, enhances working relations among them and strategizes their business environment”.
- (ii) **Informal providers.** As defined on the (MAP Synthesis Report, 2014) “The primary informal organizations offering financial services are savings groups, including Accumulating Savings and Credit Associations (ASCAs) and Rotating Savings and Credit Associations (ROSCAs), and informal moneylenders called shylocks in Swaziland. Savings groups accept deposits, and many also offer credit to both members and non-members. Also, burial societies provide community-based risk pooling. They reach a limited number of people. Lastly, minibus taxis provide

informal remittance services. This channel is once again not widely used” (MAP Synthesis Report, 2014).

The growth of the MFI in Swaziland has been steady, and, as shown above, progressive. The question is has this lead to the desired effect, has this seen a growth in entrepreneurs, has this lead to economic development.

2.7 EMPIRICAL REVIEW

There have been numerous studies on the role microfinance institutions have towards poverty reduction, increasing household income, building enterprises, and economic growth. As Rooyen C. et al. (2012) described, “Microfinance is one of the largest development programs worldwide, both in financial terms and in relation to the number of poor people targeted. The development industry, and in particular government agencies, are calling for greater evidence and a focus on "what works". There is, therefore, an urgent need to collate and review the available evidence of the impacts of major development programs”.

However the level and depth of studies related to the impact of microfinance have been very limited, as noted by Rooyen C. et al. (2012). “That the majority of microfinance and of the related evaluations still emanate from Asia where the microfinance movement originated”. This is even more evident for Swaziland, where the studies are limited to SME credit or growth.

Several studies have been briefly reviewed in order to understand the impact of Microfinance programs in the Sub-Saharan Region.

2.7.1 BARNES AND KEOGH’S ASSESSMENT OF THE IMPACT OF ZAMBUKO’S MICROENTERPRISE PROGRAM IN ZIMBABWE

The study reviews Zambuko Trust which has the largest clientele of any microenterprise program in Zimbabwe. The study reviews if the

institution/program has led to improvements in the economic welfare of households, enterprise growth or stability, increased empowerment of women, and strengthened social networks.

A total of 691 micro-entrepreneurs were interviewed over a period of two years. A baseline survey was conducted in 1997 and follow-up survey interviews done in 1998 and 1999.

On enterprise growth, diversification or stability, the study concluded that Zambuko clients were better able than other micro entrepreneurs to weather adverse conditions in the context which they operate. On empowerment of women and strengthened social networks, the survey results showed that almost all female respondents reported that people in their household respected them, they felt well positioned to face the future, and had plans for preparing for the future such as buying house or land, education or business growth.

2.7.2 Creevey, Ndour, & Thiam's Evaluation of the Impacts of PRIDE/VITA: (The Guinea Rural Enterprise Development Project)

Creevey L. Ndour K. & Thiam A. (1995) evaluates the impact of the Guinea Rural Enterprise Project (GREDP), which is known as PRIDE. Two elements of the program were considered; the first subject of evaluation is the impact on the participants of the micro credit project, and the second aspect of the study is the impact of the entrepreneur development workshop.

The survey was administered to 99 respondents, 64% of the respondents were women and the rest were men. One-third of these came respectively from each of the three regions in Guinea; Kindia, Mamou, and Kankan.

The survey concluded that receiving a loan from PRIDE did have an impact that translated into improved revenue for the enterprise, for the individual and for that

individual family. The respondents also lauded the program; most felt the experience had significantly improved their performance and understanding of their enterprise.

2.7.3 Christopher Idowu's study on the Impact of Microfinance on Small and Medium-Sized Enterprises in Nigeria

Christopher, I. F. (2008). Studied the impact of Microfinance on Small and Medium-Sized Enterprises in Nigeria. The objective of the study was to assess the impact of Microfinance on Small and Medium Enterprises (SMEs) in Nigeria. A simple random sampling technique was employed in selecting the 100 SMEs that constituted the sample size of the research.

The findings of the study reveal that significant number of the SMEs benefitted from the MFIs loans even though only few of them were capable enough to secure the required amount needed. Interestingly, majority of the SMEs acknowledge positive contributions of MFIs loans towards promoting their market share, product innovation achieving market excellence and the overall economic company competitive advantage. Other than tax incentives and financial supports, it is recommended that Government should try to provide sufficient infrastructural facilities such as electricity, good road network and training institutions to support SMEs in Nigeria.

2.7.4 Stewart, Van Rooyen, and De Wet's study of The Impact of Microfinance in Sub-Saharan Africa: A Systematic Review of the Evidence

Van Rooyen, C., Stewart, R., & De Wet, T. (2012). Study the impact of microfinance in sub-Saharan Africa: through a systematic review of the evidence. They systematically reviewed the evidence of the impacts of micro-credit and micro-savings on poor people in sub-Saharan Africa. They considered impacts on income, savings, expenditure, and the accumulation of assets, as well as non-financial outcomes including health, nutrition, food security, education, child labor, women's empowerment, housing, job creation, and social cohesion.

First they found a large pool of evidence about the impacts of micro-credit and micro-savings in sub-Saharan Africa than they had anticipated. Their search resulted in over 6000 hits, which were then scanned for relevance and narrowed down to 383 “probably relevant” reports. Reading the full texts of these enabled them to identify 69 relevant impact evaluations. They excluded those which did not have a comparison group (34 evaluations), lacked details which were judged essential for the findings to be useful (14 evaluations), or lacked methodological rigor (8 evaluations), leaving them with 15 studies for inclusion in the review. These 15 were, therefore, the “available” reliable and relevant evidence on the impact of micro-savings and micro-credit in sub-Saharan Africa. They included evaluations of programs in Ethiopia, Ghana, Kenya, Madagascar, Malawi, Rwanda, South Africa, Tanzania (Zanzibar), Uganda, and Zimbabwe. Of these 11 were studies of micro-credit, two of combined micro-credit and micro-savings interventions, and two of micro-savings alone.

Their review found that microfinance is doing harm as well as good to the poor people it purports to help. The evidence from sub-Saharan Africa suggested that micro-credit has both positive and negative impacts on the incomes of poor people, while a micro-savings intervention by itself appears to have no impact. Both micro-credit and micro-savings have positive impacts on the levels of poor people’s savings while they also both increase clients’ expenditure and their accumulation of assets. Taken together, these findings suggest that micro-savings should not be promoted as a means to reduce poverty; micro-credit on the other hand could be, but because of the potential for harm, should not be, promoted as a solution for the poorest clients.

Their findings continued to find that both micro-credit and micro-savings had a generally positive impact on the health of poor people, and on their food security and nutrition, although the effect on the latter as not observed across the board. In contrast, the evidence on the impact of micro-credit and micro-savings on education

was varied with limited evidence for positive effects and considerable evidence that micro-credit may be doing harm, negatively impacting on the education of clients' children. Having said this, micro-credit did not appear to increase child labor. They found some evidence that micro-credit's empowering is not consistent across the reviewed studies. Both micro-credit and micro-savings had a positive impact on clients' housing. However, there was little evidence that micro-credit has any impact on job creation, and no studies measured social cohesion. Microfinance should therefore not be promoted as a means to achieve these longer term non-financial outcomes directly, but only when, and if, financial improvements are first achieved.

