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FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

**AN INVESTIGATION OF THE NATURE AND EXTENT OF RECORD KEEPING BY
MICRO FINANCIERS IN ZIMBABWE: A CASE OF KCI MANAGEMENT
CONSULTANTS**

BY

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R144535R

***THIS DISSERTATION IS SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENTS OF THE BACHELOR OF COMMERCE HONOURS DEGREE IN
ACCOUNTING IN THE DEPARTMENT OF ACCOUNTING***

AT MIDLANDS STATE UNIVERSITY.

Gweru

June 2018



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APPROVAL FORM

This serves to confirm that the undersigned has read and recommended to the Midlands State University for acceptance of a dissertation entitled,

“AN INVESTIGATION OF THE NATURE AND EXTENT OF RECORD KEEPING BY MICRO FINANCIERS IN ZIMBABWE: A CASE STUDY OF KCI MANAGEMENT CONSULTANTS”.

Submitted by Trymore Matsenga in partial fulfilment of the requirements of the Bachelor of Commerce (Hons) Degree in Accounting.

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Dedication

This research is dedicated to my parents Rubben and Stavile for the support and patience during my study period. Their encouragement and prayers played a major role towards the successful completion of this academic degree.

God bless you.

Declaration

I Trymore Matsenga (R144535R) do hereby declare that this is my own original work and that it has not been presented for a degree in any other University. All sources that have been used or quoted have been indicated and acknowledged by means of complete references.

.....

Student's signature

.....

Date

Acknowledgements

I would like to sincerely credit Mr. Kazembe for the supervision he has continuously provided to this dissertation. The support and expertise in the fields of Accounting have each time been of great help to me.

Com i tcvkvwfgou" ctg" fktgevgf" vo my parents Mr and Mrs Matsenga, my sisters Runyararo and Gracious, Nyasha and my elder brother Knowledge for their invaluable support on this research.

Special thanks credited to my friends Briller, TK, Simba, Alvin and Malcolm, I thank you guys for the support, encouragement and love you showed me during the studies. May the Almighty be with you.

Abstract

The purpose of this study was to investigate the nature and extent of record keeping in microfinance institutions and its effects to their sustainability. The research was influenced by underperformance of microfinance industry as 60% of the industry were not operating profitably while 30 institutions were reportedly shut down operations in 2017. The main objective of this study was to identify the nature of record keeping by microfinance institutions. To achieve the objectives of the study, data was obtained through the use of primary and secondary sources. The target population was 70 and a sample size of 40 respondents was chosen. The study also presented empirical evidence and global experiences in terms of record keeping by micro financiers, mutual (2015) and Hilisnki (2017) were the key authors and they cited the consequences of poor record keeping as loss of data, production is negatively affected, legal consequences as well as financial consequences. The findings of the research were presented in the form of graphs, tables and charts. Data analysis revealed that at Checheche KCI the nature of record keeping was poor mainly because they are still using the manual system as well as hiring untrained bookkeepers. The research concluded that KCI still has a long way to go as far as proper record keeping is concerned if they are to make it to the top particularly on areas of default management. The study recommended that KCI should make use of a computerized system, staff training, incentives to employees when targets set are met, regular attendance of workshops held by ZAMFI as well as close supervision to ensure maximum results of proper record keeping.

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List of acronyms

MSU í í í í í í í í í í í í í í í Okfncp fu"Uvcyg"Wpkxgtuky{

ZAMFI ... í í í í í í í í í í í í í í í 00\k o dcd y gcp"Cuuqekcvkqp"qh" Oketqhkpcpeg"Kpukvwvkqpu

RBZ í í í í í í í í í í í í í í í 0Tgugtxg"Dcpm"qh"\k o dcd y g

CHAPTER 1

INTRODUCTION

1.0 Introduction

This chapter looks at the background of the study, statement of the problem, research objectives, research questions, scope of the study, significance of the study, assumptions, delimitations, limitations, definition of terms and summary.

1.1 Background of the study

Microfinances are universally acknowledged as a way to promote economic development and growth particularly through offering financial support to the small to medium enterprises (SMEs). Most people who elevate microfinance institutions are of the idea that the existence of micro-lenders will help to eradicate poverty (Ezeji for 2017). In Africa where most people do not meet the conditions to apply for bank loans, microfinances play a critical role by giving loans to the micro-enterprises. Microfinance institutions are of crucial importance in improving the economy in the 21st century by helping people live their dreams by becoming their own bosses.

These microfinance institutions have always been expected to grow from infancy into microfinance banks. The Executive Director of Zimbabwe Association of Microfinance Institutions, (Chitambo 2017) said that 60% of the industry are not operating profitably. Many reasons are behind their failure to grow as expected. Among the reasons that have been put forward as possible cause of failure to grow beyond the current size is the move by the Central Bank to curb interest rates. Microfinance institutions are of crucial importance in improving the well-being of development countries, however this function is greatly affected by limited knowledge and applicability of good record management practices by these MFIs (Ogundajo 2016). According to the Microfinance Act (Chapter 24:29) section 22 every corporate microfinance shall keep proper accounts and other records relating thereto; and at the end of each financial year prepare a financial statement; reflecting in accordance with sound accounting principles and practices.

Accounting records are of great importance when it comes to planning, control, evaluation and decision making. This makes it important for microfinance institutions to make the records and

maintain them accurately. Students on attachment from different programs, be it History , Gender Studies, Psychology or Human Resource Management are seen preparing the books of accounts of KCI Management Consultants of which the same compilations are later compiled and submitted to the RBZ. The research thus seeks to investigate the nature and extent of record keeping by microfinance institutions in Zimbabwe.

Table 1.1 below shows the number of untraceable debtors and shortfall recorded by auditors from 2015 to 2017. Untraceable defaulters are those clients who are nowhere to be found because of inadequate information about the client which may be as a result of changes in contact details and physical addresses among other reasons pertaining record keeping.

In 2015 the number of untraceable defaulters stood at 15 amounting to \$4000, in 2016 the number of untraceable defaulters rose by 5 with a total amount of \$4850 and in 2017 the amount further rose to \$5020 with a total number of 20 clients. Something has to be done to stop this trend from going up year in year out as this will ultimately have a negative impact on the collection rate.

Shortfall recorded by auditors in 2015 amounted to \$17, \$19 in the following year and \$38 in 2017. This is showing an upward trend of money which is not accounted for. This gives rise to questions on how and why the money is unaccounted for.

Table 1.1: Untraceable defaulters and shortfall recorded.

Year	2015	2016	2017
No. of untraceable defaulters(amount)	15(\$4000)	20(\$4850)	22(\$5020)
Shortfall recorded by auditors	\$17	\$19	\$38

Source: Checheche branch 2017 defaulters list and audit reports

1.2 Statement of problem

Microfinances are characterized by poor capital management and stunted growth. (Chitambo 4239+"uckf."öOqtg"vj cp"52" o ketqhkpcpeg"kpukvwkqpu" j cxg"enqugf"kp"vjg"ugeqpf" j cnh"qh"vjg" {gct"cu" e jcnngpi gu" qh" ecrkvcnk|cvkqp" vcmg" vjgkt" vqm" kp" vjg"ugevqtö0" Cp" wpfgtuvpcfki" qh" vjg"pcvwtg" cpf"

extent of financial record keeping by microfinance institutions may help to identify challenges faced in record keeping and to bring about a solution to their development.

1.3 Research objectives

- To establish the types of records kept by microfinance institutions.
- To identify the nature of record keeping by microfinance institutions.
- To identify the extent of record keeping by microfinance institutions.
- To identify the problems faced by microfinance institutions in maintaining the financial records.
- To establish the extent to which record keeping support sustainability of microfinance institutions.

1.4 Research questions

- What are the types of records kept by KCI Microfinance?
- What is the nature of record keeping at KCI Microfinance?
- What is the extent of record keeping by KCI Microfinance?
- What are the challenges faced by microfinances in maintaining their books of accounts?
- To what extent does record keeping by microfinance institutions support their sustainability?

1.5 Significance of the study

To Student:

It is a partial fulfillment requirement of B.Com Accounting (Hons) Degree at MSU.

To MSU:

For future referencing by other students which will wish to undertake a similar study to this one.

To KCI Management Consultants:

The study will help KCI Microfinance to improve record keeping through recommending strategies that can be used to deal with poor record keeping.

1.6 Assumptions

- The sample chosen will represent the entire population.
- The respondents will provide reliable data.

1.7 Definition of terms

Record keeping: the process of recording financial transactions and maintaining the record in conformity to generally accepted accounting standards (Olukotun 2012).

Books of accounts: books which record all elements of transactions ranging from source documents to final accounts.

Sustainability: refers to the ability of a business to persistently maintain its operations for a certain time period (Business Dictionary 2018).

Microfinance: A facility that provides low income earners access to financial services for instance, loans and micro insurance (Boateng 2015).

1.8 Delimiting of the Study

- Data used is collected from KCI Management Consultants in Harare.
- The study seeks to investigate on the nature and extent of record keeping by micro financiers. This study is however not evaluating the financial performance nor is it seeking to establish other factors affecting its performance.
- The research covers the period from January 2015 to December 2017

1.9 Limitations

- Distance was a limiting factor since the researcher lives about 276km from Harare. However reliable bus operators made the visits to Harare possible.
- KCI Management Consultants is a private ltd company which does not disclose much of the needed data, to overcome this the researcher had to bounce back to the branch level.

1.10 Summary

This chapter looked at the background to the study, the statement of the problem, research questions, research objectives, purpose of the study, assumptions, delimitations, limitations as well as the definition of terms. This Chapter paves way to chapter 2 which is literature review.

CHAPTER 2

Literature Review

2.0 Introduction

This chapter concerns a review of existing literature on record keeping by Microfinance Institutions. The literature review seeks to explore existing theory on bookkeeping concepts and how they contribute to microfinance sustainability. The chapter will look at published material from various authors across the globe. The chapter will be looking at the types of records kept, nature as well as the extent of record keeping by Microfinance Institutions(MFIs), problems of MFIs. The major areas of focus in this chapter are the causes of poor record keeping, importance of record keeping, possible strategies that can be employed to combat poor record keeping. A chapter summary will be given at the end.

2.1 General Issues

Microfinance

Microfinance offers services to people who are left out by banks because they do not have the capacity to provide collateral security. All in all, banks are meant for individuals with money or those who are in the middle class not for individuals without money (Boateng 2015). Microfinance institutions were therefore established because of the failure of the existing financial institutions to address needs of the poor. That part of financial sector which concentrate on service delivery to the poor individuals is referred to as microfinance institution (Tsede 2014).

Recordkeeping

Research has revealed that in most businesses record keeping is the initial step in the accounting process. Record keeping involve classifying, reporting as well as analysing financial data. Record keeping is also about organising and tracking receipts. All transactions which are essential for the preparation of the monthly, quarterly or yearly reports are chronologically recorded by bookkeepers. Proper keeping of all business transaction is vital for the success of a business (Mutua 2015).

