International Journal of Development and Sustainability
ISSN: 2186-8662 - www.isdsnet.com/ijds
Volume 15 Number 3 (2026): Pages 292-309
https://doi.org/10.63212/IJDS25101601

Microfinance and SMEs in Chegutu, Zimbabwe: Borrower experiences and perceived livelihood effects in Zimbabwe

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Received: 16 October 2025 | Revised: 25 January 2026 | Accepted: 27 January 2026 | Published: 9 August 2026

Abstract

The study explored the contribution of the microfinance sector in poverty reduction among SMEs in Chegutu. Chegutu, like other urban centres in Zimbabwe, has witnessed increases in poverty, despite the growing presence of MFIs. The study employed an exploratory, qualitative-dominant mixed-methods design to capture borrower experiences and perceived livelihood effects, combining semi-structured questionnaires with KIIs; quantitative summaries are reported descriptively only. CA and HDA underpinned the study. Data collection was through fifty (50) semi-structured questionnaires and five KIIs. The sampling frame comprised 1,889 SMEs in Chegutu. The study targeted SME borrowers listed in MFI registers using systematic sampling. Dividing the population by the intended systematic sample produced every sixth SME (k = 6), yielding fifty-five (55) eligible SMEs; fifty (50) participated after refusals/non-response. Five KIIs were conducted with MFI loan officers from five different MFIs. The study unveiled mixed experiences: some SMEs reported positive livelihood stabilisation effects, whereas others reported limited gains and repayment pressure. Participants and loan officers pointed to the need for a more enabling policy environment for SME viability and responsible microfinance delivery.

Keywords: Poverty Reduction; Potential; Vulnerability; Microfinance; SMEs; Livelihoods; MFIs; Chegutu

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Cite this article as: Dube, Z.L., Ncube, M., Sibanda, B.M., Moyo, F. and Mashanda, P. (2026), "Microfinance and SMEs in Chegutu, Zimbabwe: Borrower experiences and perceived livelihood effects in Zimbabwe", *International Journal of Development and Sustainability*, Vol. 15 No. 3, pp. 292-309.

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1. Introduction

The study examined the contribution of microfinance to poverty reduction among SMEs in Chegutu. A growing body of literature argues that poverty is best understood as a multidimensional concept (McKnight, 2018; Thin, 2012; Sen, 1999). The study used the Capabilities Approach (CA) by Amartya Sen and the Human Development Approach (HDA). Sen (1999) views poverty as the deprivation of basic capabilities, whereas HDA measures poverty from a multidimensional standpoint. Women experience marginalisation in mainstream economies, especially in patriarchal societies in Africa. Most Zimbabwean studies of microfinance have focused on women as the unit of analysis (Selome and Tshuma, 2014; Manditsera, 2020; Zvirikuzhe, 2022; Matindike, 2022). The point of departure of this study is that it includes both women and men.

In African economies, issues of financial exclusion, poverty, failing businesses, and entrenched inequality are pronounced. Since poverty is a multidimensional concept that affects almost every facet of people's lives, the qualitative nature of this study brought to light the perceptions, attitudes, and experiences of SMEs. SMEs in Zimbabwe complement the efforts of large corporations in the production of goods and services and are widely regarded as a central component of the national economy (Magaisa and Matipira, 2019). Their growth is constrained by obsolete technology, limited information and infrastructure, costly access to resources, inadequate marketing knowledge, restricted access to land, and a difficult regulatory environment. Chikwira et al. (2022) argue that the effectiveness of microfinance interventions in reducing poverty and improving the socio-economic conditions of low-income households in Zimbabwe requires continued assessment. The RBZ reported that the number of registered MFIs increased from 178 to 206 in 2022, indicating continued sector expansion (Reserve Bank of Zimbabwe, 2022). Nevertheless, the contribution of this expansion to sustainable poverty reduction remains contested.

1.1. Background

Microfinance is the provision of standardised financial services in small quantities and at high volumes to people who are unbanked or underbanked and may lack collateral or steady employment (Westover, 2008). It commonly includes small loans used to support income-generating activities. Westover (2008) describes microfinance as a mechanism intended to help individuals, families, and communities build income and assets through access to start-up capital. Microfinance also resonates with broader development policies promoted by international financial institutions. The United Nations Development Programme and Oxford Poverty and Human Development Initiative (2023) reported that, of the 1.1 billion people living in multidimensional poverty in 2023, 534 million were in SSA. Limited access to formal credit is one of the factors that can constrain attempts to break the poverty cycle (Hermes and Lensink, 2007). Collateral requirements and other conditions imposed by traditional banks can also restrict SME growth.