Microfinance may also have increasingly negative impacts over time with recurring clients' businesses becoming less successful and levels of health and education decreasing the longer individuals remained in the microfinance program. This could have also been a symptom of the types of people who remain within the scheme — i.e., those with a continuing need for loans but the evidence available to the study was insufficient to establish a clear causal relationship.

Based on the findings of their systematic review they recommended that policy makers ensure greater requirements for rigorous evaluation of pilot programmes before roll-out to larger populations to minimize the risks of doing harm. They also advised against the promotion of microfinance as a means to achieve the Millennium Development Goals — outcomes such as increased primary school enrollment do not increase micro-credit clients' ability to repay their loans and the diversion of finances to such long-term goals may lead to acute debt and increased poverty.

They also recommended that practitioners adopt a more cautious approach to offering clients continuing loans, as the longer people are engaged in microfinance schemes, the greater the potential for harm. They also purported that Microfinance institutions should also share a responsibility to avoid contributing to the rhetoric of the success of microfinance and instead encourage decision-making based on rigorous evidence.

CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY

3.1 INTRODUCTION

This chapter assesses and presents the research methodology used to uncover or assists us analyze “The role of microfinance institutions on entrepreneurship development-The Case of Swaziland”. The chapter presents the research methodology under the following subsections; the research design, target population, sampling procedure and sample size, research instruments, validity and reliability, data analysis procedures and ethical considerations.

3.2 RESEARCH DESIGN AND APPROACH

This study will use a mixed method of evaluation. Parallel data gathering; qualitative and quantitative data will be conducted at the same time. (Curry, 2010:56) “Qualitative research is a form of social inquiry that focuses on the way people interpret and make sense of their experiences and the world in which they live”. Additionally, Cole (2006:26) argues that “qualitative researchers are more concerned about uncovering knowledge about how people feel and think in the circumstances in which they find themselves than making judgments about whether those thoughts and feelings are valid”. The (Encyclopedia.com 2008) defines “Quantitative research is based on traditional scientific methods, which generates numerical data and usually seeks to establish causal relationships between two or more variables, using statistical methods to test the strength and significance of the relationships”.

Primary data was collected in the form of surveys of clients of identified MFIs Swaziland. Secondly, structured interviews were held with the two primary players in the MFI industry to determine the effect of microfinance programs on entrepreneurs, the information of which was used to validate the responses given

by the surveyed individuals. We then performed a quantitative analysis of aggregated microfinance data against factors that show entrepreneurial activity in the economy.

3.3 RESEARCH TARGET AND POPULATION

The focus group (target population) for the study was microfinance institutions and small and medium enterprises within the Mbabane-Manzini corridor. Mbabane is the capital of Swaziland and has Swaziland's biggest urbanized population. Manzini is the economic hub and has the largest population of all the cities and towns in the country. The country's primary industrial site Matsapha and tourism hub, Ezulwini are all located within the corridor. Except for the agricultural sector, all the other primary sectors and industries are headquartered within the corridor, the major banks, and most MFIs are as well. The distance between the two towns is 40kms, with an estimated population of 330,000 against a total population of one million (Upgrading of low-income settlements country assessment report Swaziland, The World Bank, January 2002). With well-supported infrastructure like; access to electricity, roads (highway) and telecommunications network, makes the corridor very conducive for entrepreneurial growth, and convenient for research study purposes.

3.4 SAMPLING DESIGN AND SAMPLE SIZE

Due to the nature of the study, two sampling methods were utilized; Purposive random sampling when to identify the MFIs to be included, and Simple Random sampling to identify SME's within the chosen locations.

Purposive-random sampling will be used in this study because, the aim is to target a particular objective which might not be covered by the extensiveness of the study but rather the quality, maximizing the amount of information relevant to the study.

Strydom and Delport, (2011: 16) “Purposive sampling is when the researcher purposefully looks for participants with certain criteria that are critical to the study, and the process is informed by information richness. Furthermore, Rubbin and Babbie (2012: 23) share the same sentiments and refer to purposive sampling as “judgmental sampling where the researcher exercises his/her judgment in selecting the samples on the basis of his/her knowledge of the population”.

3.4.1 SAMPLING MICROFINANCE INSTITUTIONS

In order to properly address the research questions, the sample had to cater adequately for institutions that are well entrenched within the life cycle of MFIs in Swaziland, MFIs that have been here from the beginning. Thus, the age of the institution was considered. We also identified that the value of the institution was imperative, had it grown, as well as distribution. These factors would help us measure through the large distribution of clients, how clients fared, also the age would cater for experiences, have they revolved to provide appropriate entrepreneurship development programs. The growth in size is quite important as does this correlate.

Co-operatives are the oldest form of formal microfinance institutions in Swaziland. The oldest being Asikhutulisane Savings Co-operation, the institution has grown from modest numbers of 11 people to providing loans for closing to 8,000 people in 2003. The institution has also survived trying times, as we have seen prominent co-operative societies like Central Co-operative union (CCU), which had close to 20,000 members collapse due to mismanagement, and lack of proper risk management policies.

Fincorp is the largest Microfinance institution by loan distribution, revenue, and branch network. The institution was founded by the government as a fund to assist Small, and Medium enterprises, with only Emalangenani 44 million, which has grown to SZL 400 million to date.

We have purposively sampled the two institutions as our MFIs to help us identify the role of MFIs in entrepreneurship development.

3.4.2 SAMPLING SMEs

The list of SMEs is divided into two; SMEs in Manzini and Mbabane. The total number of registered SME's in Swaziland is 3322 (SME census report, Ministry of Commerce, Industry & Trade, 2010). We are looking at the urbanized Manzini-Mbabane corridor, which has 1274 SMEs. We then calculated that a sample size of 50 SMEs was going to be surveyed, at 85% confidence level and 10% margin of error. We will use simple random sampling from the SME database for the survey.

3.5 DATA COLLECTION INSTRUMENTS

The study used both primary and secondary data to accomplish the research objectives. Primary data was collected through questionnaires and interviews. Secondary data was gathered from financial statements and economical statistics of the country, as a result, forming the basis for data triangulation. (Taylor, Kermode, and Roberts, 2007) defines "Triangulation as involving the application and combination of several research methodologies in one study".

3.5.1 INTERVIEWS

In-depth interviews will be used to get relevant information from key professionals in the identified Microfinance Institutions. Rubbin and Babbie (2012:19) describe "in-depth interviews as being questions which are open-ended and fairly specific in their intent". Ludwig, (2013:15) "They are flexible and allow the interviewer to probe so that he or she may go into more depth to clear misunderstandings". The interviews are one direct way to find out a phenomenon from people who are involved in a study, and consequently, their answers reflect each individual's perception and interests on a particular phenomenon under study Creswell, (2009:64). Moreover, the interviews allow the researcher to get the understanding of a person's behavior through eyes and voices which questionnaires cannot

provide.

