Deciphering financing models of micro-enterprises in Ruwa, Zimbabwe: Investigating the implications of usury

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Abstract
This study focuses on the different financing models employed by micro-enterprises in Ruwa, Zimbabwe, particular emphasis being on investigating implications of usury loans. Pecking Order Theory was adopted as the basis for research objective generation and for literature review on exploration of the financing preferences and sources of finance for micro-enterprises. Qualitative research design was employed wherein in-depth interviews were conducted on 30 purposively selected participants and results show that micro-enterprises in Ruwa heavily rely on informal financing due to lack of formal financial institutions to cater for micro-enterprises unique needs. Micro-enterprises normally resort to usurious loans as a last resort measure, when in emergency and needing working capital. However, these usurious lending practices pose sustainability challenges in the long-run, in the form of suppressed profitability and limited possibilities for growth. Micro-enterprises require full support from government as they provide significant contributions to the economy such as employment generation and poverty reduction, and based on findings of the study, it is concluded that government should at least craft and implement encouraging policies to support micro-enterprises, and formal financial institutions such as commercial banks and microfinance institutions should be flexible enough and reconsider their perceptions on high-risk customers such as micro entrepreneurs. Finally, the study recommends that the government continue to enhance its support on micro-enterprises through capacitation of the already available financial institutions and establishing more financial institutions targeting micro-enterprises especially those run by the youths, women and the rural poor.

Key words: micro-enterprises, financing models, usury, loan, Zimbabwe

Introduction

Small and micro-enterprises in China and developing countries largely depend on informal financing which come in the form of private financing, illicit financing and criminal financing (Jackson & Thompson, 2022; Nguyen & Canh, 2021). Informal financing is prominent as noted by Naegels, et al (2018) who conclude that female entrepreneurs in Tanzania mostly employ informal financing to fund their operations, also in Cameroon, Mukete, et al (2021) raised similar sentiments about informal financing by micro-enterprises. Moreover, the choice of financing option for small and micro-enterprises is influenced by interest rate risks. Most informal financing options come with abnormal interest rates which may have implications on the operations of micro-enterprises. The reason why micro-enterprises end up making use of informal financing is because formal financial institutions are unable to effectively and completely cater for Small and Medium-sized Enterprises (SMEs) because of their unique traits (Yang, et al., 2023). This study focuses on micro-enterprises operating in Ruwa, a small township on the eastside of Harare in Zimbabwe. Even though micro-enterprises face unique set of challenges, they significantly contribute to the local economy in terms of being key drivers of economic growth, poverty reduction (Rasyid, et al., 2023) and employment generation particularly in rural areas where income generation opportunities are through self-employment and micro-enterprises (International Labour Organisation, 2023; Schüller & Doubravský, 2019). In the case of Zimbabwe micro-enterprises are contributing significantly to the Gross Domestic Product (GDP) and are serving as a source of livelihood for individuals in Zimbabwe (Ministry of Finance, 2023).

Official policies in government departments as well as private sector entities such as banks in Zimbabwe often make businesses difficult for micro-enterprises. Government should find ways to come up with encouraging policy initiatives that encourage and support micro-enterprises to sustain growth of their business initiatives. Some key areas the government may look to improve to make the operational environment conducive for micro-enterprises include, reasonable licensing requirements; better tax regimes; and financial sector reforms. The following are potential sources of credit for micro-enterprises: commercial banks; government institutions; microfinance institutions (MFIs); non-governmental organisations (NGOs); savings and credit associations; and informal credit sources (International Labour Organisation, 2023). However, it is noted that commercial banks normally favour large loans over small ones (Adelekan, et al., 2019; Zając, et al., 2021) and have misgivings about the rural poor, particularly women and youths who are classified as high risk clients. On the other hand, in order to enhance micro-enterprises' ability to access formal credit lines, the micro-business owners should increase their financial knowledge (Liu, et al., 2023).

In the year 2012, formal micro-enterprises and individual entrepreneurs in Zimbabwe accounted for 35% of economic activity and this increased to 39% in 2022 (Ministry of Finance, 2022). These numbers only highlight micro-enterprises that managed to formalise, the informal sector is unaccounted for and constitute a big chunk driving the Zimbabwe's economy. In the 2023 national budget of Zimbabwe, it is emphasised that micro, small and medium-sized enterprises (MSMEs) need to be supported in order to ensure formalisation, and measures are put in place by the ministry of finance and economic development which include the rolling out of the National Financial Inclusion Strategy II which focuses on use of financial services for targeted groups involved in micro-enterprising such as women, youth, rural communities, small holder farmers, people with disabilities, pensioners and the elderly, furthermore the following financial institutions are established to cater for micro-enterprises, women and the youth: Small and Medium Development Corporation (SMEDCO), Zimbabwe Women's Microfinance Bank, Empowerbank, Community Development Fund and Women Development Fund. These initiatives are noble and the government should ensure their effective implementation so that they do not only look good on paper.