Financial exclusion means that people with viable ideas but without capital may fail to realise them. Microfinance seeks to narrow this gap by providing loans and other financial services to people who have limited access to conventional banking. Thin (2012) defines poverty in terms of multiple, avoidable, and unfair disadvantages that prevent people from attaining an acceptable quality of life and that are beyond their immediate power to resolve. Over time, poverty has been analysed through the Minimum Needs Approach, Basic Needs Approach, Relative Needs Approach, and Capabilities Approach (CA). Sen (1999), however, conceptualises poverty as a deprivation of essential capabilities rather than merely low income. This study

uses the CA and HDA to assess the role of microfinance as a poverty-reduction tool. This dual framework enabled a grounded analysis of poverty reduction and the role of MFIs.

At the turn of the twenty-first century, growing numbers of people in Zimbabwe were pushed into poverty. Several factors contributed to this economic crisis, including Zimbabwe's involvement in the Democratic Republic of Congo war, unbudgeted gratuities for war veterans, the fast-track land reform programme, corruption, and poor governance (Mlambo, 2006). These developments weakened the economy and encouraged migration. Agricultural instability and the closure of mining and agro-based companies such as Broken Hill Properties, Cargill, and David Whitehead Textiles posed major challenges in Chegutu, where agriculture and mining are central to the local economy. Chegutu is a small town in Mashonaland West, approximately 100 km west of Harare. Farming and gold mining mainly sustain the town. Chegutu has nine MFIs whose headquarters are in Harare. Mishi and Mudziwapasi (2014) describe Chegutu as a municipality with weak economic structures and widespread poverty. The elderly, women, youth, and children are among the most affected groups. ZimVAC (2020) reported substantial livelihood-support needs in Chegutu District. As a coping strategy, many people turn to the informal sector. Microfinance has been presented as one means of easing credit constraints among poor and vulnerable groups (Tchouassi, 2011). Microfinance in Zimbabwe dates to the colonial period, including the savings development movement initiated by Catholic missionaries in 1963, which focused on mobilising micro-savings among rural women. Mishi and Kapingura (2012) reported 213 MFIs and moneylenders in 2006, although some later closed during the hyperinflationary period. By the end of 2022, the sector comprised 206 registered MFIs (Reserve Bank of Zimbabwe, 2022).

1.2. Problem statement

Microfinance seeks financial inclusivity. The expectations are that MFIs should influence poverty reduction among their clients. However, the number of people living in extreme poverty is on the rise. Chegutu, just like other towns in Zimbabwe, has witnessed this trend, despite the growing presence of MFIs.

2. Literature review

2.1. Urban poverty

Urban poverty entails the poor economic conditions that are faced by the people living in urban areas. Makoni et al. (2023) hold that poverty is a key characteristic, in which the marginalised poor are excluded from the formal spheres of the urban scape, resulting in situations in which they must fend for themselves in the pursuit of survival. It can be argued that urban and rural residents experience different forms of poverty and deprivation. They argue that specific problems that occur in urban areas predispose vulnerable households to poverty. Urban household food insecurity is highly prevalent in Zimbabwe due to the persisting poor macro-economic environment, droughts, HIV and AIDS and climate change (Ndlovu et al., 2021). The urbanisation of poverty in Zimbabwe has been exacerbated by the failure of both central and local governments to develop and implement social, economic, and political policies that contribute to poverty alleviation (Chevo, 2022). An average of 40% of the African population living in urban areas is classified as poor (ibid).

