

Surviving the Challenges of Micro Lending in a Hyperinflationary Environment: Zimbabwean Case

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This study reviews the survival strategies of micro lending institutions in dealing with the challenges given the hyperinflationary environment Zimbabwe went through over the period 1999 – 2008. The microfinance sector in Zimbabwe was still in its infancy and had numerous challenges. Hyperinflation exacerbates the situations with a lot of these institutions' survival under serious threat. Some of the challenges that confronted micro lending institutions include product pricing; high delinquency levels and capital erosion. Micro lending institutions adopted a number of survival strategies which include; cost-cutting, client rating and retention, product development, streamlining operations among others. Though constrained by the regulatory framework and capacity challenges, some of the survival strategies prescribed here is that necessity is the mother of innovation and every crisis presents hidden opportunities and no matter the challenge, there is a way of escape.

Keywords: Micro lending institutions, Zimbabwe, Hyperinflation, Survival, strategy

INTRODUCTION

Microfinance is the provision of a set of financial services (mostly small loan amounts) aimed at those without access to financial services from the formal financial system (Kwenda, 2007; RBZ, 2009; ZAMFI, 2012). These financial services usually include savings, credit, insurance money transfers and other services. In Zimbabwe, in the early 1990s, there was a shift in the way micro credit was being provided to the poor (ZAMFI, 2000). It led to the rise in developmental microfinance institutions (MFIs) that focused on the very poor with a target of providing credit in a sustainable way. Microfinance in Zimbabwe, like in most developing countries, came largely as an extension of poverty alleviation programs which were primarily donor driven (Chitambo, 2005).

In the period 1999-2008, Zimbabwe was in a deep crisis characterized chiefly by hyperinflation (RBZ, 2009). Other challenges were acute shortages of foreign currency and basic commodities, low levels of savings and investment, high and unsustainable budget deficits, low industrial capacity utilization, accumulation of external arrears, high unemployment and underemployment, a decline in real income and widening income differentials, high levels of poverty among others. Problems bedeviling the economy may have several dimensions and this paper is not going to cover them because the objective of the research is to draw survival lessons from micro lenders that survived a hyperinflationary environment in Zimbabwe.

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