2.2.1 The Importance of recordkeeping

According to Danford (2014), the primary motive of record keeping is to provide sufficient evidence on all business activities, therefore the existence of those records stand as the basis for decision making. Rodd et al (2017) Also agreed on the notion that record keeping is of great importance as it helps to minimise the chances of business failure, useful as far as financial management is concerned and planning control, assist in making sound decisions as well as giving background picture which helps organizational change.

If proper records are not kept, the success of a business is threatened in many ways for instance if one pays the accountant to prepare the final accounts he will pay him on the basis of time taken to prepare the accounts. If the records are not accurate, this could mean that the accountant will take more time than he/she could have taken when the records are accurate, the entity will end up paying more money than they could have paid (Mutua 2015)

Apart from fulfilling legal requirements, recordkeeping is also about understanding business now and in the future (financial education curriculum 2018). Four main advantages of record keeping were outlined as follows:

- Detail tracking: There may be need to track certain information about customers. Without proper record keeping of important business details, clients will not be served as per their expectations. If a business does not know who its clients are and what they need, the risk is that the business may end up losing those customers forever.
- Planning: good recordkeeping practices helps in planning
- Legal compliance
- Tax preparation

2.2.2 Consequences of bad record management

Hilinski (2017) said that bad record managed causes financial consequences, legal consequences, and loss of data as well as reduced productivity.

Productivity: if employees spend most of their time searching for misplaced or lost records instead of focusing on the core business, the business will have a negative effect on productivity.

Financial: when records went missing or they are not properly tracked organisations may experience problems especially with budgets.

Legal: if a business faces legal action, bad record management makes disorganised record keeping makes it difficult to produce records in a timely fashion which is against the law. There are laws which penalize companies for not giving information in a timely manner.

Loss of data: bad record management could mean that there is no backup plan in case the primary sources went missing. A company may end up closing the doors if some records are lost permanently.

According to Boateng (2015) bad record management in microfinance institutions will result in previously written off bad debtors coming back to apply for new loans because the MFI might be unaware that the so called new client is an old client who previously had an account which he/she defaulted.

2.2.3 Why improving filing and document management system?

According to the Association of Management Education program (2018) a sound filing and document management system helps to:

- improve employee productivity by providing necessary information when it is needed
- improve information sharing and learning
- Reduce storage and other system cost
- Avoids duplication and unnecessary files
- Improve efficiencies in obtaining information

2.3 Nature of records necessary for accounting in microfinance institutions

The success and sustainability of micro-lenders is depended upon proper financial analysis. It is the quality of records that are kept which determines the financial analysis quality. The better the quality of records kept, the better the financial analysis an organization can come with. The following stands as a guideline for records that should be kept by microfinance institutions (Epifanova and Fishukiva 2018).

2.3.1 Accounting Principles that should be followed by MFIs

According to Epifanova and Fishukiva (2018), microfinance institutions should follow the following accounting principles:

- Double entry: Every transaction should affect at least two different accounts. Any positive change in assets will have to be followed by a negative effect in liabilities or equity of the same amount if the accounting equation is to remain at equilibrium. Conversely a negative change in assets will have to be followed by an equal positive change in liabilities. This follows that the income and expense accounts are netted off giving out profit or loss at the end of each financial period which is posted to the balance sheet as equity (Winship 2016).
- Conservatism and prudence principle: profits should not be overstated so as to ensure fair presentation of financial statements.
- Materiality principle: Items that makes a difference in decision making should be separately presented.
- Realization principle: Seeks to identify the point at which revenue is recognized. Revenue is recognized when it has been earned rather than when it has received.
- Matching principle: Expenses are incurred to earn revenues, therefore expenses should be reported in the same period as the income they generated.

2.4 Types of records kept by microfinance institutions

2.4.1 Source Documents

According to Bawaneh (2018), a source document is the starting point of collecting accounting data. Newgard and Lewis (2015) also stated that at each stage of buying and selling, source documents help to record what is happening. These documents show the initial events in the process of obtaining or completion of a transaction. Source documents contains all details pertaining the transaction. Wilson et al (2015) lists source documents as an invoice, receipt, bill of exchange, cash slip and a credit note among others.

Microfinance institutions should keep details of source documents in a computer or keep a copy in a file for a period exceeding one year so that any queries arising can be dealt with using factual information (Amahulau 2017).

Books of Prime Entry

Ntim et al (2014) defined books of prime entry as the subsidiary books, day books, or journals where entries from the source documents are stored. All business transactions are stored in the books of prime entry until they are entered into the accounting system. Cash book, sales day book and daily expenditure book are the common examples of books of prime entry in a microfinance business (Kalanotnis 2014).

Books of prime entry are of great importance as they facilitate reference back to the original documents such as receipts, they also collect together all transactions of similar nature as well as completing the double entry (Adukwu 2016).

Vysotskaya et al (2016) also agreed on the notion that books of prime entry help to trace all transactions made and forms part of double entry. Cash books is one of the most important books as some of the small business may not be able to keep full set of books required for proper accounting. Cash book is vital in the preparation of final accounts.

Ledger Accounts

According Osuala and Adakwu (2014) a ledger account is a record which is used to keep track of the increases and decreases in a single balance sheet item. This is where the entire group of

accounts are kept. The different types of ledgers in most businesses are sales ledger (used for general ledger which contains the remaining double entry accounts such as those related to expenses, fixed assets and capital. Winship (2016) stated that, while at times small businesses may not keep ledgers, they are not exempted from keeping them. It is in the ledgers that transactions are classified.

2.4.1 Prior Period Accounts/ Final Accounts.

Statement of Financial Position

Stands as a summary which shows the financial position of a microfinance institution at a specific financial period as well as presenting the economic resources of a microfinance institution. A statement of financial position also shows the current net worth of a microfinance institution (Epifanova and Fishukiva 2018).

Danaferus et al (2016) also stated contents of a typical microfinance statement of financial position. Cash, investments, loan portfolio, loan portfolio reserve (part of the loan portfolio amount provisioned for losses due to default), depreciation, property, liabilities, loans , deposits, equity, capital earnings and accumulated earnings (net income for the present fiscal period) should make up a complete statement of financial position for a microfinance institution.

2.4.2 Income Statement

An income statement is normally prepared on a monthly, quarterly, or yearly basis or within any period when it is deemed necessary (Newgard 2015). According Abor (2017) income statement is also known as the profit and Loss account which summarizes revenue and expense of a microfinance institution over a specified time period. The difference between revenue and expenses is either profit or loss (Epifanova and Fishukiva 2018). The above mentioned scholars agreed on the notion that a complete income statement should constitute of credit income,

investment income, donations, personal expenses (salaries and bonuses), administrative expenses (non-personnel expenses which are directly related to the provision of financial service), depreciation, extra-ordinary write off (total amount of bad loans in the current period) and financial cost for instance, interest and fees incurred.

2.4.3 Cash Flow Statement

According to Barua et al (2015) a cash flow is a better measurement than income statement as it provides information that enables users to evaluate a change in the net assets, financial structure (like liquidity and solvency) and its ability to affect the amounts and timing of cash flow.

Cash flows are classified into operating, investing and financing activities. An organization may choose to use the direct or indirect method, however the international accounting standards (IAS7) recommends the direct method (Epifanova and Fishukiva 2018). Operating activities (income generating activities), investing activities (expenditure that have been made for resources intended to generate future income) and financing activities (resources obtained from and resources returned to the owners, resources obtained through borrowings as well as donor funds) makes up a relevant and reliable cash flow statement of a microfinance institution.

2.4.4 Portfolio Report

A portfolio report provides information about the lending and savings operations of a microfinance institution as well as providing timely and accurate data about the quality of the portfolio (Epifanova and Fishukiva 2018).

A portfolio report should be indicative of: Number and value of loans outstanding at the end of the period, total value and number of loans disbursed during the period, average outstanding balance of loans, value of outstanding loan balances in arrears, value of payments in arrears, value of loans written off during period, portfolio aging analysis, information on loan terms, loan officers, savings accounts and balances, etc (Love and Arris 2014).

According to de Quidity et al (2016) portfolio quality ratios can be calculated from portfolio information. This information together with the aging analysis can give a picture of the health of

the portfolio and to the income statement in that it is the portfolio that generates the income for the MFI. This relates to the balance sheet in that it provides information on the value of the outstanding loan portfolio and value of loans written off during the period.

This relates to the balance sheet and income statement in that the portfolio data is used as an input to calculate the loan loss reserve on the balance sheet, from which the amount of loan loss provision on the income statement is calculated.

To measure the level risk of loan default that is assessed by two indicators:

1. *Arrears Rate = (Balance of Past due Principal Payments / Outstanding Principal Portfolio) * 100%*

2. *Portfolio Risk Ratio = (Outstanding Principal of Delinquent Loans / Outstanding PP) * 100%*

Source: Epifanova and Fishukiva 2018 pp8.

According to Epifanova and Fishukiva (2018), both of the above indicators have some limitations. The first underestimates the amount of the portfolio risk while the second exaggerates the actual risk of portfolio. A microfinance institution should test how accurately it reflects the value and the level of risk in the collectible portfolio. Loans belong to the uncollectible if they are removed from the portfolio assets account and written off to the extraordinary write off or a charge off. A microfinance institution usually makes a decision to classify a loan as uncollectible at its own discretion but it is generally accepted that delinquent loans with payments more than 90 days past due are classified as uncollectible and should be written off in the books.

According to Dermejain (2014), portfolio at risk ratio commonly known as PAR and the RR ratios are the most used financial ratios by micro-lenders to determine the credit risk. PAR is that proportion of loan with overdue clients to the total due loan of the organization. RR is the proportion of the amount received by the organization against the total outstanding amount. Portfolio at risk is a ratio which seeks to look forward by providing estimated total loss of an

organisation. Repayment Ratio provides information on present loss as well as indicating previous performance. Therefore PAR is more important than RR since Repayment Ratio fails to predict future losses.

PAR= (Loan outstanding on overdue loans/Total Loan Outstanding of the MFI)*100%

RR= (Total principal collection during a period – prepayments)/Total Amount Due for the period)*100%

Source: Dermejain 2014 pp13

2.5 Problems faced by MFIs in maintaining proper records

Ncem"qh"gfweckqp"cpf"vtckkpi"qh"OHK"qypgtu"cpf"kvu"go riq{ggøu"ikxgu"tkug"vq"xctious negative perceptions towards record keeping as the owners thought that keeping accounting records adds unnecessary cost, time consuming and add nothing to poor performance of their business (Danford et al 2014).

According to Dahir (2015), the most challenge which is affecting microfinance institutions in maintaining proper records is lack of premises in their areas of operation. It should be noted that in developing countries a number of microfinance institutions are located in rural areas where they rent small rooms as a resulting in limited storage space for the increased volume of files. He also went on to say that security is not guaranteed since records are not even kept in a safe place where even unauthorized persons can have access to.