Urban populations in southern Africa have grown rapidly, with South Africa and Botswana having urban populations exceeding 60% (Frayne et al., 2010). Zimbabwe's urban population was 32.24% in 2020 (Maulani and Agwanda, 2020). Rapid and unplanned urbanisation can leave poor urban residents in overcrowded and

unhygienic conditions without adequate sanitation, clean water, waste collection, or drainage (Goba et al., 2022). In Zimbabwe, income poverty is a major constraint on urban well-being (Manjengwa et al., 2014). Urban poverty is multidimensional and involves interrelated financial, economic, material, social, and environmental factors (Goba et al., 2022). A large share of economic activity in emerging and developing economies is informal (Ohnsorge and Yu, 2021). Manjengwa et al. (2016) report high levels of poverty and inequality in Zimbabwean urban areas. A survey of 16 districts found that respondents associated additional income with improved access to healthcare, safe water, sanitation, and education (Manjengwa et al., 2012). Urban poor households are particularly vulnerable to food insecurity because of persistently low incomes (Ndlovu et al., 2019), dependence on purchased food, and reliance on informal-sector employment (Ruel et al., 2017). Gweshengwe and Matai (2022) note that unplanned peri-urban expansion can reduce quality of life. Microfinance has therefore been adopted as one of several urban poverty-reduction strategies (Adu-Okoree, 2012). It includes services such as micro-credit, micro-insurance, and micro-savings for poor and low-income clients (Abdul-Razak et al., 2015).

2.2. Microfinance and poverty reduction

Bakhtiari (2006) argues that microfinance can be an element of an effective poverty-reduction strategy, while cautioning that the relationship between microfinance and poverty alleviation is not straightforward because poverty is a complex phenomenon. Research in rural Bangladesh found that microfinance could increase indebtedness and intensify economic, social, and environmental vulnerabilities under some conditions (Banerjee and Jackson, 2017). Other studies report that microfinance can increase disposable income and enable some poor households to move out of poverty (Khandker, 2005). However, the broader literature also includes critical and mixed assessments of these effects (Bateman, 2010; Roodman, 2012).

A panel study of 1,132 MFIs in 57 developing countries found that countries with larger MFI gross loan portfolios per capita tended to have lower poverty headcount ratios and higher per-capita income (Miled and Ben Rejeb, 2015). Evidence from China associates microfinance with improved access to credit and training, asset accumulation, risk reduction, women's empowerment, and employment creation (Cui, 2007). In Zimbabwe, Kazingizi et al. (2020) reported that women who accessed microfinance between 2012 and 2017 described improvements in income and their ability to meet household needs, although important constraints remained. Chikwira et al. (2022) identify a complex relationship between SME growth, poverty, and microfinance in Zimbabwe. Mutengezanwa et al. (2011) also reported positive associations between microcredit and socio-economic outcomes. Kurebwa (2020) found that access to credit could support production, income, and consumption among rural women in Bindura, while collateral requirements, demand for small loans, and transaction costs continued to exclude poor borrowers from formal credit. Mishi and Kapingura (2012) similarly found that women in Chinhoyi benefited from small businesses but struggled to obtain finance because of collateral requirements and other screening criteria.

Some MFIs lend for consumption purposes and charge interest rates that can make borrowing difficult for low-income clients (Mishi and Kapingura, 2012). Kazingizi et al. (2020) concluded that microfinance can contribute to poverty alleviation in Zimbabwe but requires effective regulation. Kurebwa (2020) likewise found that collateral requirements, small-loan transaction costs, and limited access to formal credit constrained the empowerment potential of microfinance for rural women in Bindura District.

2.3. Capabilities Approach (CA)

Relative poverty is underpinned by the rationale of comparing poor people with others in society. During the Rowntree era (1871-1954), poverty was mainly measured in monetary metrics, with the poverty datum line (PDL) being the major differentiation between the poor and the non-poor (Sen, 1999). This narrative influenced most nations to benchmark their poverty standards on poverty datum lines. Sen (1999) brings in a different angle, where poverty is seen as the deprivation of basic capabilities and not merely low-income.

Poverty can be identified in terms of capability deprivation, which concentrates on intrinsically important deprivations (unlike low income, which is only instrumentally significant. Second, there are influences on capability deprivation-and thus on real poverty-other than lowness of income (income is not the only instrument in generating capabilities). Third, the instrumental relation between low income and low capability is variable between different communities and even between different families and different individuals (Sen, 1999).