3.5.2 QUESTIONNAIRES

(Kirklees Council) describes “a questionnaire is simply a "tool" for collecting and recording information about a particular issue of interest”. Mcleod (2014) states that, “the method is effective in measuring the behavior, attitudes, preferences, opinions and intentions of a relatively large number of subjects quickly and economically than other methods”.

3.6 DATA COLLECTION PROCEDURE

3.6.1 INTERVIEWS

The interview schedule was structured in a logical order beginning with basic information and then followed by sections that will probe perceptions and experiences about micro financing SMEs in Swaziland. Each session did not last for more than twenty (20), the participants were also requested to input their concerns/recommendations and any other information relevant to the study.

The intent of semi- structured interviews was to assess the microfinance scene in Swaziland in relation to the intended purposes; is it fulfilling its value, how and is it able to create an entrepreneurship culture? According to (Taylor, Kerrmode, and Roberts, 2007: 2)., “qualitative interviews attempt to “make meanings” from individual accounts and experiences” (Haddow, O’Donnell, and Heaney, 2007: 179-185).

3.6.2 QUESTIONNAIRES

Questionnaires were be sent by email and hand delivered where the SME contact does not have access to emails. According to Selwyn and Robson (1998), “using emails as a research tool potentially offers researchers many advantages such as

easy access to world-wide samples, low administration costs and its unobtrusiveness and 'friendliness' to respondents". However the response rate for emailed questionnaires was so low, that physical delivery and semi-structured interviews were then conducted.

3.7 TRUSTWORTHINESS OF THE RESEARCH

In qualitative research validity and reliability refers to research that is credible and trustworthy (Bryman, 2008). Guba (1981) advocated for credibility, transferability, dependability and conformability as forms of validity and reliability in qualitative studies.

Validity refers to the acknowledgment that there are multiple accounts of social reality. To ensure credibility, the researcher will adopt a dynamic sampling and data collection technique ensuring that our study is relevant and measurable throughout the duration of the research. Triangulation techniques of the interview and observation will be used to address credibility (Bryman, 2008). A pilot test also addresses issues of validity of the research instrument. However a pilot test could not be undertaken and an extensive research methodology of similar studies was conducted to handle this.

The validity of the research instrument can also be made by getting expert opinion or validity through a test pilot. However this was not done but we have ensured that the study has; a degree to which findings can be applied to other contexts and surveys, ensuring that it has transferability.

Reliability refers according to Bisschoff & Koebe, (2005) "to whether the findings of the research would be consistent if the study were repeated with same participants in a similar context". It requires the researcher to have a thick description of the research process. It will be addressed by overlap methods (interview and

observation) and ensure that the researcher will properly provide and explain them. Conformability offers freedom from bias from the procedures and results. This concept will be achieved by the researcher being reflexive, i.e., “reveal assumptions or biases that may have affected initial questions or interpretations”, Guba, E. (1981). Rigor in research relates to researchers keeping clear and accurate records and describes the research process in detail in order to produce a convincing account (Cooper & Endacott, 2007). The rigor will be addressed by keeping clear and accurate records according to the research objectives

3.8 ETHICAL CONSIDERATION

According to Cant (2005:11), “ethics refer to commonly accepted standards of right and wrong behavior. All the participants will be selected on a voluntarily basis, they will be interviewed, and their names will be kept in confidence. The responses provided will be held in confidentiality as the respondents will not be asked to fill in their names or give any identification. The researcher will also inform the respondents on how the information collected from them was going to be used. A cover letter to thank each respondent will also be sent to each one of them”.

The researcher will equally seek permission from the Research Ethics Department of the University. Furthermore, Participants will be informed about the study and its aim to collect data that will assist in the improvement of the relationship between MFIs and entrepreneurship. Consent and assent forms will be circulated before engaging participants in the study so that they are signed and filed.

Participants will also be made aware that should they wish to withdraw at any point in time during the course of the study, they will be free to do so without any threat. Curry (2010: 56) asserts that as “consideration good researchers should observe the right to participation of subjects and participants should never be forced at any given point in time to participate in a study”. During the process of data collection

for communication purposes, the researcher will use both English and Siswati as these are official languages in Swaziland to ensure clarity of issues and questions to participants.

3.9 DATA ANALYSIS TECHNIQUES

Quantitative and qualitative techniques were used to undertake data analysis. Qualitative data analysis involved the explanation of information obtained from the questionnaire. The quantitative analysis involved the use of numeric measures in establishing the scores of responses provided. This entailed generation of descriptive statistics, which will be presented as percentages by categories, as well as questions. Score data frequencies were used for open-ended questions and Likert scale value.

In addition to the descriptive statistics, inferential statistic procedures were conducted to gain a better understanding of the responses. A Chi-Square goodness-of-fit was used to measure differences in expected versus observed frequencies. The one way analysis of variance (ANOVA) was used to determine whether there were any significant differences between groups.

CHAPTER FOUR: DATA ANALYSIS, RESULTS & DISCUSSION

4.0 INTRODUCTION

This chapter presents the findings of the study, the role of microfinance institutions in Entrepreneurship development. The chapter will be presented as follows; response rate, respondents' background, and the impact of microfinance institutions on growth and development entrepreneurship.

4.1 RESPONSE RATE

TABLE 4.1: RESPONSE RATE

| | Frequency | Percentage |
|-----------------|-----------|------------|
| Responded | 34 | 65 |
| Did not Respond | 18 | 35 |
| Total | 52 | 100 |

Out of the 52 respondents two from the MFI and 50 from SMEs sample, 65% responded to the sample, although if you add clients (9) who refused to respond due to various reasons the response rate would increase to 83%. Fincham (2008), says "Response rates approximating 60% for most research should be the goal of researchers and certainly are the expectation of the Editor and Associate Editors of the Journal".