Heavy operational cost has also been seen as challenge as far as record keeping is concerned. Small businesses find it costly to employ competent employees to prepare their books as their books. Experienced and qualified book keepers are generally expensive than inexperienced book keepers. Increased cost may come in two ways, lack of funds to adopt an electronic record keeping system being the second one. Therefore, a number of small businesses are still using the manual system which appears to be cheaper though having a lot of loopholes (Alli 2015).

Jassim et al (2018) Highlighted poor internal control systems as the reason for poor record management. Microfinance institutions are generally characterized by poor cooperate governance. They lack segregation of duties as to who does what at what time. Therefore, no one will be accountable or responsible for poor record management as they equally share the

responsibilities which becomes difficult for the employees to bring out the best in whatever they do.

2.6 Significance of record keeping to growth and sustainability of MFIs

Keeping records of clients which enables MFIs to monitor them effectively is clearly very important and central to the achievement of success. This will ultimately impact on the rate of loan defaulting as it will be seen from the records (Krah et al 2013).

Record keeping is of great significance to sustainability of rural banks since serves as a basis for future reference. Networking of branches is the interconnecting of geographically scattered stand-alone branches in the form of a Wide Area Network (WAN) for the creating and sharing of consolidated customer information and records. Better record keeping offers quicker rate of inter-branch transactions and serves the customer populace as one system. It should be noted that the chances of a client having two or more running loan accounts at different branches are dealt with in this way therefore, a possible default risk is minimized (Boateng 2015).

However, Murithi (2017), ignored the notion that record keeping is of great importance to the sustainability of a microfinance institution as he stated that financial regulations, number of clients served, branch networking, financial coverage and volume of credit transacted are the factors which highly affects the sustainability of microfinance institutions.

2.7 Review of empirical studies

In Ghana, Aveh et al (2013) conducted a study on what constitute the success of microfinance institutions. Acquiring more clients, effective record keeping, effective and efficient loan processing, increased savings, internal and external audits, level of staff remuneration as well as the staff turnover rate were all put forward as possible drivers for success of microfinance institutions in Ghana. The results indicated that all the above mentioned factors contribute to the success of MFIs. They recommended that capacity building in the form of skilled and professional human capital base coupled with decent remuneration is essential for the building of a sustainable and efficient microfinance sector. With regard to human capital there is the need to develop consistent, comprehensive and coherent training, targeting the existing and potential

employees and taking into consideration their respective roles and responsibilities as well as their needs. This is a means of ensuring low staff turnover. Internal and external audits are necessary.

In Zimbabwe, Matanda (2015) conducted a study which was meant to establish the causes of downfall of microfinance institutions in Zimbabwe. The study concluded that high levels of competition with bank owned microfinance institutions, high levels of administration cost, concentration on consumer credit exposures, diversion from the core business, high levels of non-performing loans and poor institutional capitalization. He then recommended that the Central Bank should tighten its controls on the financial sector to ensure that they operate within legal framework limits. Competent individuals should come together to start micro-lending business in developing countries if they are to make it to the top. Furthermore, government should establish microfinance bank which would finance microfinance institutions. This would help non-bank microfinance institutions to have easy access to loans. In addition, the Central Bank should equip MFIs with knowledge, skills and expertise needed in managing risks associated with micro lending. The researcher also recommended that micro lending businesses should be adequately capitalized in order for them to be able to absorb losses. In addition, effective internal controls should be put in place so as to reduce corruption in their day to day operations. The government of Zimbabwe should put policies that help to improve liquidity on the financial market. Microfinance institutions should control their growth so as to reduce operating costs. Finally, MFIs should concentrate more on micro project loans which helps to generate income and reduces the probability of default in micro-lending business.

In Ghana, Tsede (2014) undertook a study which examined the process of maintaining order in the microfinance sector, particularly, the process of resolving disputes, the types and causes of disputes that arises between microfinance institutions, their clients and workers. The study suggests the adoption of an informal alternative dispute resolution mechanism that yields better and cheaper results than legal means. The findings were that microfinance institutions maintained order by keeping good working relationships with their clients and staff as well as conducting credit or background checks on both clients and staff before dealing with them. Record keeping was also found to be crucial in the maintenance of order in the microfinance sector. He however recommended that specialized small claim court be established to deal with matters arising from microfinance transactions. Further, the procedures to be adopted in these

small claims court should be informal to allow disputing parties, whether literate or not, to submit a claim and defend it without to resort to legal procedures or the assistance of legal practitioners.

In Kenya, Mutua (2015) carried out a research which was set to investigate the extent to which small and medium enterprises kept their records. Findings of the study were that proper records were not kept because of lack of knowledge and the cost of hiring professional accountants. Education is also critical to enable small business owners to acquire more knowledge on bookkeeping practices. This is through introduction of seminars, workshops and training sessions where such knowledge can be acquired. Universities and colleges should offer more courses related to bookkeeping apart from the general business courses.

Summary

This chapter reviewed the literature published by other scholars on the importance of record keeping in MFIs, causes of poor record keeping as well as the types of records that should be kept by microfinance institutions. The problems that exist in managing records were also presented. Possible strategies that should be used will be presented in the next chapters.

CHAPTER 3

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents the methods and tools used in collection of data and analysis in a bid to answer the research questions. Research design, study population, sample size, sample design, sample procedure were also described. This chapter also included data collection tools, data processing and analysis.

3.1 Research Design

According to Lewis (2015) a research design can be defined as a planned structure and strategy of study designed to obtain solutions to the sub-research questions. It is also a conditional arrangement of procedures for data collection and data analysis. In this current study, the research design that was used was a case study. Descriptive research design was used where both qualitative and quantitative data was employed to gain a deeper understanding of the nature and extent of record keeping in microfinance institutions, a case of KCI Management consultants in

Checheche. Qualitative data helped to draw conclusions as well as giving recommendations. The target population of the case study was Checheche KCI staff and clients but sampling on the target population was quota sampling based on researcher judgment.

3.2 Population

Brick et al (2015) stated that the target population is comprised of all objects whom the researcher wishes obtain the data from and as well as passing conclusions therefore, it is the total number of objects from which the researcher comes out with a sample. KCI Management Consultants has over 90 Branches in Zimbabwe but the researcher used Checheche branch to represent KCI as a whole since operations are similar across all branches hence the research found it economic to use one branch where he worked as an attaché. The study population of this case study comprised of 70 respondents of whom 10 were KCI staff members and 60 KCI

3.3 Sampling Size

According to Chiremba (2014) a sample can be defined as a selection of a few objects from the whole study population. The sample size was deduced from study population using quota sampling in choosing client respondents. There were 10 staff members at the branch. No sampling was used on the staff side. Sampling had 40 respondents made up of 10 employees and 30 clients of KCI Management Constants. Saunders (2009) suggest that a minimum sample size should be 30 and a response rate of 50% is sufficient for a research. The following formula was used to come up with the sample size: $N = (n * 100) / re\%$,

Where, N=actual sample size

n=minimum sample size

re%=estimated response rate

Therefore, $N = (30 \times 100) / 75\% = 40$ respondents table 3.1 below illustrates the population as well as the sample size from each stratum which were deduced according to the researchers judgments.

Table 3.1 Population Table

STRATUM	Population	Sample	Questionnaire	PER%
S1 KCI Staff	10	10	10	100%
S2 Salaried Clients	12	6	6	50%
S3 Formal Trader Clients	12	6	6	50%
S4 Informal Trader Clients	36	18	18	50%
Total	70	40	40	57%

3.3.1 Advantages of Quota Sampling

Quota sampling is particularly useful when one is unable to find a probability sample. However the researcher still had to create a sample that is as representative as possible (Burmeuster 2014). Quota sampling is fast and easier to carry out because it does not require sampling frame and the strict use of random sampling techniques.

The quota sample improves the presentation of particular strata (groups) within the population as well as ensuring that these groups are not over presented. For instance in this research the researcher had sufficient salaried employees (6), formal (6) and informal business operators(18) thereby making sure that there is no one client group which could have resulted in over presentation of one client group in this research (Pandey et al 2015).

3.3.2 Disadvantages of Quota Sampling

If the sampling requirements are extended, overall sample size will eventually increase, which could also increase costs and time to carry out the research (Pandey et al 2015).

3.4 Sample Design

The researcher made use of quota sampling technique during the study, a non-probability sampling technique. Non-probability sampling focuses on sampling techniques that are based on the judgment of the researcher (Lewis 2015).

3.5 Sample Procedure

By the use of quota sampling method, the researcher formed categories and the respondents from each group were selected using a non-probability sampling, i.e how many clients are formal traders, salaried and non-formal traders constitute KCI client base. From the past experience since the researcher once worked at Checheche branch 60% are informal traders, 20% are formal traders and 20% are salaried employees. All 10 staff members were given questionnaires to complete, interviews were conducted with the branch oversea, branch administrator and the branch head to provide needed data to the researcher.

3.6 Data Collection Methods

Goforth et al (2015) asserts that a research instrument is a relevant tool used in a research to gather needed data. In gathering required data, the researcher is going to select individuals from different client base and departments he is interested in studying about and hand over the questionnaires to them.

3.7 Sources of Data

A research is carried out using primary sources of data, secondary sources of data or both (Yongqi 2016). The researcher used both primary and secondary data to carry out his research. Primary data was collected through the use of questionnaires.

3.7.1 Primary Source

Mbondji (2015) defines primary sources of data as the result of first-hand data of the topic. Data was collected using questionnaires and interviews. Questionnaires were used as the main data collection instrument to gather data for the research. These were designed using likert scale. One advantage of primary sources of data is that a researcher will get fresh (up to date) data from the source under study.

3.7.2 Secondary Source

The advantage of using secondary source is that information is readily available and simplifies since data that will be available might be out dated and irrelevant to subject under study. To overcome this problem, the research found it necessary to use both desk and field research.

3.8 Research Instruments

3.8.1 Questionnaires

According to Yongqi (2016), a set of questions in the form of a printout on which a respondent personally fills his/her answers to the provided questions is called a questionnaire. The researcher made use of the questionnaires as the main instrument of data collection.

The questionnaires were designed using a likert scale. Both closed and open ended questions were used in the questionnaire. According to Kahn and Connel (2014), a likert scale is meant for response ranging and measurement on quality data. The likert scale enables easy interpretation of data. Example of a likert scale:

KCI prepares financial statements (tick where appropriate)

Table 3.2 The Likert Scale

Strongly agree	Agree	Not sure	Disagree	Strongly disagree
----------------	-------	----------	----------	-------------------

1	2	3	4	5
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Source: Gilgal et al (2011:44)

3.8.1.1 Advantages of Questionnaires

Respondents are able to answer questions willingly without face to face interaction with the interviewer (Abawi 2013), questionnaires are a quick way of conducting a case study, generally about certain aspects.

Disadvantages of Questionnaires

This method can only be used when questions are simple and straight forward (Lewis 2015), there is no opportunity to probe beyond a given answer and does not allow illiterate respondents to provide their views.

3.8.1.1 To Counter Questionnaires Weaknesses

Simple and straight forward language was used, other weaknesses were reduced by the use of interview.