The CA draws on the works of Aristotle, Adam Smith, John Stuart Mill, Karl Marx, Rawls's theory of justice, and Paul Streeten's Basic Needs Approach (BNA) (Clark, 2005). It extends beyond the analysis of poverty and deprivation to consider well-being and the real opportunities available to people (Alkire, 2016). Clark (2005) explains that the CA emerged from Sen's critique of traditional welfare economics, which often conflated well-being with opulence or utility. In contrast to resource- or utility-based approaches, the CA evaluates advantage through a person's capability to do and be things they have reason to value. A person is therefore disadvantaged when they possess fewer real opportunities to achieve valued functionings.

Michel and Randriamanampisoa (2018) identify the limitations of relying on monetary metrics alone to understand poverty because they do not fully reflect the hardships experienced by poor people. Sen (2009) emphasises the plurality of features that shape human lives. From this perspective, poverty consists of "unfreedoms" that deprive individuals of a good life. The CA therefore evaluates how well people are positioned to achieve the lives they value. Sen (1999) treats individuals as agents of their own destinies and places freedom of choice at the centre of the approach. The CA can be used as a framework for evaluating individual advantage and social arrangements, as a critique of alternative approaches to well-being and justice, and as a basis for interpersonal comparisons.

As a normative approach, CA views poverty not just as a multidimensional concept but also as a deprivation of people's valuable freedoms (Ataguba et al., 2013). Two central ideals are imperative in understanding Sen's CA, namely functionings and capabilities. Functionings describe the current life conditions of people, their aspect of living or a state of being (Sen, 1999). Sen further views functionings as activities (such as eating, reading, riding, seeing) or a state of existence or being, from the elementary ones (being well nourished, being free from avoidable diseases) to more complex ones as (not being ashamed of their own clothing, taking part in the life of the community, having self-respect and so forth).

Capabilities are what human beings can be or can do and have reason to value (Sen, 1999). Capabilities also refer to the real, effective opportunities that people have to choose among valued functionings. Thus, there are real freedoms to be and to do what one chooses and values (Sen, 1999). People with most choices or the largest set of possible functionings have the largest standard of living. Sen (1999) compares functionings and capabilities where,

> *"A functioning is [seen as] an achievement, whereas a capability is the ability to achieve. Functionings are, in a sense, more directly related to living conditions, since they are different aspects of living conditions. Capabilities, in contrast, are notions of freedom, in the positive sense: what real opportunities you have regarding the life you may lead" (p. 36).*

2.4. Human Development Approach (HDA)

The HDA approach finds its etymology in the writings of Amartya Sen's Capabilities Approach in the 1980s. The model was much popularised by UNDP through its Human Development Reports produced annually since 1990. As a poverty and development approach, HDA conceives poverty from a multidimensional standpoint that goes beyond income. This is not to say that the HDA does not value the importance of income in assessing one's poverty levels, but it goes beyond to incorporate other life-related variables. As argued by Alkire (2016), human development draws attention to 'what makes life worthwhile' for people. The objectives of development, as argued by Haq (1999), are to create an enabling environment for citizens to enjoy long, healthy, creative lives. Haq further asserts that no aspect of the development model (economic, social, cultural and political) falls outside its scope, but the point of emphasis remains the widening of people's choices and the enrichment of their lives. It is argued that the real wealth of nations is their people and not economic growth (Alkire, 2016). Human beings are both the means and ends of development.

The United Nations Development Programme and Oxford Poverty and Human Development Initiative (2023) define human development as a process of enlarging people's choices. The most critical choices include leading a long and healthy life, being educated, and enjoying a decent standard of living. Additional choices include political freedom, guaranteed human rights, and self-respect. HDA is concerned with both the process of widening people's choices and the level of achieved well-being (Alkire, 2010). Since the 1990s, HDA has become central to multidimensional poverty measurement, including the Human Development Index, which combines indicators of life expectancy, education, and income per capita. Equity, productivity, sustainability, participation, and empowerment are important principles within the approach (Alkire, 2010).

3. Methodology

3.1. Research design

The study utilised a case study research design. A case study is an in-depth-exploration, often undertaken over time such as a policy, programme, intervention, site, implementation process. Chegutu was the case study.

3.2. Study sample and data collection methods

Intended sample size and rationale.

Using Yamane's (1967) formula at a 95% confidence level:

$$n = N / [1 + N(e^2)]$$

$$n = 1,889 / [1 + 1,889(0.05^2)] = 330.8 \approx 331$$

The figure represented the intended probabilistic sample size under ideal conditions of full participation.