4.2 BACKGROUND OF THE RESPONDENTS

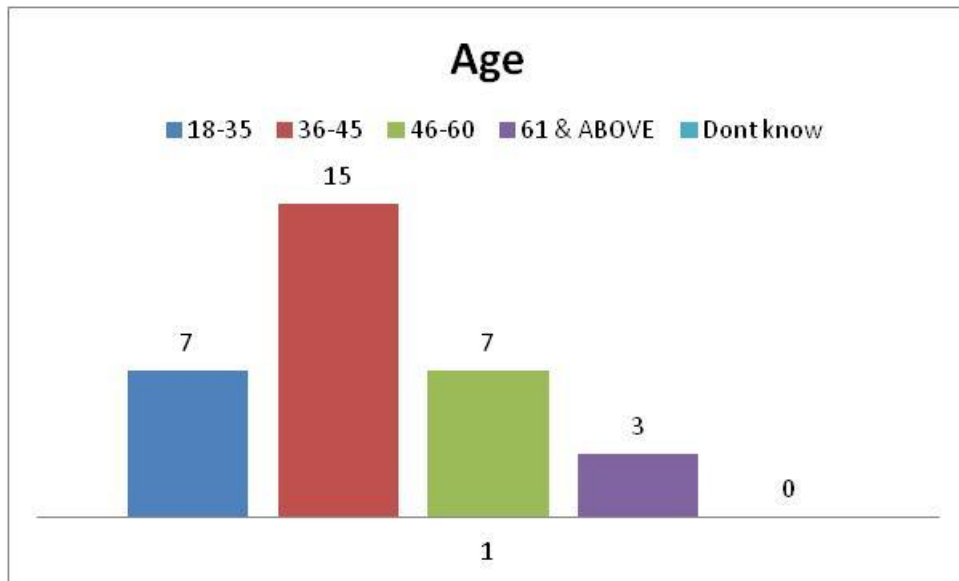
The background information provides findings on respondent's gender, age, education period of work in their respective organizations, the category of work and where business area is situated.

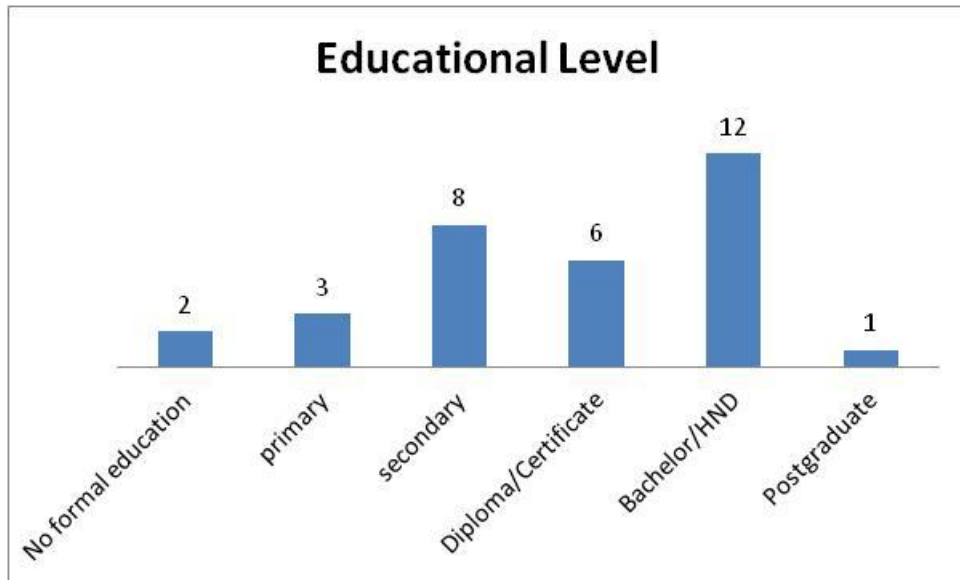
TABLE 4.2: GENDER OF RESPONDENTS

| | Frequency | Percentage |
|--------------|-----------|------------|
| SMEs | | |
| Male | 15 | 47% |
| Female | 17 | 53% |
| Total | 32 | 100% |
| MFIs | | |
| Male | 1 | 50% |
| Female | 1 | 50% |
| Total | 2 | 100% |

The surveyed MFIs were equally represented in the study. There are more females running SMEs at 53% compared to 47% males. In line with most studies covering microfinance were women seem to be the predominant gender.

FIGURE 4.3: AGE & EDUCATIONAL LEVEL





47% of the respondents are between the ages of 36 to 45 years, and 38% have a bachelor or honors degree. 25% have secondary education and in total 59% had completed secondary and went on to complete a higher certificate or degree and only 6% had no formal education. Also, only 9% were above 60 years old, showing that active members of the labor force were actively participating in small businesses.

4.2.3 PROFESSION/OCCUPATION & NUMBER OF YEARS

TABLE 4.3: PROFESSION & NUMBER OF YEARS

| Profession/Occupation | Frequency | Percentage |
|---------------------------------------|------------------|-------------------|
| Petty retail trader | 7 | 22% |
| wholesale trader | 2 | 6% |
| Farming | 3 | 9% |
| Artisan/handcraft | 1 | 3% |
| Civil servant | 7 | 22% |
| other | 12 | 38% |
| | | |
| Years in Occupation/Profession | Frequency | Percentage |
| 0 to1 | 0 | 0% |
| 2 to 5 | 3 | 9% |
| 6 to 8 | 13 | 41% |
| above 8 | 13 | 41% |
| Cannot Remember | 3 | 9% |

Over 90% of the sample has been in their profession for over six years with only 9% within 2 to 5 years. This shows that SMEs are experienced within their profession. The majority of professions are civil servants and petty retail traders. Other professions accounted for 38% and these included: Construction Company, Webpage designer, Shopkeepers (2), Mechanics (2), a guesthouse, catering company and kindergarten owner.

4.3 IMPACTS OF MICROFINANCE INSTITUTIONS ON ENTREPRENEURS

4.3.1 EXISTENCE OF CHALLENGES PREVENTING ENTERPRISES FROM GROWTH AND EXPANSION

| | | |
|-----|----|------|
| YES | 32 | 100% |
| NO | 0 | 0% |

Most the respondents agreed that they faced challenges that prevent them from growth and development of their businesses. No respondent said they were not experiencing challenges. These challenges are shown in Table 4.4 below

4.3.2 CHALLENGES PREVENTING GROWTH AND EXPANSION OF ENTERPRISES

TABLE 4.4: CHALLENGES PREVENTING GROWTH AND EXPANSION OF ENTERPRISES

| Challenges | Frequency | Percentage |
|--|-----------|------------|
| Lack of finances | 17 | 53% |
| Lack of financial/business management skills | 10 | 31% |
| Lack of market for products | 14 | 44% |
| Poor financial literacy | 8 | 25% |
| Other | 15 | 47% |

SMEs could indicate more than one reason that hinders their development. As shown lack of finances at 53% was the primary cause of concern. Lack of market product follows with 44%, and lack of business management skills was also a challenge at 31%. 50% of the clients had two or more challenges preventing growth and expansion, and 16% mentioned that all the challenges affected had changed them.

Other factors that hindered SME growth that was cited by entrepreneurs: Interest rates charged are too high, stiff payment period & interest charged, local market is not well diversified, industry has been affected by drop in tourist, too much regulation by Swaziland Revenue Authority(SRA), competition is high amongst petty traders, No support from local municipality, slowdown in economic activity affected business(as most clients come from civil service), Business has slowed down due to SACU receipt crisis, and the taxi business is saturated as they were very limited barriers to entry.