3.8.2 Interviews

According to Doll (2017), interviews aim to acquire qualitative data reflective of the interactional situations between the interviewer and the interviewee. Interviews were used to counter the weaknesses of questionnaires by the researcher. Interviews were carried out to the staff member only since much of the needed data was richer in KCI staff than the clients.

3.8.2.1 Advantages of Interviews

Instant feedback (Brick et al 2015), greater control as the interviewer ensured that all questions were answered and the correct sequence is followed as compared to questionnaires, since

interviews were used to follow up, flexibility was attained through changes in wording for those questions which might not have been clearly understood in the questionnaires.

3.8.2.1 Disadvantages of Interviews

Subject to change in topic and diverting from the core objective of the interview (Abawi 2013), there is a need to establish a relationship of mutual trust and friendship first for the respondent to be committed and respondents may provide biased data to please the interviewer overlooking the main aspects relating to the research problems.

However, the use of both interviews and questionnaires was used by the researcher to ensure that relevant and useful data was obtained.

3.9 Data Processing and Analysis

According to Watkins (2017) raw data gathered by the researcher should be processed into meaningful data through editing, tabulation and analysis with the view of checking the completeness and accuracy of the data. Analysis of data was made possible through the use of Microsoft Excel package. The researcher described responses using percentages.

3.9.1 Editing and Tabulation

According to Cohen (2013), after all the data have been collected there is need for editing. This was done to detect and eliminate errors that had occurred and only relevant and useful data was used to draw the conclusion. Data was presented on a tabular format to enable analysis and identifying relation between variables.

3.10 Ethical Considerations

Ethical considerations were also taken into account when the research study was undertaken on the investigation of the nature and extent of record keeping by micro financiers in Zimbabwe, a case of KCI Management Consultants.

violate ethical considerations in his/her study (Mc Shane and Pekele 2012). The research was done at KCI maintaining high levels of confidentiality. Data from the respondents was treated with confidentiality as they were not allowed to disclose their names.

3.11 Summary

This chapter gave a look at methodological aspects of the research. A clear illustration of the research design used, sources of data, the targeted population, procedure that were used in sampling as well as the research instruments like interviews and questionnaires were also described.

CHAPTER 4

DATA PRESENTATION AND ANALYSIS

4.0 INTRODUCTION

In this chapter, data obtained from primary sources (responses from respondents) was presented using tables, pie charts and graphs. Analysis of data was made possible through the use of Microsoft Excel. Findings are presented in statistical tables and percentages.

4.1 QUESTIONNAIRE RESPONSE RATE

Of the 40 questionnaires distributed, 30(75%) were returned fully completed making the research successful as advocated by Saunders (2009) that a response rate of 50% is sufficient for a research.

Table 4.1 Questionnaire Response Rate

Group	Questionnaires	Number of responses	Percentage of response
Staff members	10	10	100%
Salaried clients	6	6	100%
Formal trader clients	6	5	83%
Informal trader clients	18	9	50%
Total	40	30	75%

Source: Primary Data

Forty questionnaires were distributed to Checheche KCI staff members, salaried clients, formal trader clients and informal trader clients.

4.1.1 Demographic Characteristics of Respondents.

Table 4.2 Gender of Respondents

Gender	Male	Female
Respondents	12	18

The researcher found out that 60% were female respondents while 40% were male respondents.

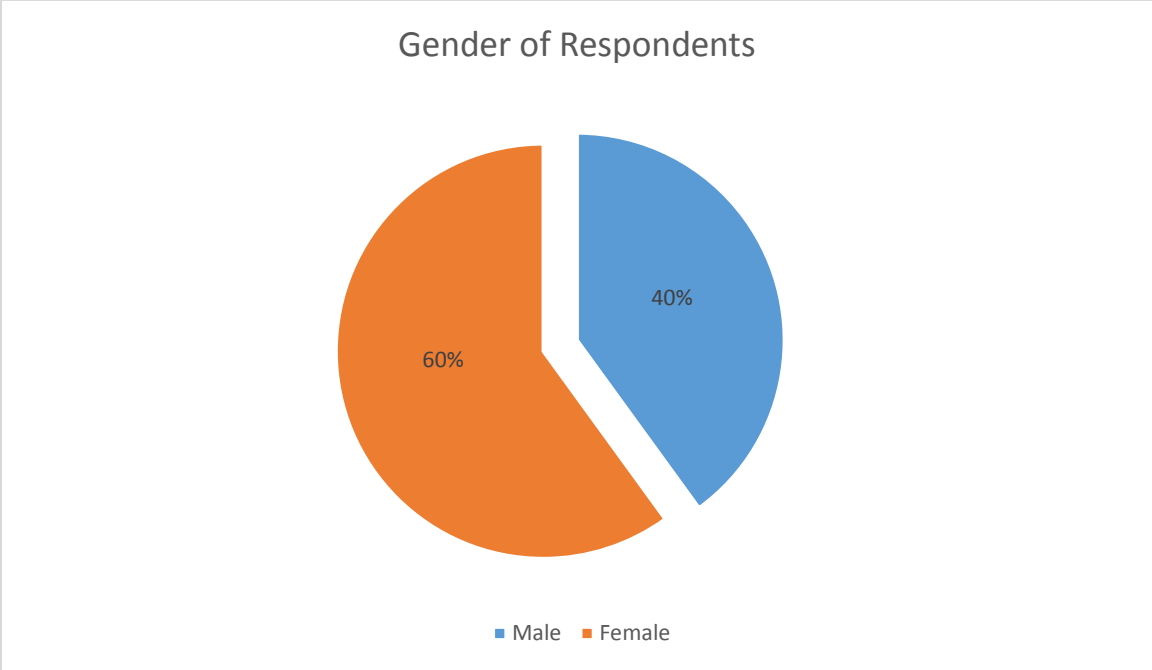


Fig 4.1 Gender of Respondents

Source: Primary Data

Table 4.3 Level of Education

Level of Education	Number of Respondents	Percentage %	Cumulative %
Primary	3	10%	10%
O level	12	40%	50%
Diploma	10	33%	83%
Degree	5	17%	100%
TOTAL	30		100%

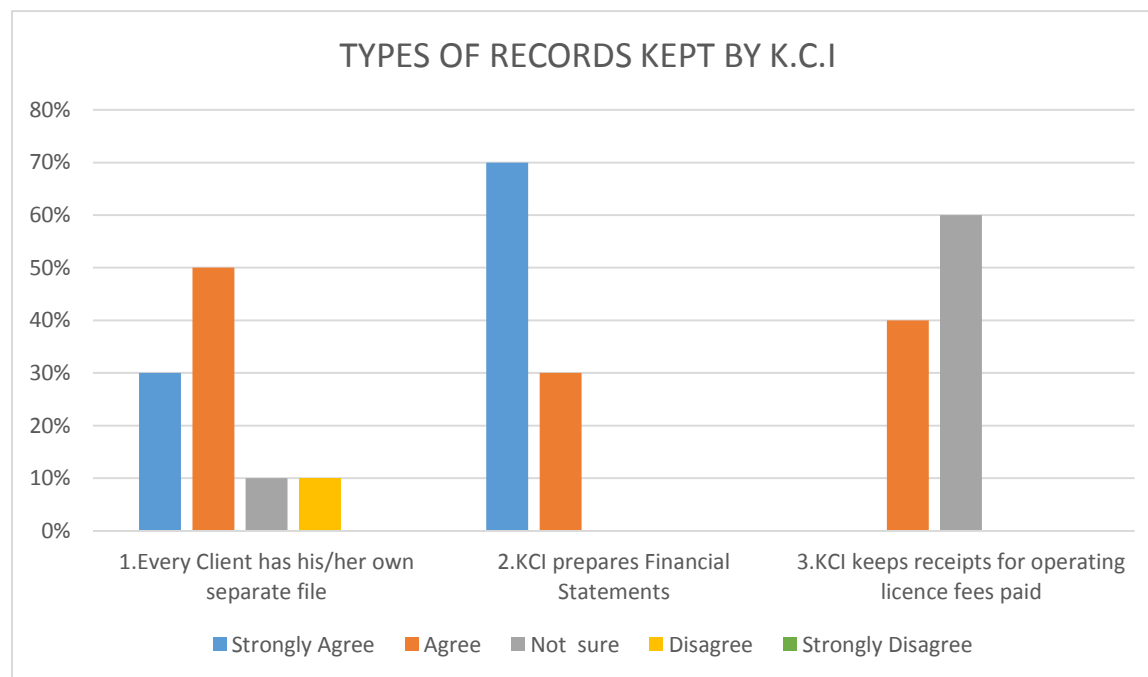
Source: Primary Data

The respondents are fairly educated since at least 90% managed to reach O level hence the researcher assumed reliability of data since the respondents had better understanding of the questionnaires and they provided much needed data.

Table 4.4 Types of records kept by KCI Microfinance

	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
1. Every client has his /her separate file	3	5	1	1	0
2. KCI prepare financial statements	7	3	0	0	0
3. KCI keeps receipts for operating license fees paid	0	4	6	0	0

Fig 4.2 Types of records kept by KCI Management Consultants



Source: Primary Data

This question sought to identify the types of records kept by KCI Management consultants. As indicated by Fig 4.2 above, frequent responses indicated that institution keeps different types of records which are vital for sustainability of a microfinance. Findings indicated that 70% (7/10) of the respondents strongly agreed that KCI prepares financial statements while 30% (3/10) just agreed that the institution prepares financial statements. The researcher was confident that financial statements are prepared by KCI since all respondents agreed to agree on the question. First interview question held with the branch manager indicated that KCI is aware of all the records necessary for accounting in a microfinance institution and KCI keeps all those records. This view is supported by Mutua (2015) who is of the view that proper keeping of all business transactions is vital for the success of a business.

Responses also indicated that most of the clients have their own separate files kept in the office as indicated by fig 4.2 above. Results showed that 50 % (5/10) just agreed while 30% (3/10) strongly agreed that each client has his/her own separate file making it 80% (8/10) in aggregate who supported this view. The researcher concluded that keeping separate file for each client will help the institution in detail tracking as supported by Financial Education Curriculum (2018) who states that there may be need to track certain information about clients, if an organization does not know who its clients are and what do they need, the risk is that the business may end up losing those customers forever. Responses indicated that 10% (1/10) were not sure whether every client has his/her own separate file while the other 10% (1/10) disagreed. Upon asking the branch administrator on interview question number three, the researcher found out that ghost clients do exist at KCI Microfinance. Ghost clients do not have to open their own files due to various reasons, for instance there will limited time to go follow the process of opening a new file so what they do is they use the file which is already in the system and they let the owner of the file sign on his/her behalf.

The results also indicated that 60% (6/10) of the respondents were not sure whether the institution keeps the receipts for operating licenses paid while 40% (4/10) just agreed that the institution keeps receipts for operating license. Results from the interview question number one indicated that there is segregation of duties at KCI that is why majority of the staff members do not even know where to make the payments for operating license and where to keep the receipts

thereafter. However the researcher concluded that the organization is aware that such documents are kept for legal compliance as supported by Hilinski (2017).