This study is unique in that it solely focuses on micro-enterprises both registered and unregistered, most studies either focus on registered SMEs or MSMEs. In the case of developing countries, particularly Zimbabwe the informal sector is literally driving the economy and micro-enterprises are sprouting everywhere, these micro-entrepreneurs are individuals and businesses driven by desire and at times circumstances such as failure to secure formal jobs or opportunities to source greener pastures oversees. These micro-entrepreneurs and their businesses need not be ignored but rather need serious attention from government and the academic community so that sustainable frameworks can be crafted to ensure their potential is nurtured for the good of the economy. This study therefore seeks to understand the sources of finance for micro-enterprises in Ruwa and the implications of usury as a source of finance for these micro-enterprises. Because of their nature, micro-enterprises face obvious difficulties such as inability to access formal financing due to their small scale operations, lack of collateral (Omondi & Jagongo, 2018), lack of credit history. Further, during the Covid-19 period MSMEs were hardest hit as compared to large corporates (Fabeil, et al., 2020; Corredera-Catalán, et al., 2021; Khan, 2022), this was because of their relative financial instability which is so evident during periods of economic downturn (Demirgüç-Kunt, et al., 2020; Berg & Schrader, 2012). All these issues leave most micro entrepreneurs with no option but to resort to 'loan sharks' and be subjected to usurious lending practices which is not sustainable in the long run for micro-enterprises.

The objectives of this study are threefold:

- ✓ To determine the different sources of finance utilised by micro enterprises in Ruwa, Zimbabwe.
- ✓ To examine usury as a source of finance and its effect on micro enterprises operations in Ruwa, Zimbabwe.
- ✓ To determine a sustainable financing model for micro enterprises in Ruwa, Zimbabwe.

Literature review

Overview of micro-enterprises

This study adopts the Pecking Order Theory proposed by Myers and Majluf (1984), this theory proposes that firms have financing preferences hierarchy which is based on cost and availability. In this regard micro-enterprises prefer internal sources of finance such as personal savings and retained profits, as they are readily available and do not involve transaction costs (Kalui & Njenga, 2018). In the event that internal sources are not adequate, micro-enterprises turn to external sources such bank loans. Adopting the Pecking Order Theory in this study enables the researcher to explore how micro-enterprises' priorities, and access the various sources of finance at their disposal, this helps identify opportunities and challenges associated with each financing option and inform development of a sustainable financing model for micro-enterprises in Ruwa, Zimbabwe.

Micro-enterprises are known by several names such as micro-businesses or small-scale enterprises. A common characteristic among these businesses is their small size, limited resources and low capital investment. These characteristics can be a result of choice but in most cases it is a result of circumstances such as limited access to capital (Chao & Tao, 2023; Rasyid, et al., 2023; Singh, et al., 2020; Adelekan, et al., 2019; Hartšenko & Sauga, 2013), which limits their growth opportunities (Rizhamadze & Ābeltina, 2021; Manzoor, et al., 2021). Micro-enterprises are typically owner operated, family owned (Harvie, 2003), and may employ a small number of employees who at times lack education and business acumen because those experienced and educated may not be interested in working in these micro-enterprises. These enterprises are pervasive in sectors such as agriculture, manufacturing, retailing and services. The specific definition of a micro-enterprise varies as a result of context or country, based on parameters such as number of employees, annual turnover and asset values, these parameters are not cast in stone, they only serve as a basis and criteria to guide differentiation of micro-enterprises from small and medium-enterprises as well as large organisations. For example, in America, the US Small Business Administration defines a micro-enterprise as a business with not more than 5 employees (Schüller & Doubravský, 2019). In addition, recognized institutions such as the World Bank Group define micro enterprises on the basis of sales, employment and asset size. In this regard micro-enterprises are businesses with not more than 10 employees, annual sales of not more than $100,000 USD and total assets not exceeding $10,000 USD (Ayyagari, et al., 2007). Furthermore, Carol & Ongori (2013) recognise a micro-enterprise as that business with not more than 6 employees including the owner, this is more or less similar to Schüller & Doubravský (2019) description of a micro-enterprise.