3.2.1. Selection rule and systematic sampling procedure

Systematic sampling was applied to the registers:

- Sampling interval (k) = 1889 / 331 ≈ 6
- Every 6th SME on the ordered loan register was selected
- This produced an initial contact list of 55 SMEs

Table 1. Sampling flow and realised sample

Stage	Number
SMEs in MFI registers	1,889
Intended sample (Yamane)	331
Systematic sample drawn (k = 6)	55
Refusals / non-response	5
Final achieved SME sample	50

Table 1 indicates the sampling flow. It highlights how the sampling process computed SMEs in MFI registers based on the intended sample size of 331 guided by the Yamane formula. The table shows how the systematic sampling interval of k=6 was administered to the intended sample of 331, yielding a total of 55 SMEs in MFI registers. Thus, with five refusals to participate, the sample size became 50 SMEs drawn from the MFI registers that was used for the study.

3.2.2. What the achieved sample allows—and does not allow

Small and medium enterprises (SMEs) were included in the study only if they met predefined eligibility criteria aligned with the research design, ensuring that selected enterprises were relevant to the study objectives and had direct experience with borrowing practices and access to finance in Chegutu. The achieved sample of 50 SMEs was appropriate for the qualitative, exploratory nature of the study, as it enabled an in-depth examination of borrower experiences, capturing nuanced accounts of engagement with credit markets, challenges encountered, and coping strategies adopted. This sample size also allowed for the identification of recurring perceptions, constraints, and patterns related to access to finance, loan conditions, and institutional practices, as well as facilitating thematic analysis of gendered borrowing dynamics to explore potential differences in financial access between men- and women-owned SMEs. However, the relatively small, non-random sample limits the statistical generalisability of the findings and precludes causal claims regarding the impact of borrowing on poverty reduction, given the absence of experimental or longitudinal methods and a comparison group of non-borrowing SMEs; these methodological limitations are explicitly acknowledged to ensure transparency and to appropriately situate the findings within their analytical boundaries.

3.3. Data collection instruments

3.3.1. SME questionnaire (semi-structured)

A **semi-structured questionnaire** combining closed items and open-ended prompts was administered. The instrument consisted of five item blocks:

Block A: Respondent and enterprise profile

- Gender, age bracket
- Sector of operation
- Years in business

Block B: Loan characteristics

- Loan amount and duration
- Repayment terms
- Repeat borrowing status

Block C: Perceived livelihood effects

- Changes in household income
- Business continuity and stability
- Consumption smoothing

Block D: Savings and coping

- Ability to save
- Use of loans for emergencies
- Household stress management

Block E: Gender and access

- Ease of access to loans
- Decision-making power
- Control over loan use

3.3.2. Key informant interview (KII) guide

Five KIIs were conducted with MFI loan officers. The guide covered:

- SME borrowing patterns
- Gender differences in repayment and access
- Common borrower challenges
- Observed livelihood changes among clients
- Institutional constraints in microfinance delivery

3.4. Data analysis: thematic content analysis

Data were analysed using thematic content analysis, following a six-stage coding process:

- Familiarisation with transcripts and written responses
- Open coding (line-by-line)
- Code consolidation
- Category development
- Theme generation
- Cross-source validation (SMEs vs KIIs)

Quantitative summaries (frequencies and percentages) were used descriptively only, to contextualise qualitative patterns.

3.4.1. Example coding process

Table 2. Coding process for perceived poverty reduction

Raw data excerpt	Open code	Category	Theme
"I can now buy food even when sales are low"	Food purchase stability	Consumption smoothing	Perceived livelihood stabilisation
"The loan helps but repayments are heavy"	Repayment pressure	Financial stress	Constrained benefits
"Business survives but no growth"	Survival without expansion	Limited accumulation	Fragile sustainability

Table 2 reveals the coding process for perceived poverty reduction. The table shows raw data excerpts, open code, category and themes generated. Drawing from narrative comments, the coding process was created, categorising contextually to generate themes from each statement from participants.