Table 4.5 Receipting, current pay slip, national ID.

	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
1)national ID and passport photos are a requirement for loan granting	16	4	0	0	0
2)KCI offers a receipt as proof of payment	10	10	0	0	0
3)a current pay slip is a necessity for one to access consumer loan at KCI	6	4	10	0	0

Findings from the client respondents also supported that every client has his/her separate file as 80%(16/20) strongly agreed while 20%(4/20) agreed that KCI requires a photocopy of national identity as well as passport size photos which are kept in the file before granting loans. Results also indicated that all client respondents in aggregate agreed that the institution offers a receipt as a proof of payment (50% strongly agreed while the other 50% just agreed that KCI receipts every payment). Responding to whether KCI requires current pay slip for all salaried clients to be kept in their separate files before granting loans indicated that 30%(6/20) strongly agreed, 20%(4/20) agreed while 50%(10/20) were not sure whether current pay slips are needed. The researcher noticed that informal and formal traders are those who were not sure because they do not know much about the products being offered to salaried clients since commercial loans had different terms from consumer loans.

4.3 Nature of record keeping at KCI Management Consultants

4.3.1 The use of International Accounting Standards when preparing Financial Statements

Table 4.6 Use of international accounting standards

	Strongly agree	Agree	Not sure	disagree	Strongly disagree
Response	0	1	3	1	5
Response (%)	0	10	30	10	50

Fig 4.3 Use of International Accounting Standards



Source: Primary Data

The question was addressed to investigate whether International Accounting Standards are being followed by KCI when preparing their books. The respondents shared the view that the institution does not follow the international accounting standards when preparing their financial statements. Most of the respondents strongly disagreed that the KCI follows International Accounting Standards as represented in the fig 4.3 above. Only 10% (1/10) agreed, 30% (3/10)

were not sure, 10%(1/10) disagreed while 50%(5/10) strongly disagreed that the institution follows International Accounting Standards. From the interviews the researcher concluded that most KCI staff members are not aware of the International Accounting Standards and some standards are being applied on a day to day basis unknowingly. All they do is to prepare the books under the supervision of the oversea. Findings also indicated that the organization uses the direct method when preparing its cash flow statements as supported by Fishukiva and Epifanova (2018) who stated that IAS7 recommends the direct method.

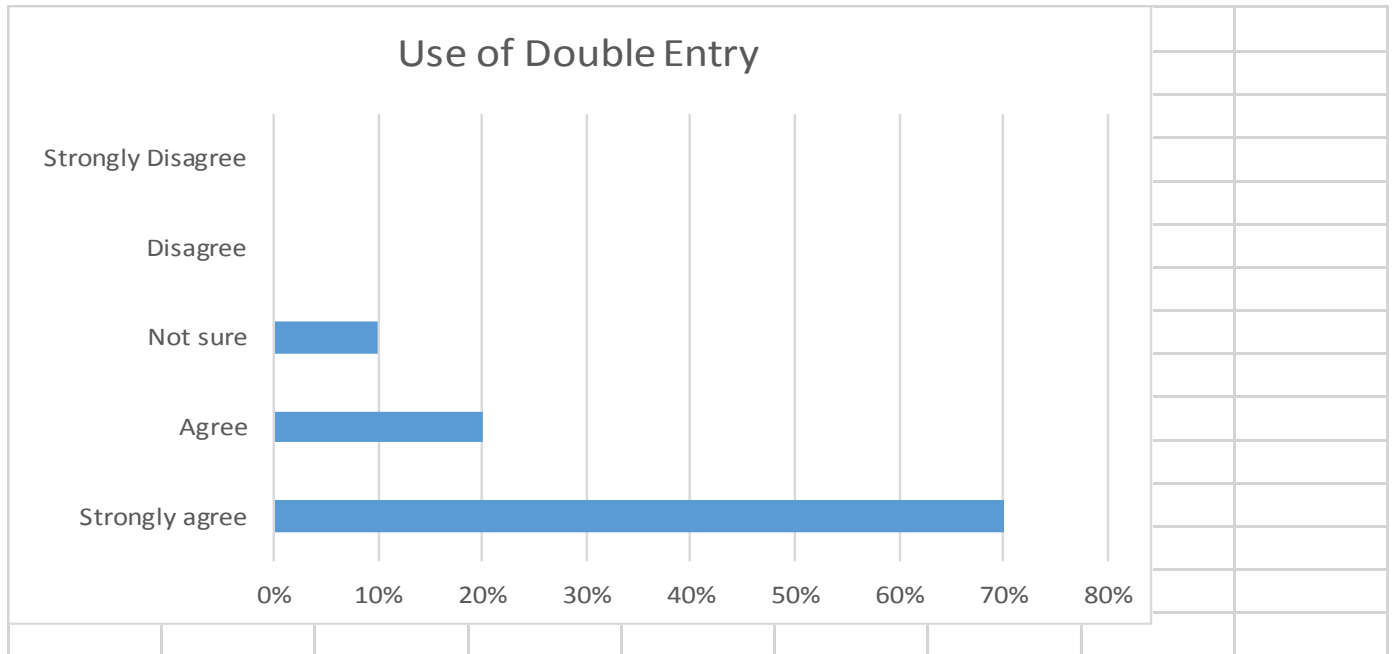
4.3.2 Observing double entry system when recording transactions

The question was posed to see whether double entry is being observed. It should be noted that double entry is the golden rule of accounting (Winship 2016). Findings showed that double entry is being practiced by the institution as indicated in the fig 4.4 below. 70% (7/10) strongly agreed, 20% (2/10) agreed while 10% (1/10) of the respondents were not sure whether double entry is being followed at the institution.

Table 4.7 Use of double entry system

	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
Response	7	2	1	0	0
Response (%)	70	20	10	0	0

Fig 4.4 Use of double entry system



Source: Primary Data

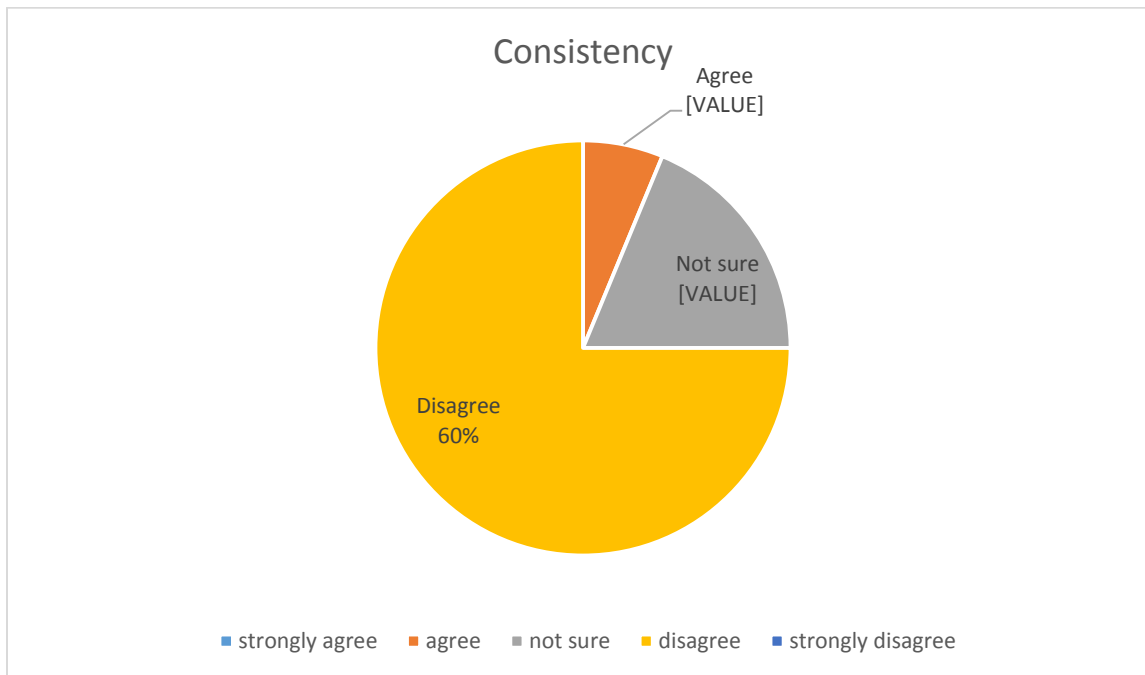
4.3.3 Consistency of KCI on its basis of record keeping

The question was meant to see whether KCI is consistent as to basis of record keeping. It should be noted that it is only consistency which makes comparisons possible especially on trend analysis as well as planning purposes. Findings indicated that 60% (6/10) of the respondents disagreed, 30% (3/10) were not sure and only 10% (1/10) agreed that the institution is consistent as to basis of record keeping. On answering interview question number two, interviewees indicated that KCI has its own ever-changing way of record keeping and they do not stick to the same methodology as they will be seeking to curb various problems at hand. For instance, contents of the cash register recently changed and it was designed in such way that embezzlements are minimized. More so, salaried clients used to bring their current pay slips on every fourth loan but now they are required to bring a current pay-slip on every loan. This change came as a result of increased default rate among salaried clients so that move came as a way to see if the client is not yet over borrowed every time he/she applies for a new loan

Table 4.8 Consistency in record keeping practices

	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
Response	0	1	3	6	0
Response (%)	0	10	30	60	0

Fig 4.5 Consistency in record keeping practices



Source: Primary Data

4.3.4 System used by KCI Microfinance in record keeping

The question sort to identify the system used by KCI Management Consultants. Findings indicated that the institution uses manual system and not a computerized system. All the questionnaires indicated that a manual system is still being used at KCI. The researcher observed that there is a lot of paper work at KCI and they do not have backup plan like computers to keep information. Misplacement or loss of paper documents may imply that there is no other evidence that the client owes an organization. Boateng(2015) also supported this view mentioning that bad

record management in microfinance institutions will result in previously written off bad debts coming back to apply for new loans which could therefore affect their sustainability.

Table 4.9 client respondents views on the nature of record keeping at KCI

	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
1)clients feel safe and comfortable with where their files are kept	0	4	0	10	6
2)every agreement between KCI and a client is written rather than verbal	8	12	0	0	0

Source: Primary Data

In response to whether the clients are comfortable with where their files are kept, only 20% (4/20) indicated that they are comfortable while 50% (10/20) disagreed and the other 30% (6/20) strongly disagreed that they are comfortable with where their files are kept. The researcher observed that files are kept where every person can see them and the names of the clients are gxp" y tkvvgp"kp"dqnf" {gv"uq o g"qh"vjg"enkpvtu"fqgupøv"y cpv"vq"dg"mpqy n that they taking loans from KCI. On interview question number two, interviewees indicated that some clients end up looking for other alternatives because they need to maintain their privacy and not to be known that they are earning a living from KCI loans.