4.3.3 EFFECT OF SERVICES PROVIDED BY MFI IN FACILITATING BUSINESS GROWTH

TABLE 4.5: WHETHER MFI PRODUCTS AND SERVICES HAVE AFFECTED GROWTH AND DEVELOPMENT OF SMEs

| What in your opinion is the effect of services provided by MFI as far as facilitating your business growth is concerned | Frequency | Percentage |
|--|------------------|-------------------|
| They have no effect | 17 | 53% |
| Have had positive contribution | 13 | 41% |
| Have had negative contribution | 3 | 9% |

53% of the respondents said MFIs had no effect on their business growth while 41% said they experienced positive growth and only 9% stated that they had negative growth. That we still have a long way to ensuring that MFIs provide the right change amongst SMEs; we are on the right path as very few saw MFIs as weak institutions.

4.3.4 EXTENT OF EXPANSION OF SMEs DUE TO INTERVENTIONS BY MFIS

TABLE 4.6: EXTENT OF EXPANSION OF SMEs DUE TO INTERVENTIONS BY MFIS FINANCING

| Parameter | Levels of agreeing | Frequency | Percentage |
|--|--------------------|-----------|------------|
| Use of mobile banking has reduced operational costs in our business | Strongly agree | 0 | 0% |
| | Agree | 3 | 9% |
| | Undecided | 26 | 81% |
| | Disagree | 2 | 6% |
| | Strongly disagree | 1 | 3% |
| | Total | 32 | |
| Ability to adapt to tough trading environments | Strongly agree | 2 | 6% |
| | Agree | 17 | 53% |
| | Undecided | 11 | 34% |
| | Disagree | 1 | 3% |
| | Strongly disagree | 1 | 3% |
| | Total | 32 | |
| SMEs customized loans have reduced the level of financial challenges faced by SMEs | Strongly agree | 2 | 6% |
| | Agree | 10 | 31% |
| | Undecided | 14 | 44% |
| | Disagree | 5 | 16% |
| | Strongly disagree | 1 | 3% |
| | Total | 32 | |
| Business groups facilitated by SMEs has increased marketing of our products | Strongly agree | 1 | 3% |
| | Agree | 3 | 9% |
| | Undecided | 18 | 56% |
| | Disagree | 9 | 28% |
| | Strongly disagree | 1 | 3% |
| | Total | 32 | |
| We are able to sustain our business in a better way due to management skills provided by MFI | Strongly agree | 1 | 3% |
| | Agree | 5 | 16% |
| | Undecided | 18 | 56% |
| | Disagree | 7 | 22% |
| | Strongly disagree | 1 | 3% |
| | Total | 32 | |
| MFI have increased the level of financial literacy among SME owners | Strongly agree | 0 | 0% |
| | Agree | 4 | 13% |
| | Undecided | 22 | 69% |
| | Disagree | 5 | 16% |
| | Strongly disagree | 1 | 3% |
| | Total | 32 | |
| We have opened new branches as a result of financing from MFIs | Strongly agree | 1 | 3% |
| | Agree | 3 | 9% |
| | Undecided | 20 | 63% |
| | Disagree | 7 | 22% |
| | Strongly disagree | 1 | 3% |
| | Total | 32 | |

To determine the degree to which SMEs attribute development and growth of their enterprises to MFIs products and services, we used Mbaluka (2013) used “benchmark parameters; a five-point Likert scale testing the extent from strongly agree to disagree strongly”. Just like Mbaluka (2013) findings the study was clear

that majority of the respondent held an undecided opinion based on these parameters.

Mobile banking which has recently been introduced in Swaziland is not seen as a factor yet at 9%. A majority of 53% believe that MFIs help them navigate tough environments, and also reduce financial challenges by 31%. However, MFIs have not assisted with marketing facilitation as 28% disagree, nor has it helped them expand their business as 22% do not agree that financing has helped them open new branches. 22% also disagree with MFIs helping them with management skills.

The analysis presents a situation where the provision of management skills, financial literacy, and facilitation of marketing among others has not tackled most of the challenges these SMEs are facing.

4.3.5 RELATIONSHIP OF RATE OF EXPANSION AND MFIs PRODUCTS AND SERVICES

TABLE 4.7: RELATIONSHIP OF RATE OF EXPANSION AND MFIs PRODUCTS AND SERVICES

| Parameter | Levels of agreeing | Frequency | Percentage |
|---|--------------------|-----------|------------|
| Affiliation to credit union/MFI account | Yes | 10 | 31% |
| | No | 22 | 69% |
| | Total | 32 | |
| SME Credit facilities | Yes | 13 | 41% |
| | No | 19 | 59% |
| | Total | 32 | |
| Increased networking facilitated | Yes | 2 | 6% |
| | No | 30 | 94% |
| | Total | 32 | |
| Training on financial management skills | Yes | 1 | 3% |
| | No | 31 | 97% |
| | Total | 32 | |
| Business management skills | Yes | 3 | 9% |
| | No | 29 | 91% |
| | Total | 32 | |
| Low interest rates on loan facilities | Yes | 0 | 0% |
| | No | 32 | 100% |
| | Total | 32 | |
| Adequate grace period to settle loans | Yes | 1 | 3% |
| | No | 31 | 97% |
| | Total | 32 | |
| Basic marketing skills | Yes | 0 | 0% |
| | No | 32 | 100% |
| | Total | 32 | |

The services and products that SMEs credit MFIs for providing is very low, there only noteworthy is SME credit facilities at 41% and affiliation to MFI at 31%. Which means SMEs believe that you need to be affiliated to an MFI to access credit and its viewed as the only beneficial factor. SMEs were very critical of high-interest rates with no respondent for the interest rate charges. They also felt they have never received any marketing assistance. The impact of training is very minimal at 3% and 9% for financial & business management respectively. This shows that MFIs still need to go a long way in assisting clients other than credit.

4.3.6 RATE OF BUSINESS OPERATIONS REGARDING GROWTH AND DEVELOPMENT

TABLE 4.8: RATE OF BUSINESS OPERATIONS IN TERMS OF GROWTH AND DEVELOPMENT

| Parameter | Rate of Expansion | Frequency | Percentage |
|---|-------------------|-----------|------------|
| Rate of Expansion in terms of asset capital | Increasing | 11 | 34% |
| | Constant | 17 | 53% |
| | Unpredictable | 4 | 13% |
| | Total | 32 | |
| Expansion in terms of revenue | Increasing | 9 | 28% |
| | Constant | 10 | 31% |
| | Unpredictable | 13 | 41% |
| | Total | 32 | |
| Rate of Expansion in terms Recruitment of new employees | Increasing | 3 | 9% |
| | Constant | 27 | 84% |
| | Unpredictable | 2 | 6% |
| | Total | 32 | |
| Rate of Expansion in terms Opening up | Increasing | 2 | 6% |
| | Constant | 29 | 91% |
| | Unpredictable | 1 | 3% |
| | Total | 32 | |

To determine the role of MFIs in entrepreneurship growth and development, we used metrics defined by Mbaluka (2013); measured increase in asset capital, recruitment of new employees and opening of new branches were tested. Also, the study used a measure of increasing, constant and unpredictable to measure the rate of expansion, and gauging the rate of expansion in terms of assets capital, by Mbaluka (2013). The majority of the respondents have experienced constant rate of expansion, represented by 53%. Those holding unpredictable option were shown by 13% and 34% experiencing increasing rate of expansion. Expansion in terms of revenue 31% experienced constant revenue, 41% revenue was unpredictable, and 28% revenue is increasing.