3.4.2. Operationalising "poverty reduction"

In this dataset, poverty reduction is operationalised as self-reported changes in household and enterprise functioning, not income thresholds. Indicators include:

- Ability to meet basic needs
- Reduced reliance on distress coping
- Business continuity
- Perceived financial control

All claims in the Results are mapped to either SME questionnaires or KIIs.

3.5. Translation rigour

KIIs were conducted primarily in Shona. Translation followed a three-step quality assurance process:

- Initial transcription and translation by bilingual research assistants
- Independent review by a second Shona-English speaker
- Consensus resolution of ambiguous meanings

This process reduced semantic drift and preserved contextual meaning.

3.6. Limitations

When interpreting the results, it is important to take into account the various limitations of this study. First, even though Yamane's formula was used to calculate a statistically derived sample size, non-response and refusals resulted in a sample size of only 50 SME borrowers. This smaller sample size reduces statistical power and limits the findings' applicability to borrowers outside of Chegutu. Second, since only SMEs with formal borrowing relationships were eligible for inclusion, using MFI loan registers as the sampling frame raises the possibility of selection bias. SMEs that were turned down by MFIs or self-excluded from microfinance are not included.

Third, the study uses self-reported information about perceived changes in livelihood, household outcomes, and business performance. Given the financial sensitivity of borrowing relationships, recall bias and social desirability bias can affect such data. Fourth, the cross-sectional design only records borrower experiences at one particular moment in time, making it impossible to evaluate changes over time or directly link observed results to microfinance involvement. The lack of a counterfactual group of non-borrowers limited the capacity to conclude the impact or causality of poverty reduction. Lastly, Shona was used for the qualitative interviews, which were then translated into English for analysis. Despite the application of translation checks, some subtleties might have been lost during the translation process. These limitations highlight the need for future longitudinal and comparative research designs and are inherent to exploratory, resource-constrained field studies.

3.7. Ethics statement

Ethical clearance was obtained from the researchers' institutional ethics committee. Participation was voluntary, with verbal informed consent obtained prior to data collection. Confidentiality measures included:

- Anonymisation of SME identities
- Secure storage of questionnaires
- Restricted access to MFI registers

Permission to use register-based sampling was granted by participating MFIs.

4. Results

Results are presented as empirical findings only, without interpretation or literature comparison.

4.1. Respondent profile

- 70% female, 30% male SME operators
- Predominantly retail, vending, and small-scale manufacturing
- Majority operating for more than three years

4.2. Perceived livelihood effects of microfinance

Most respondents reported that microfinance loans contributed to short-term livelihood stability, particularly through consumption smoothing and business survival, according to the SME questionnaire responses.

Table 3. Reported livelihood-related outcomes (SME self-reports)

Outcome	% reporting positive change
Ability to meet basic needs	64%
Business continuity	58%
Improved food security	60%
Increased savings	32%

The study highlights the outcome as well as the percentage to which such narrative outcomes reported positive change. For example, the ability to meet basic needs represented 64% positive change; while business continuity accounted for 58%. Improved food security and increased savings accounted for 60% and 32% respectively (see Table 3).

4.3. Savings and coping capacity

While some SMEs reported improved savings behaviour, many indicated that repayment schedules constrained accumulation, as reported in the SME questionnaire.

4.4. Gendered access and experience

Female respondents reported greater access to loans, but also higher repayment stress, particularly where loans supported household expenses in addition to business use, as reflected in the SME questionnaire results.

4.5. Key informant perspectives

Loan officers confirmed that microfinance primarily supports enterprise survival rather than growth, and that repeat borrowing is common due to limited capital accumulation, as indicated in the KIIs.

One KII defined poverty from a multidimensional standpoint,

> *One who is in poverty is someone who eats relish without cooking oil, who doesn't eat a balanced diet meal, who fails to pay accommodation rentals, fails to send children to school and stays in one room with a big family.*

Another KII saw poverty as,

> *If a person does not have money to pay accommodation rentals, fails to have food, fail to pay for medical bills, that person may be deemed in poverty.*

Twenty-eight per cent acknowledged that microfinance contributed to household income in varied ways. Microfinance increases the disposable income of the borrowers and ultimately fights financial exclusion. One respondent posited,

> *The bulk of the money for our survival as a family comes from this vending business of ours. I contribute part of the money, and my husband brings his from his hustles.*