Findings from client questionnaires also indicated that every agreement between KCI and client is written rather than verbal as all of them either agreed 60% (12/20) or strongly agreed 40% (8/20) that every agreement is written down rather than verbal as indicated by table 4.9 above

4.3.5 Accuracy of records kept by KCI Microfinance

Table 4.10 Ratings on accuracy of records

	Frequency	Percentage	Cumulative %
Very High	0	0%	0%
High	4	40%	40%

Fair	6	60%	100%
Low	0	0%	
Very Low	0	0%	
Total	10	100%	

Source: Primary Data

The above table indicates that 40% (4/10) of KCI staff rate the accuracy of records kept by KCI as high while 60% (6/10) rate it as fair. The branch head suggested that the accuracy was fair because no significant problems have been seen by the internal auditors when they do their audits. Findings from an interview question number two with the branch administrator indicated that some errors do occurs when reducing the balances in client files since they use manual system there is room for human error.

4. Extent of record keeping by KCI Microfinance

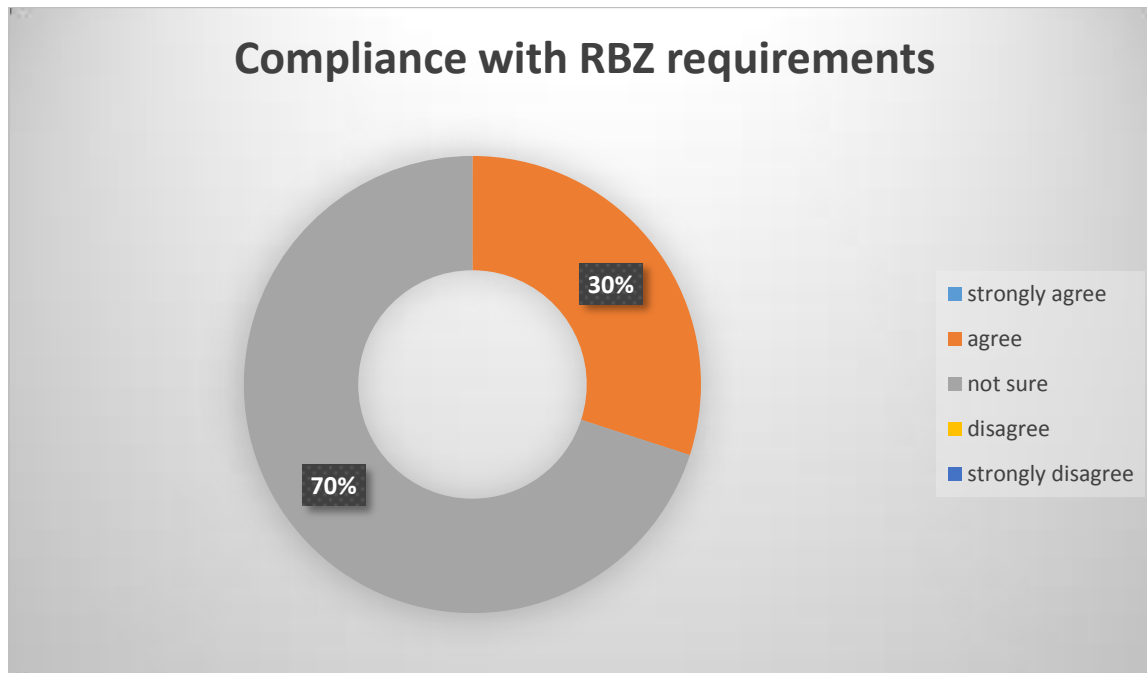
4.4.1 Response on whether KCI comply with RBZ requirements

Table 4.11 Compliance with RBZ requirements

	Strongly agree	agree	Not sure	Disagree	Strongly disagree
Response	0	3	7	0	0
Response (%)	0	30	70	0	0

Source: Primary Data

Fig 4.6 Compliance with RBZ requirements.



Source: Primary Source

In referring to the study outcomes, 70 % (7/10) of the respondents were not sure whether KCI comply with the requirements of the RBZ as far as keeping records is concerned. The researcher found out that the staff members work under the supervision of the branch overseer as a result he is the one who knows whether the task he will be giving to the staff members will be meant to comply with the requirements of the RBZ. However, 30 % (3/10) which agreed that the organization complies with the requirements of the RBZ. Results from the interviewees showed that KCI complies with the requirements of RBZ though sometimes they struggle to comply. For instance, in 2017 it took a lot of time for the RBZ to renew the license of KCI because the institution had delayed to submit the RBZ defaulters list and other related reports.

4.4.2 Response on the period of records kept

Table 4.12 Record maintaining period

	Not sure	(1<3)years	(3<4)years	(4<5) yrs	Since the beginning of KCI operations
Response	2	0	0	0	8
Response (%)	20	0	0	0	80

Source: Primary Data

The question was meant to find out for how long the records are kept. Analysis showed that the majority of respondents i.e 80% indicated that all records from the day the organization started its operations are kept, 20% were not sure and none responded giving the time frame. This was supported by Amahulau (2017) who is of the view that microfinance institutions should keep details of source documents for a period exceeding one year so that any queries arising can be dealt with using factual information. However, the question indicated that records are kept according to their value, records which are needed for future reference are kept forever while those that are not needed for future reference are destroyed as soon as they complete serving their purpose.

4.4.3 Response on the frequency of revision and updating of files of clients

Table 4.13 The rate at which client files are updated

	Never	On every new loan	After 1 year	After 2 years	After 3 years
Response	0	10	0	0	0
Response (%)	0	100	0	0	0

Source: Primary Data

This question was sort to find out whether the files of clients always contain up to date information for instance, address of the client, contact details, credit worthiness, existence of the guarantor and whether the client is still in possession of the pledged collateral. Staff respondents indicated that files are updated on every new loan. None gave the time frame after which the files

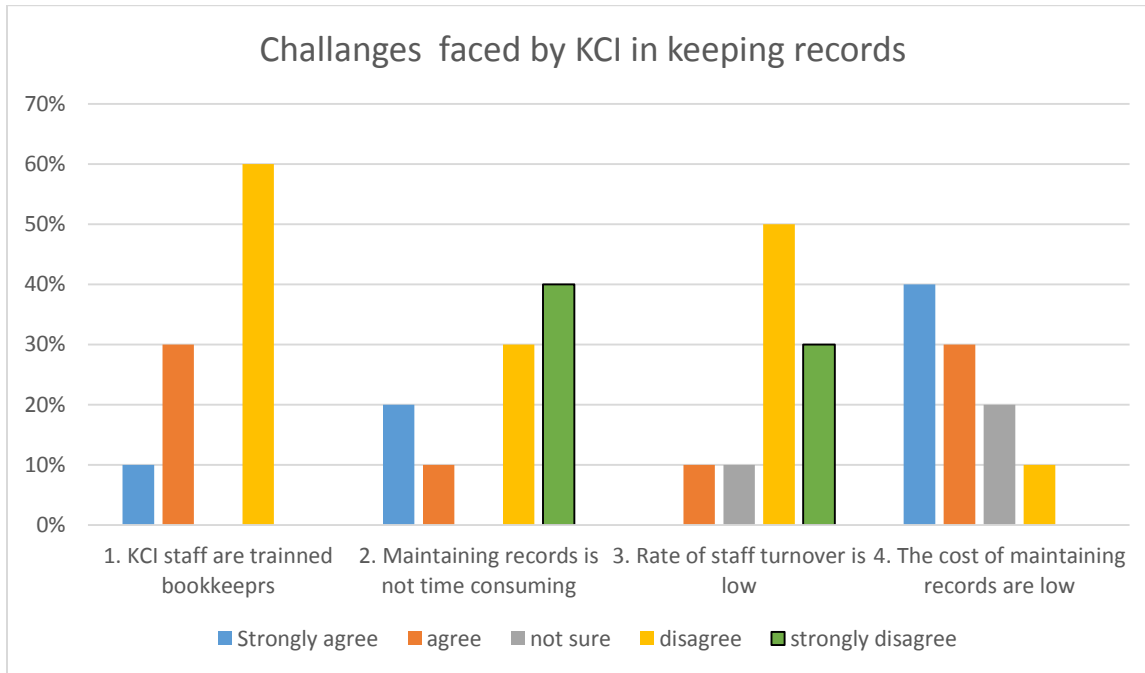
are updated. Analysis also showed that majority client respondents agreed with staff respondents as 45% (9/20) strongly agreed while 25% (5/20) agreed that KCI requires every client to update his/her file with current information every time they enquire new loan. Only 30% (6/20) disagreed. Findings from the interviewees on the third interview question indicated that not all the information is updated and loan officers oftenly ignore reassessments to see whether the provided information is valid.

4.5 Challenges faced by KCI in maintaining records

Table 4.14 Challenges faced in maintaining proper records

	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
1. KCI staff are trained bookkeepers	1	3	0	6	0
2. Maintaining records is not time consuming	2	1	0	3	4
3. The rate of staff turnover is low	0	1	1	5	3
4. The cost of maintaining records are low	4	3	2	1	0

Fig 4.7 Challenges faced by KCI in maintaining records



Source: Primary Data

The analysis showed that 60% (6/10) of the staff respondents disagreed that KCI staff are trained bookkeepers, 30% (3/10) agreed while only 10% (1/10) strongly agreed that the institution has trained bookkeepers. Interviewees indicated that KCI does not employ trained bookkeepers. However, new KCI staff members learn bookkeeping skills through observing what will be done by already existing staff members which could imply that more time is taken to grasp needed bookkeeping skills. The researcher concluded that lack of trained book keepers is the reason behind poor record keeping within microfinance institutions as supported by Aveh et al (2013).

Results also showed that majority of the staff respondents disagreed that maintaining records is not time consuming. From fig 4.7 above 30% (3/10) disagreed, 40% (4/10) strongly disagreed, 20% (2/10) strongly agreed while only 10% (1/10) agreed that maintaining records is not time consuming. The researcher observed that KCI do a lot of paper work especially for first time clients who need to fill more than 12 forms and assistance is needed since clients cannot easily complete the forms on their own. Findings from the client respondents also indicated that it is time consuming to maintain records since 75% agreed that it is time consuming to complete filling loan packs of KCI Microfinance. According to the Association of Management Program

(2018) poor document management kills productivity as more time will be devoted to documentation rather than the core business. Therefore, the researcher concluded that when it is becoming time consuming to maintain proper records, sustainability of a business is negatively affected.

Findings from the staff respondents showed that one of the biggest challenges being faced by KCI in maintaining records is high rate of staff turnover. The fig 4.7 above indicated that 50% (5/10) disagreed and 30% (3/10) strongly disagreed that staff turnover is low. Interviewees on interview question number four said that with rate at which the organization is expanding, volumes of records are also increasing. Since the institution uses manual system some of the instance, a previously written of defaulter may come back pretending to be a new client, if there are only new clients at the branch there is a greater possibility of falling into the same pit since it will not be easy to tell if the person was once a client. Sometimes it takes only the loan officer who once dealt with the person to realize that he/she is a previously written off bad debtor.