Measuring the rate in terms of new employee recruitment, 84% have remained constant with their old employees, 9% have increasing expansion rate in recruiting new employees while 6% had an unpredictable increase. 91% of the business remained constant, as no new branches were opened. While unpredictable and increasing branch expansion was 3% and 6% respectively.

4.3.7 FINANCING OF SMES BY MFIS, AND GROWTH & DEVELOPMENT OF SMES

TABLE 4.9: FINANCING OF SMES BY MFIS, AND GROWTH & DEVELOPMENT OF SMES

| Parameter | Levels of agreeing | Frequency | Percentage |
|---|--------------------|-----------|------------|
| Providing SMEs suitable loan products had decreased financial challenges among SMEs | Strongly agree | 2 | 100% |
| | Agree | 0 | 0% |
| | Undecided | 0 | 0% |
| | Disagree | 0 | 0% |
| | Strongly disagree | 0 | 0% |
| | Total | 2 | |
| Most SMEs can sufficiently pay the loan facilities we provide them | Strongly agree | 0 | 0% |
| | Agree | 1 | 50% |
| | Undecided | 1 | 50% |
| | Disagree | 0 | 0% |
| | Strongly disagree | 0 | 0% |
| | Total | 2 | |
| Favorable interest rate among Many MFIs has facilitated easy loan repayment among SMEs | Strongly agree | 0 | 0% |
| | Agree | 1 | 50% |
| | Undecided | 1 | 50% |
| | Disagree | 0 | 0% |
| | Strongly disagree | 0 | 0% |
| | Total | 2 | |
| Provision of unsecured loans has increased accessibility for finance among SMEs | Strongly agree | 0 | 0% |
| | Agree | 2 | 100% |
| | Undecided | 0 | 0% |
| | Disagree | 0 | 0% |
| | Strongly disagree | 0 | 0% |
| | Total | 2 | |
| Follow up programmes for the loans provided has ensured that SMEs use the loans for the provided service. | Strongly agree | 1 | 50% |
| | Agree | 0 | 0% |
| | Undecided | 0 | 0% |
| | Disagree | 0 | 0% |
| | Strongly disagree | 1 | 50% |
| | Total | 2 | |

The impact of MFI financing to SMEs was measured for the two microfinance institutions studied. Both respondents strongly agreed that providing suitable loan products had decreased financial challenges among SMEs. 50% of the SMEs can sufficiently pay the loan, whilst 50% are neutral. The same goes for favorable

interest rates 50% agree that they are favorable whilst the other leaves it at neutral. They both agree that provisions provided for unsecured loans have increased accessibility to finance. However MFIs differ significantly when it comes to follow-up programs whilst Fincorp actively monitors its disbursement, even directly paying for inputs to ensure funds are used for what is intended, Asikhutulisane does not do the same.

4.3.8 PROVISION OF FINANCIAL LITERACY SKILLS AND GROWTH AND DEVELOPMENT OF SMES

TABLE 4.10: PROVISION OF FINANCIAL LITERACY SKILLS AND GROWTH AND DEVELOPMENT OF SMES

| Parameter | Levels of agreeing | Frequency | Percentage |
|--|--------------------|-----------|------------|
| Most SMEs owners/ managers are able to do basic accounting for their business | Strongly agree | 0 | 0% |
| | Agree | 1 | 50% |
| | Undecided | 1 | 50% |
| | Disagree | 0 | 0% |
| | Strongly disagree | 0 | 0% |
| | Total | 2 | |
| There is high level of documentation of business activities among SMEs | Strongly agree | 0 | 0% |
| | Agree | 0 | 0% |
| | Undecided | 2 | 100% |
| | Disagree | 0 | 0% |
| | Strongly disagree | 0 | 0% |
| | Total | 2 | |
| Most SMEs have changed their view on adoption of financial innovations among banks | Strongly agree | 0 | 0% |
| | Agree | 2 | 100% |
| | Undecided | 0 | 0% |
| | Disagree | 0 | 0% |
| | Strongly disagree | 0 | 0% |
| | Total | 2 | |
| Poor financial management skills among SMEs has been a major hurdle towards their growth and development | Strongly agree | 2 | 100% |
| | Agree | 0 | 0% |
| | Undecided | 0 | 0% |
| | Disagree | 0 | 0% |
| | Strongly disagree | 0 | 0% |
| | Total | 2 | |
| Majority of SMEs are able to manage business finances and personal finances and grow | Strongly agree | 0 | 0% |
| | Agree | 0 | 0% |
| | Undecided | 0 | 0% |
| | Disagree | 2 | 100% |
| | Strongly disagree | 0 | 0% |
| | Total | 2 | |

One MF was undecided as partially, but not all of their SME owners/mangers are able to do basic accounting for their business. While the other agreed that most were able to do basic accounting in their business.

Existence of high level of documentation of business activities among the SMEs received an uncertain perception as both MF felt that SMEs level of documentation was there but not consistent.

Both MFIs agree that SMEs have changed their view on adoption of financial innovations among banks, as 100% agree. They also strongly agree that poor financial management skills among SMEs have been a major hurdle towards their growth. They also both disagree that majority of SMEs can manage business finances and personal finance and growth

In all the assertions gauging the level of financial literacy of SMEs and the provision of the skills by MFIs indicates that, poor financial management skills among SMEs is a major obstacle towards their growth and development. Majority of them are unable to document their business operations and perform basic accounting. SMEs have also been willing to adapt to innovation. The results show that MFIs should do more to assist clients in managing their businesses and clients seem willing to change and acceptance.