Forty-seven questionnaires' respondents posited that the money that came from microfinance was not enough to leave extra for a holiday vacation. Thirty per cent revealed that microfinance was unable to fund their children's education, and another twenty-six viewed microfinancing as a failure. Another respondent noted,

> *Yes, it once helped me, but there is nothing significant that I can pinpoint that I achieved by being involved in borrowing money from the microfinance sector. Maybe just to say, I managed to send children to school, but under very difficult circumstances*

One loan officer saw microfinance as an enabler, as their clients can afford to pay fees for their children,

> *Yes, we do track social indicators, at times we are the ones who pay fees for our clients' children…so in terms of social welfare, we have a huge impact because we also offer fee loans. When we visit clients, we actually see that their standards of living are improving.*

Another added,

> *When we are doing our assessments on clients, we will be recording their weaknesses, for example, the client has a weak collateral or the bigger chunk of their money is going to fees, and they cannot properly restock for their microenterprise. We therefore suggest to them that we cannot give you a fee loan that you will be able to pay in three months, which is premised on favourable payment terms.*

Twenty five percent of the questionnaire respondents acknowledged that microfinance enabled them to acquire property, whereas sixteen did not. One KII stated,

> *At times, we clients are the ones who would be hesitant, but once you become their customer for a while, they can buy you a residential stand, they can also give you money to buy building material until completion of the house. They can also buy you a car and put their interest on top. Most of the property that I have, such as a fridge and so on, in my house, I obtained them by dealing with the MFIs. For me to buy this car that you are seeing is because of (microfinance name withheld).*

Due to the patriarchal settings of the Zimbabwean society, women tend to suffer from systematic exclusion. Microfinance seeks to bridge this gap by empowering women through availing financial services. Twenty-nine respondents posited that microfinance failed to improve gender equality within their families. Twenty-six respondents posited that microfinance fuelled consumption, whereas twenty-three did not.

Forty seven percent of the respondents posited that microfinance did not propel savings. Only nine achieved savings through microfinance

Fourteen per cent of the questionnaires cited having ease of access in borrowing money from the microfinance sector, whereas thirty-seven did encounter some difficulties. A number of reasons may explain why it is not easy to borrow money from the microfinance sector; the MFIs in Chegutu require household property as collateral, and they also lend only to those with businesses and require a guarantor. However, in some cases, other clients may not have anyone willing to act as a guarantor for them, considering the sometimes-uncomfortable situations that guarantors sometimes encounter when dealing with MFIs. For instance, a respondent narrated,

> *I was made a guarantor by a relative without my knowhow and consent. She came to ask for my national identity card under the pretext that it was needed to support scholarship papers of a relative's child, whereas the real point was to support her loan papers. However, when she failed to pay back the money, she ran away and started staying in her rural area. The microfinance company started calling me demanding their money from me. I was shocked since I had not visited their offices, and I was not privy to such arrangements.*

Questionnaire responses and KIIs indicated that lending conditions in Chegutu often required collateral, an operating enterprise, and a guarantor, which some participants perceived as excluding poorer applicants from borrowing opportunities.

> *Our targeted customers are those with businesses. Our prospective clients should be having business like butcheries, bottle stores and hardware. We also target the private sector, especially those in the NGO sector. We also lend to civil servants. Thus, we only target those three groups…we do not fund vendors.*

Some respondents described microfinance borrowing as stressful and debt-inducing, particularly when repayments became difficult or when guarantors were pursued for arrears.

> *The loans do not work; at one time, I was in debt of over USD$2000. I no longer want to hear anything about microfinance. It is like their money is cursed or carries a curse.*

However, the loan officers argued that in Chegutu, borrowers tended to get loans from other MFIs in order to offset other loans. Diverting loan funds from their intended purposes also caused MFIs to fall into debt.

The loan officers suggested that the government should create an enabling environment for SMEs to thrive. According to one loan officer, it should assist by subsidising the MFI sector and by providing the sector with low-interest lending rates. Borrowing at low interest rates can, in fact, enable the microfinance sector scale up lending. The loan office suggested that the government should stifle/curb the illegal activities of moneylenders. According to the loan officer, most of their clients are used to borrowing money anywhere and tend to fall prey to the black-market exorbitant interest rates.