This question also sort to investigate whether the cost of maintaining records are low at KCI. Results from staff respondents indicated that 40% (4/10) strongly agreed, 30% (3/10) agreed, 20% (1/10) were not sure while 10% (1/10) disagreed that cost of maintaining records are low at the institution. Analysis shows that majority of the staff respondents agree that the cost of maintain records are low. The researcher therefore concluded that the cost of maintaining records is not one of the major problem that KCI is facing as far as record keeping is concerned. The researcher concluded that the institution uses the manual system which appears to be cheaper though having a lot of loopholes as supported by Alli (2015).

Table 4.15 client respondents' views on the challenges faced

	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
1) salaried clients are comfortable with bringing their current pay slips on every new loan	0	2	5	12	3
2) it does not take time to complete	0	4	0	15	1

filling KCI loan packs					
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Source: Primary Data

From the table 4.15 above 12 (60%) of the clients disagreed that salaried clients find it easy to produce their current pay slips every time they apply new loans, 5 (25%) were not sure, 2 (10%) agreed while 3 (15%) strongly disagreed with the view. However, the researcher noticed that KCI staff is likely to have challenge when it comes to updating files of clients on every new loan since some of the clients are not able to produce current pay slips on timely basis.

Results from the research also indicated that 15 (75%) disagreed on the view that KCI loan packs are not time consuming, 1 (5%) strongly disagreed. However, only 4 (20%) agreed on this view.

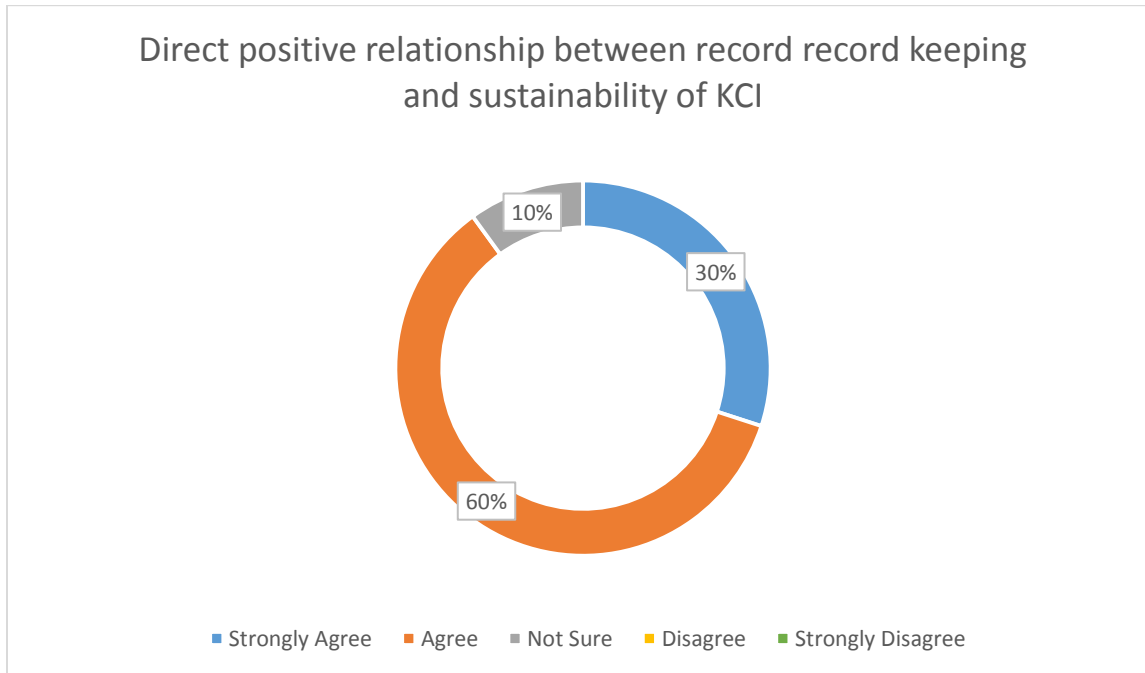
4.6 Relationship between record keeping and sustainability of KCI

4.6.1 Response on whether there is a direct relationship between recordkeeping and sustainability of KCI

Table 4.16 Direct positive relationship between record keeping and sustainability.

	Strongly agree	agree	Not sure	disagree	Strongly disagree
Response	3	6	1	0	0
Response (%)	30	60	10	0	0

Fig 4.8 Relationship between record keeping and sustainability



Source: Primary Data

The doughnut above is illustrating the findings on the relationship between record keeping and sustainability. The question was meant to investigate whether there is a direct positive relationship between record keeping and sustainability of the organization. 30% (3/10) strongly agreed while 60% (6/10) just agreed that there is a direct positive relationship between record keeping and sustainability of the institution. Upon interviewing the branch head, the researcher found out that it is only the quality of records kept that will make it possible for a microfinance to trace clients with overdue debts. The branch head went on to say that without those records the company is more likely to run loses due to failure to trace and recover defaulted loans as supported by Rodd et al (2017). The researcher noticed that the institution is aware of the consequences of not keeping proper records.

Table 4.17 Clients return money because it will be based on a written agreement

	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
Response	7	9	3	1	0

Response (%)	35	45	15	5	0
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Source: Primary Data

Client respondents also supported this view when they answered the questionnaire in which 35% (7/20) strongly agreed while 45% (9/20) just agreed that clients returned borrowed money because it will be based on a written agreement. Interviewees on interview question number 5 also indicated that most clients are afraid of legal action that may be taken as a result of failure to pay back the loan since there will be evidence of papers they signed acknowledging the debt.

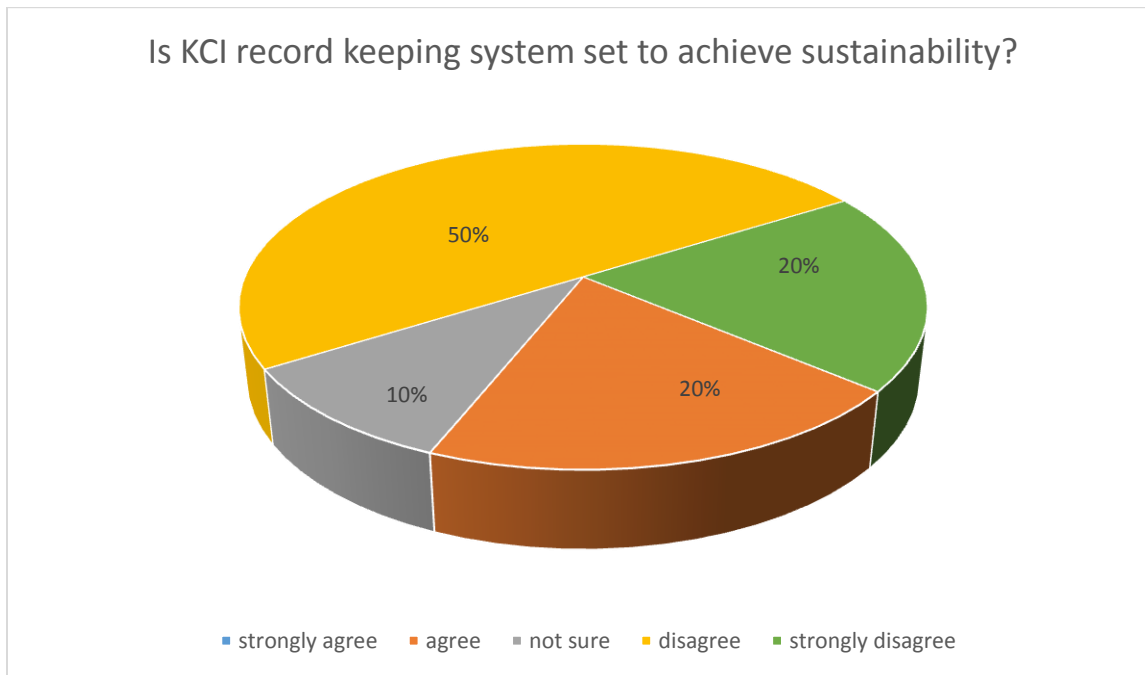
4.6.2 Response on whether KCI record keeping system is set to achieve sustainability

Table 4.18 Record keeping system is set to achieve sustainability at the organization

	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
Response	2	2	1	5	0
Response (%)	20	20	10	50	0

Source: Primary Data

Fig 4.9 KCI record keeping system set to achieve sustainability?



Source: Primary Data

The analysis indicated that aggregate of staff respondents who disagreed that the recordkeeping system of KCI is set achieve sustainability summed up to 70% (7/10) while only 20% (2/10) of the respondents agreed. Interviewees on the last interview question pointed out that there is need for a computerized system if the institution is to make it to the top. Most emphasized point was that the system which is being used has no a way of identifying whether the borrower does not have other running loans at other branches, otherwise clients end up in debt crises in which the borrow money from branch A to cover branch B or even defaulting all loans.

However, client respondents gave a different view since the as the aggregate of those who agreed (25% strongly agreed and 40% agreed) was greater than those who disagreed in aggregate (5% history and the maximum possible amount of loan a client is restricted to borrow as shown in table 4.17 below. The researcher found out that KCI values the repayment history and they use it concluded that if every client is given the right amount of loan, defaults are minimized and therefore, continued operations of an organization.

Table 4.19 there is a direct positive relationship between a client’s repayment history and borrowing restrictions.

	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
Response	5	8	3	3	1
Response (%)	25	40	15	15	5

Source: Primary Data

4.6.3 Response on how the staff members rate the sustainability and record keeping practices in KCI from 2015-2017

Table 4.20 Sustainability and record keeping practices from 2015-2017

Year	Very high performance (%)	High performance (%)	Moderate performance (%)	Low performance (%)	Very low performance (%)
2015	1(10)	6(60)	3(30)	-	-
2016	-	4(40)	4(40)	2(20)	-
2017	-	3(30)	4(40)	3(30)	-

Source: Primary Data

The sustainability and record keeping practices and its sustainability in operations from 2015 to 2017. Findings from the study indicated that in 2015 there were no signs of low performance. In 2016 those who rated high performance decreased by 10%, those who rated high performance fall from 60% to 40% and 20% rated it at low performance. In 2017 those who rated it at low performance further rose to 30%. Results from the interviews suggest that the number of untraceable defaulters have been increasing at an increasing rate. The researcher found out that in 2015 volumes of records were still low as compared to in 2017 therefore, records are becoming more and more difficult to maintain that is why most of the defaulters are now difficult to trace.

Summary

This researcher made use of the research findings to present and analyze the data in this chapter. Presentation of data was in form charts, doughnuts, table and graphs. It is in the following chapter that the researcher will use research findings to draw a conclusion as well as giving recommendations.

CHAPTER 5

Conclusions and Recommendations

5.0 Introduction

In this chapter the researcher is going to use research findings to draw conclusions. The researcher is also going to give recommendations on challenges that are affecting microfinance industry in Zimbabwe, KCI Management Consultants in particular.