4.3.9 DEVELOPMENT OF MANAGEMENT SKILLS AMONG SMEs

TABLE 4.11: DEVELOPMENT OF MANAGEMENT SKILLS AMONG SMEs

| Parameter | Levels of agreeing | Frequency | Percentage |
|--|--------------------|-----------|------------|
| We are unlikely to provide financial services to SMEs without first taking them through a training | Strongly agree | 0 | 0% |
| | Agree | 1 | 50% |
| | Undecided | 1 | 50% |
| | Disagree | 0 | 0% |
| | Strongly disagree | 0 | 0% |
| | Total | 2 | |
| SMEs owners / managers trained on management skills are able to grow their business better | Strongly agree | 0 | 0% |
| | Agree | 1 | 50% |
| | Undecided | 1 | 50% |
| | Disagree | 0 | 0% |
| | Strongly disagree | 0 | 0% |
| | Total | 2 | |
| Among the management skills that we provide SMEs are strategies on improving business sustainability | Strongly agree | 1 | 50% |
| | Agree | 0 | 0% |
| | Undecided | 0 | 0% |
| | Disagree | 1 | 50% |
| | Strongly disagree | 0 | 0% |
| | Total | 2 | |
| We train SME owners on talent retention and employee motivation | Strongly agree | 0 | 0% |
| | Agree | 0 | 0% |
| | Undecided | 1 | 50% |
| | Disagree | 1 | 50% |
| | Strongly disagree | 0 | 0% |
| | Total | 2 | |
| We occasionally engage experts on use of ICT to manage SMEs businesses | Strongly agree | 0 | 0% |
| | Agree | 0 | 0% |
| | Undecided | 1 | 50% |
| | Disagree | 1 | 50% |
| | Strongly disagree | 0 | 0% |
| | Total | 2 | |

On development of management skills, it seems one MFI, Fincorp has established a framework for implementing some of the issues, whilst Asikhutulisane doesn't place priority on the issue. Fincorp won't provide funding without qualifying the project, this is different from Formal bank qualification which involves sufficient cash-flow cover and collateral, this involves a lot of capability to undertake the project and its viability. Asikhutulisane will only look at the clients' ability to pay.

Fincorp assesses and provides strategies to its clients, which has improved business sustainability, they have helped business by assisting them find a technical person to help run their business when they can't. Asikhutulisane does not offer that kind of assistance. Both MFI have not adopted ICT services; however Fincorp does once a few call an ICT expert and invites its clients to the presentation, however they cannot gauge or assess impact.

4.3.10 FACILITATION OF MARKETING BY MFIS AND GROWTH AND DEVELOPMENT OF SMES

TABLE 4.12: FACILITATION OF MARKETING BY MFIS, AND GROWTH & DEVELOPMENT OF SMES

| Parameter | Levels of agreeing | Frequency | Percentage |
|--|--------------------|-----------|------------|
| We have managed to facilitate registration of SMEs in business associations | Strongly agree | 0 | 0% |
| | Agree | 1 | 50% |
| | Undecided | 1 | 50% |
| | Disagree | 0 | 0% |
| | Strongly disagree | 0 | 0% |
| | Total | 2 | |
| Many SMEs have registered themselves in associations dealing with their products | Strongly agree | 0 | 0% |
| | Agree | 1 | 50% |
| | Undecided | 1 | 50% |
| | Disagree | 0 | 0% |
| | Strongly disagree | 0 | 0% |
| | Total | 2 | |
| We actively facilitate use of ICT among SMEs | Strongly agree | 0 | 0% |
| | Agree | 0 | 0% |
| | Undecided | 0 | 0% |
| | Disagree | 2 | 100% |
| | Strongly disagree | 0 | 0% |
| | Total | 2 | |
| We have updated database about the SMEs in town and the respective business activities | Strongly agree | 0 | 0% |
| | Agree | 2 | 100% |
| | Undecided | 0 | 0% |
| | Disagree | 0 | 0% |
| | Strongly disagree | 0 | 0% |
| | Total | 2 | |
| We have facilitations for forming business club among SMEs | Strongly agree | 0 | 0% |
| | Agree | 1 | 50% |
| | Undecided | 1 | 50% |
| | Disagree | 0 | 0% |
| | Strongly disagree | 0 | 0% |
| | Total | 2 | |

Fincorp has actively participated in managing to facilitate registration of SMEs in business associations; in a program they call value chain financing. Where they bring all their different clients to network, and exchange ideas, and hopefully build a sales relation i.e. one is a farmer whilst one is a wholesaler. Their SMEs have also actively registered themselves in associations to benefit from schemes like the Sugar Cane farming project which was initiated around the year 2003 to take advantage of preferential sugar markets, where farmers with small pieces of land came together to form large farms that were financed to grow sugar cane to sell to Swaziland sugar association. Asikhutulisane is not active on the facilitation however because it's a co-operative its very function is based on the association of different individuals and SMEs.

Both MFs have not engaged in facilitating ICT; however they both keep updated database of their SMEs and business activities.

4.4 INFERENCE STATISTICS RESULTS

The study attempts to address three major areas of concern for microfinance institutions; those who use the institutions, and those who don't, do their activities enhance entrepreneurship behavior, and the relationship between the two.

First we used a Goodness-of-fit chi-Square test, to determine whether the observed group frequencies differ from the expected values, or it's due to chance? After this we determine the correlation coefficient between entrepreneurship and MFI, to see if a statistically significant relationship exists between the two.

4.4.1 CHI-SQUARE GOODNESS-OF-FIT TEST

To determine if variables differ from expected values by chance.

4.4.1.1 IS THERE A DIFFERENCE BETWEEN ENTREPRENEURS WHO USE MF AND THOSE WHO DON'T?

Respondents were requested to submit their level of change within the last 1 year period concerning; capital assets, revenue, human capital growth, and enterprise growth

TABLE 4.13: CHI-SQUARE ENTREPRENEURS WHO USE MF AND THOSE WHO DON'T

| | Expansion in capital assets | Expansion in revenue | Expansion in human capital (New employees) | Expansion in enterprise growth (New branches) |
|------------|-----------------------------|----------------------|--|---|
| Chi-square | 7.35 | 1.34 | 3.56 | 0.74 |
| df | 2 | 2 | 2 | 2 |
| p | 0.0253 | 0.5117 | 0.1686 | 0.6907 |
| Cramers V | 0.4793 | 0.2046 | 0.3335 | 0.1521 |

For expansion in capital assets, the chi-square is significant at 7.35 and $p < 0.05$ we are therefore 95% confident that the expansion of capital is due to participation in microfinance institutions. However the chi-square for revenue, human capital, and enterprise growth are not significant and we cannot say with confidence that the results are due to chance.

4.4.1.2 DO MICROFINANCE PRODUCTS AND SERVICES AFFECT ENTREPRENEURSHIP BEHAVIOR?

We looked at the products and services, including training and marketing facilities that MF embark on, and requested respondents to specify which impacted them most or drove their behaviors regarding welfare, income and enterprise growth. The distribution shows that 76% of SMEs are still influenced by SME credit and

financial support, either than training, and innovative programs like marketing. Table 4.14 shows chi-square which is significant at 45.73 $p < 0.05$ thus we are 95% that entrepreneurial behavior is influenced by credit programs. This is slightly disappointing as we expected the role of MFs to extend beyond credit facilities.