5. Discussion

The findings suggest that microfinance in Chegutu functions primarily as a livelihood stabilisation mechanism, rather than a pathway to sustained poverty exit. Reported benefits align with literature that positions microfinance as effective for consumption smoothing but limited in promoting structural economic transformation.

Gendered patterns indicate that while women access loans more easily, they also absorb disproportionate financial stress, reflecting broader care and household responsibility dynamics.

Institutional constraints, including short loan cycles and rigid repayment terms, further limit transformative potential.

Microfinance aims to reduce poverty by supporting entrepreneurial activity, local economic development, and the expansion of microenterprises. It may increase productivity and innovation, although the expected outcomes are not automatic (Armendáriz de Aghion and Morduch, 2004). Critical perspectives argue that many microenterprises remain survivalist and may not have the capacity to lift households out of poverty (Dichter, 2007; Bateman, 2010; Patel et al., 2021). This concern resonates with the present study because some MFI clients did not report clear improvements in their businesses or livelihoods. Under HDA, equity, productivity, sustainability, participation, and empowerment are important principles (Alkire, 2016). Microfinance that strengthens these dimensions is more likely to contribute meaningfully to poverty reduction.

Microfinance can extend financial services to people who are systematically excluded from conventional banking. However, the present study found that some women remained constrained by patriarchal relationships within their households and communities. Selome and Tshuma (2014) found no clear relationship between microfinance participation and women's empowerment in Umguza District, whereas Banerjee and Jackson (2017) documented indebtedness and vulnerability among women borrowers in rural Bangladesh. In contrast, Matindike (2022), using the CA, found that microfinance could enhance women's capabilities through microenterprise development in Tsholotsho District. These divergent findings illustrate that the gender effects of microfinance depend on context and programme design. This is consistent with the CA's view that poverty involves deprivation of valuable freedoms (Ataguba et al., 2013). Tseng (2011) similarly argues that poverty should be understood as a lack of basic capabilities and not only as insufficient income.

Microfinance can serve as a social-safety mechanism and support household consumption (Kumah and Boachie, 2016; Khandker, 2005). Poor households may channel income from microenterprises towards food and other essential needs, although the effects are not uniform. In the present study, some participants reported that microfinance did not improve their consumption. Selome and Tshuma (2014) found that the Women Development Fund in Umguza District did not consistently improve poverty or women's empowerment because some projects were not viable and borrowers struggled to repay. Coffey Kellett (2011) describes how coercive loan recovery, repayment pressure, and the availability of multiple lenders can contribute to "loan bicycling", in which borrowers take a new loan to repay an existing one. The difficulties reported in Umguza are comparable to the experiences of Chegutu participants who remained unable to pay school fees despite borrowing.

Chikwira et al. (2022) found that the long-run relationship between microfinance and poverty in Zimbabwe can be adverse when borrowing does not translate into sustainable enterprise growth. Other scholars likewise question whether microfinance consistently fuels enterprise development (Bateman, 2010; Chowdhury, 2011). The mixed experiences reported in Chegutu therefore align with dos Santos's (2017) argument that a capability-based understanding of poverty must move beyond one-dimensional monetary definitions.

dos Santos (2017) argues that a capability-based definition of poverty combines absolute and relative elements, is philosophically grounded while remaining useful for empirical research and policy, and accounts for interpersonal and intersocial differences in the conversion of resources into capabilities.

6. Conclusion

The study produced mixed results in Chegutu; some realised the benefits of MFIs, whereas some did not. Zimbabwe's economy has met challenges since the turn of the millennium. This has arguably affected the livelihoods of the poor, as in harsh economies, the vulnerable and the poor become worse off. In struggling economies, loans tend to be used to attain the bare necessities one needs. The microloans are supposed to have the multiplier effect, fueling consumption, spending and growth within the micro sector. The Government of Zimbabwe should foster an enabling environment for MFIs. It should create policies that formalise the informal lending, which competes with the MFIs. Regulation should capture all, creating an even field for all. CA is concerned about evaluating how people are well off in their capabilities to achieve the kind of life that they value to live (Alkire, 2016). Sen (1999) sees individuals as agents of their own destinies. Human beings are both the means and ends of development (Haq, 1999).

Conflict of interest

All authors declare that they have no conflicts of interest.

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