5.1 Summary

The research was prompted by continual underperformance and closure of microfinance institutions in Zimbabwe. Chapter 1 of the study highlighted challenges affecting the growth and sustainability of microfinance institutions such as the move by the Central Bank to curb interest rates. The statement of the problem pointed out the number of microfinance institutions that closed in 2017 and the reasons behind their closure. It also highlighted how KCI has been running with increasing number of untraceable defaulters from 2015 to 2017 as well as the shortfalls recorded by auditors. Thus the researcher sought to investigate the nature and extent of record keeping by KCI.

Chapter 2 of the research was focused on literature review where the author explores the works of other authors with regard to record keeping. Hilisnki (2017) and Mutua (2015) cited the importance of record keeping in microfinance institutions while Fishukiva and Epifanova (2018) cited various types of records that should be kept by microfinance institutions. It also presented global empirical evidence on the relationship between record keeping and sustainability of microfinance institutions.

The third chapter was focused on how the research was carried out in the field. The researcher made use of both qualitative and quantitative research designs. Questionnaires were distributed to the KCI staff members and the company clients. A sample of 40 participants was chosen for the study using quota sampling.

In chapter 4 the researcher presented the data collected in the form of tables and graphs. The research was a success because the researcher managed to accomplish all the objectives as well

as getting answers to the sub-research questions on the nature and extent of record keeping by microfinance institutions.

5.2 Major Findings

5.2.1 To establish the types of records kept by KCI

The researcher found out that KCI Microfinance keeps all types of records that should be kept by a microfinance institution ranging from source documents such as receipts to financial statements such as income statements and portfolio reports. The institution also keeps separate files for each of their clients keeping all the repayment history. Those files also act as a tool for tracing clients when they default their payments. However, the researcher also concluded that though all types of records are kept by the institution, it is only on the paper as there is not full implementation.

5.2.2 To identify the nature of record keeping by microfinance institutions

Findings also indicated that KCI has still a lot of ground to cover as far as their nature of record keeping is concerned. The researcher concluded that most of the problems emanating in the institution are as a result of the manual system which is being used by KCI. The institution does a lot of paper work of which the volumes of records are increasing on a daily basis as the organization is growing in terms of the client base. The researcher also concluded that the rate at which the volumes of records are increasing makes it difficult for the institution to manage the records effectively.

5.2.3 To identify the extent of record keeping by microfinance institutions

To identify the extent of record keeping by KCI was one of the objectives of this research. The researcher found that the institution is always on its toes to make sure that all the necessary records needed for continued operations are kept. However, the researcher also noticed that the institution has no trained bookkeepers to accomplish the tasks successfully.

5.2.4 To identify the problems faced by microfinance institutions in maintaining proper records

The findings exhibited that challenges faced by KCI in maintaining proper records include untrained bookkeepers, high rate of staff turnover, time consuming to maintain proper records as

well as high cost of maintain the records. The researcher also found out that the institution is not consistency as to the basis of record keeping as well as non-observance of the international Accounting Standards when preparing books of accounts.

5.2.5 To establish the extent to which record keeping support sustainability of microfinance institutions

To establish the extent to which record keeping support sustainability of microfinance institutions was also another objective of this research. The researcher found out that there is a direct positive relationship between record keeping and sustainability of the institution. It should be noted that, it is only the quality of records kept which helps to trace defaulters effectively. Findings showed that majority of respondents rated the maintaining of records at the institution as gradually becoming poor from 2015 to 2017 which is also being followed by increasing number of untraceable defaulter during that particular period due to increased volumes which are becoming difficult to manage.

5.3 Conclusion

The research was successful as the investigation indeed answered the research questions and attain the objectives of the research. Poor record keeping practices do have a negative effect on the sustainability of microfinance institutions. The factors affecting proper record keeping were laid out.

5.4 Recommendations

5.4.1 Staff training

If the organization considers hiring experienced bookkeepers as expensive, they should embark on training programs so that its bookkeepers can acquire necessary skills for recordkeeping. Training is an important tool in providing record management skills to staff members. The organization should carry out cost benefit analysis to see which is more economical to hire trained bookkeepers or untrained bookkeeper and train them on their own. The bottom line is, bookkeepers should be imparted with record management skills as reviewed by Aveh et al (2013).

5.4.2 Incentives and tokens when targets set are met

This can be seen as a way to curb high rate of staff turnover. Lack of motivation at work may result in one starting to look for another job when he/she is already on another job. The researcher is of the idea that if employees are given incentives on top of their basic salaries they can get much needed motivation and a sense of belonging thereby reducing the rate of staff turnover. Promotion based on time served at the organization can also help to keep most of the employees as they know that one day they will make it to the top.

5.4.3 Computerized System

KCI should abandon the manual system since records can be easily destroyed by water, fire or theft. It should also be noted that all the limitations of manual system can be mitigated by the use of a computerized system as it allows massive backup of information where all the information at the branch can also be stored at the main server at the head office. Information in a computerized system is easily accessible than in a manual system. If the institution can make use of a computerized system, most the problems associated with manual system can be solved.

5.4.4 Regular Attendance of workshops held by Zimbabwe Association of Microfinance Institutions (ZAMFI).

The institution should attend workshops that are held by ZAMFI on a regular basis so that they can be enlightened on the use of international accounting standards which can bring about improved book keeping at KCI as supported by Mutua (2015). The researcher noticed that the quality of decision is dependent upon the quality of information at hand. There is a need for KCI to use the right way of preparing books if they are to make sound and informed decisions.

5.4.5 Supervision

The institution should have supervision team which monitors all record keeping and management activities on a day to day basis. The supervision team should make sure that employees are eq o rn {kpi" ykvj" cm"kpukvwvkqpøu"ugv" rqnkees so that no one diverges from the set record keeping practices. It should be noted that if the supervision team works closely with those in charge of record keeping, there will be less chances of inconsistency.

5.5 Further research areas.

Further research on the whole microfinance sector would be needed since this research was only limited to KCI Management Consultants.

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Letter requesting for permission to carry out a research

Midlands State University

P Bag 9055

Gweru

Zimbabwe

16 April 2018

Dear Sir/Madam/To whom it may concern:

My name is Trymore Matsenga, 4th year student at Midlands State University undertaking a Bachelor of Commerce Honours in Accounting degree. I am doing a research as partial fulfilment of my degree program and the research topic reads:

AN INVESTIGATION OF THE NATURE AND EXTENT OF RECORD KEEPING BY MICRO FINANCIERS IN ZIMBABWE, A CASE OF KCI MANAGEMENT CONSULTANTS.

I hereby request for permission to carry out my research with your organisation. The information obtained will be kept confidential and used only for academic purposes.

Yours Sincerely

í í í í í í 00

Trymore Matsenga

Letter to Questionnaire Responding

Midlands State University

Faculty of Commerce

P Bag 9055

Gweru

16 April 2018

Dear Respondent:

I am conducting an academic research investigating the nature and extent of record keeping by micro financiers in Zimbabwe, a case of KCI. May you kindly help me by completing the attached questionnaire.

This information will be kept in strict confidence and put to academic use only.

I look forward to your favorable response.

Yours Truly

Trymore Matsenga



APPENDICES A

K.C.I STAFF INTERVIEWS

1. What are the types of records kept by KCI Microfinance?
2. What is the nature of record keeping at KCI Microfinance?
3. What is the extent of record keeping at KCI Microfinance?
4. What are the challenges faced by KCI in maintaining records?
5. To what extent does record keeping support sustainability at KCI?

APPENDICES B

K.C.I STAFF QUESTIONNAIRES

A. Personal Data

1. Gender(Tick where appropriate)

Male	Female

2. Level of Education

Primary	Qø"Ngxgn	Diploma	Degree

B. Data relating to the types of records kept by KCI Microfinance

1. Every KCI client has his/her own separate file.

Strongly agree	Agree	Not sure	Disagree	Strongly disagree

2. KCI prepares financial statements

Strongly agree	Agree	Not sure	Disagree	Strongly disagree

3. KCI keeps receipts of payments made to the city council for operating license

Strongly agree	Agree	Not sure	Disagree	Strongly disagree

C. Data relating to the nature of record keeping at KCI Microfinance

1. KCI follows International Accounting Standards when preparing financial statements.

Strongly agree	Agree	Not sure	Disagree	Strongly disagree

2. KCI observe double entry system when practicing bookkeeping.

Strongly agree	Agree	Not sure	Disagree	Strongly disagree

3. KCI is consistent as to basis used in record keeping

Strongly agree	Agree	Not sure	Disagree	Strongly disagree

4. Which system does KCI use in keeping records?

Computerized system	Manual system

5. How do you describe the accuracy of records kept by KCI

Very high	High	Fair	Low	Very low

D. Data relating to the extent of record keeping at KCI Microfinance

1. KCI prepares all reports needed by RBZ

Strongly agree	Agree	Not sure	Disagree	Strongly disagree

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2. KCI keeps records for which period?

Under 1 year	2-3 years	3-4 years	4-5 years	Since the beginning of KCI operations

3. How often are files of KCI clients revised?

Never	On every new loan	After 1 year	After 2 years	After 3 years

A. Data relating to challenges faced by KCI in maintaining records

1. KCI staff members are trained bookkeepers

Strongly agree	Agree	Not sure	Disagree	Strongly disagree

2. It is not time consuming to maintain proper records

Strongly agree	Agree	Not sure	Disagree	Strongly disagree

3. Rate of staff turnover is low

Strongly agree	Agree	Not sure	Disagree	Strongly disagree

4. The cost of maintaining records are low

Strongly agree	Agree	Not sure	Disagree	Strongly disagree

APPENDICES C

K.C.I CLIENTS QUESTIONNAIRES

A. Personal Data

1. Gender(Tick where appropriate)

Male	Female

2. Level of Education

Primary	Qø"Ngxgn	Diploma	Degree

B. Data relating to the types of records kept by KCI Microfinance

30""MEK"tgs wktgu"ewuvq o gtøu"r j qvqeqr { "qh"pcvkqpcn"KF"cpf"rcuurrqtv"uk | g"r j qvqu"dghqtg""""""
granting loans.

Strongly agree	Agree	Not sure	Disagree	Strongly disagree

2. KCI offers a receipt as a proof of payment.

Strongly agree	Agree	Not sure	Disagree	Strongly disagree

3. A current pay slip is a necessity for one to access consumer loan at KCI

Strongly agree	Agree	Not sure	Disagree	Strongly disagree

C. Data relating to the nature of record keeping at KCI Microfinance.

1. Clients feel safe and comfortable with where their files are kept.

Strongly agree	Agree	Not Sure	Disagree	Strongly disagree

2. Every agreement between KCI and a client is written rather than verbal

Strongly agree	Agree	Not sure	Disagree	Strongly disagree

D. Data relating to the extent of record keeping by KCI Microfinance

1. KCI keeps repayment history of its clients from previously granted loans and they use that as basis for granting new loans.

Strongly agree	Agree	Not sure	Disagree	Strongly disagree

2. KCI requires every client to update his/her file with current information every time they enquire for new loan.

Strongly agree	Agree	Not sure	Disagree	Strongly disagree

E. Data relating to challenges faced by KCI in record keeping