TABLE 4.14: MICROFINANCE ACTIVITIES ON ENTREPRENEURSHIP BEHAVIOR

| Column1 | Affiliation to credit union/MFI account | SME credit facilities | Increased networking facilitated | on financial management skills | Business management skills | Low interest rates on loan facilities | Adequate grace period to settle loans | Basic marketing skills |
|--------------------------|---|-----------------------|----------------------------------|--------------------------------|----------------------------|---------------------------------------|---------------------------------------|------------------------|
| Entrepreneurs who use MF | 10 | 13 | 2 | 1 | 3 | 0 | 1 | 0 |
| Expected frequency | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 |
| Standard residuals | 3.23 | 4.78 | -0.9 | -1.42 | -0.39 | -1.94 | -1.42 | -1.94 |
| Chi-square | 45.73 | | | | | | | |
| df | 7 | | | | | | | |
| P | <0.0001 | P is non-directional | | | | | | |

4.4.1.3 IS THE RELATIONSHIP BETWEEN MICROFINANCE INSTITUTIONS AND ENTREPRENEURSHIP GROWTH

Chi-square is significant at 9.43, $p < 0.05$ we are therefore confident that the effect of microfinance is not by chance, however the distribution table shows that this relationship is based on the basis that there is no effect of MFIs on entrepreneurship growth. If we divide the sample into SMEs that use MFIs and those that don't, chi-square is still significance at 12.59 and $p < 0.05$ the effect of MFIs on growth is positive with a correlation level of 0.62

TABLE 4.15: MFI & BUSINESS GROWTH

| the effect of services provided by MFI as far as facilitating your business growth is concerned | Observed | expected | Residual | Residual ^2 | Diff^2/Expecte |
|--|----------|----------|----------|-------------|----------------|
| They have no effect | 17 | 10.67 | 6.33 | 40.07 | 3.76 |
| Have had positive contribution | 12 | 10.67 | 1.33 | 1.77 | 0.17 |
| Have had negative contribution | 3 | 10.67 | -7.67 | 58.83 | 5.51 |
| | | | | Chi Square | 9.43 |
| | | | | df | 2 |

TABLE 4.16: SMES, WHO USE MFI AND THOSE THAT DON'T &, BUSINESS GROWTH

| | They have no effect | Have had positive contribution | Have had negative contribution | Chi- square | 12.59 | Cramers V | 0.6272 |
|--------------------------------|------------------------|--------------------------------------|--------------------------------------|----------------|--------|--------------|--------|
| Entrepreneurs who use MF | 6 | 12 | 2 | df | 2 | | |
| Entrepreneurs who don't use MF | 11 | 0 | 1 | p | 0.0018 | | |

CHAPTER FIVE: SUMMARY OF FINDINGS, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

This chapter presents a summary of the results, regarding the main objectives of the study, and based on these findings the conclusions were drawn and recommendations put forward. The main purpose of the study was to investigate the impact of microfinance institution activities and growth of entrepreneurship, and establish whether a statistical significant relationship exists between the two variables.

5.2 SUMMARY

Microfinance is regarded as one of the tools an economy can use to help fight poverty, the institutions trusted with delivering the tool should be regularly assessed to find out if there are still abiding by their developmental objectives. The study wanted to understand if the institutions were having an effect as expected on entrepreneurship growth, which synonymously can help alleviate poverty. Although we did not differentiate between “necessity/survival entrepreneurship and opportunistic entrepreneurship” as stated by (Thurik et al., 2002). We also could not define entrepreneurship as a sole entity but contextualized it with SMEs who are the custodian of entrepreneurship. This was merely because no study has ascertained if we were at a level or as (Thurik et al., 2002) states there is the reversed causality of economic development influencing entrepreneurial activities in an economy, are we according to our economic growth model ready to now embrace entrepreneurship, ready to innovative, adapt, use technology at the forefront. The study tries to understand that behavioral pattern to ascertain if MFI have moved beyond basic functions. We also didn't cover savings and insurance products offered by MFIs for the same reason stated above.

5.3 CONCLUSIONS

The microfinance institutions surveyed believe that they provide favorable rates to SMEs, one MFI firmly believed that their assessment program helps clients, whilst the other disagrees. This shows the disparity between MFIs and SMEs, however there are positives as the provision of credit facilities has led to capital asset growth. We have however made the following conclusions, based on the results and findings

We cannot conclusively say there is a significant difference between entrepreneurs who use MFIs and those who don't in regards to enterprise growth, revenue, and human capital contribution. We did see that there's a positive relation with regards to capital assets, however the distribution of SMEs that remained the same (constant) at 65% compared to only 19% increasing.

Microfinance institutions do enhance entrepreneurship behaviors, but still at the infant stage as this is still perceived from the credit facility level, and needs to go beyond that to tackle entrepreneurial challenges SMEs face in Swaziland like:

- Lack of enough finances
- Lack of financial management skills
- Lack of market for products
- Poor financial literacy
- high interest rates payable & short loan periods
- Low growth in tourist/market diversification
- over regulation
- lack of support from municipal level

MFIs need to also focus on facilitating marketing for SMEs, ICT usage, training on business and financial management. This will help drive the change required to develop our SME owners to entrepreneurship.

There is a positive and significant relationship between entrepreneurs that use MFIs and growth, as SMEs use credit facilities to expand their business mainly through

asset acquisition. The relationship becomes neutral when it's across the board, as it seems SMEs are in it to survive than generate opportunistic revenues through innovation and ICT.

5.4 RECOMMENDATIONS

I will first begin with recommendations that were tabled by respondents during the survey, and then the papers.

Respondents recommend that:

- MFIs facilitate the creation of innovation hubs, and cloud financing to help bridge the gap between debt funding and equity which might be too much for start-ups.
- MFIs should reduce the application process and Increase loan payment periods to help clients lower their repayment/default risk
- Facilitate more network groups where customers can meet all stakeholders in the value chain, thus, be able to organize directly & seal deals.
- The government needs to help with infrastructure that can house SMEs as they are very few at the moment.

The study has assessed the overall role of MFIs, and entrepreneurship and the puts forward following recommendations;

- MFIs need to prioritize business and financial management training, this is a core principle in the development of entrepreneurs that are knowledgeable and can thus improvise and adapt to changing environments.
- In-order to ensure that programs implemented foster innovation and proper risk management skills, the Government needs to ensure that state run programs teach and/or train participants, in-order to cultivate a dynamic shift from survival entrepreneurship to economical entrepreneurship.

- The government needs to ensure that MFIs are developmental in nature as currently it seems that institutions are profit driven which limits their functionality, as policies and implementation structures are geared towards credit processes only.
- The government needs to mobilize or entice private organizations through tax concessions to create innovation labs & hubs, this will enable individuals to develop ideas to business, through collaboration, access to resources, incubation, and technology.
- The government could also have lower tax concessions for newly established businesses to help lower their tax burden, or lower legislative charges like licenses and bed levy's to promote cheaper tourism rates.
- Small and medium enterprises need to value and implement technology into their business structure. The low number of SMIs and MFIs who use ICT as a driving factor in business is low. This is paramount to the advancement of entrepreneurship as the world moves towards a disruptive innovative age i.e. UBER to establish new forms of business.

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