The 2009 policy document by the ministry of small and medium enterprises and cooperative development in Zimbabwe categorised and differentiated micro, small and medium enterprises as shown in table 1, In this regard number of employees was used as a benchmark to define micro, small and medium enterprises, wherein a micro-enterprise is taken to employ at most 5 employees.

Table 1: Micro, Small, Medium enterprises Classification

Source: Ministry of Small Enterprises and Cooperative Development policy document 2009

Sector/ Sub-sector of economy	**Size/ Class**	**Maximum total number of full time employees**
Agriculture, manufacturing, mining	-Micro -Small	-5 -50

	-Medium	-100
Construction, transport, retail, tourism, catering, arts and crafts, wholesale and fisheries	-Micro -Small -Medium	-5 -30 -50

The economic environment in Zimbabwe is volatile and uncertain because of inflation and exchange rate risk. It is therefore difficult to classify micro-enterprises on the basis of revenues because the revenue figures are not constant. To counter this in the current research paper the Ministry of Small Enterprises and Cooperative Development definition of a micro-enterprise is adopted which defines SME on the basis of number of employees.

A walk-through of micro-enterprise financing

The two major sources of capital that can be utilised by micro-enterprises are internal and external (Dylewski, 2016), therefore micro-enterprises can access funds from a variety of sources including bank loans, self-funding, loans from friends, disposal of assets, grants from government, venture capital and credit cards (Ronald, 2017). Most governments of developing nations are struggling to such an extent that it is difficult for them to give grants to micro-enterprises, hence self-funding, bank loans and loans from friends are widespread. Douglas, et al (2017) undertook a study to determine critical success factors for SMEs and they find that capital availability is one of the critical success factors, access to capital problems is a major problem in businesses of all sizes and this can even be serious in micro-enterprises who have limited access to formal lending because of their size and lack of collateral. A lot of micro entrepreneurs resort to savings, borrowings from friends (Ronald, 2017), relatives and loan sharks. The danger with loan sharks is that they charge usurious interest rates which are detrimental to the long term survival of the micro-enterprises. This is one reason why this study is relevant in the Zimbabwean context as it shows the different sources of finance by micro entrepreneurs as well as determine the implications of usury in cases where it is used as a source of finance.

In the Indian state of Bihar, there has been widespread use of informal lending by small businesses. In an effort to help sustain these micro-enterprises, the Indian government led a self-help group (SHG) initiative with the aim to provide low cost credit to the poor, two years after the initiative the SHG membership had increased and use of informal credit had declined (Hoffmann, et al., 2021). This model was effective as it led to poverty reduction and small businesses can now sustainably thrive through provision of low cost credit, proving that usurious lending practices by informal lenders is disastrous in the long-run. Wlelechowski, et al (2023) find that micro-enterprises in Poland mostly depend on commercial banks for their financing needs, in this regard commercial banks in Zimbabwe should at least have a unit/ division that caters for micro-enterprises and offer such loans at rates and lending conditions that are conducive to micro-enterprises.

In Kenya, the advent of digital inclusion has led to improved access to capital by micro entrepreneurs (Kamau, 2021), this is because technology reduces the bureaucratic gap, information asymmetry and may speed up the process of accessing loans from financial institutions. In Zimbabwe, financial inclusion through digital inclusion is also being experienced since all those who are formally employed can access banking services on their cellphones and can access mobile wallets such as Ecocash, Telecash and OneMoney which makes it easy for micro entrepreneurs to offer varied forms of payments by their clients.

Qard Hasan, an Islamic financial concept involves the lender providing a loan to a borrower interest free. This is one best financing model for micro-enterprises because of its uniqueness and flexibility, and has proven to be a viable financial instrument for crowdfunding micro-enterprises in Malaysia, despite critiques taking concern of the model not being business oriented and prone to default risk (Aderemi & Ishak, 2023). Moreover, Internal sources of finance are usually cheaper and easily accessible at short notice (Kalui & Njenga, 2018). However, for micro-enterprises the internal sources of finance are usually empty for example it is difficult for micro entrepreneurs to reinvest their profits because the micro-business is their sole source of income, and they do not have assets to dispose of because some of these micro entrepreneurs come from poor backgrounds and they do not own any valuable assets.

There are many factors which lead to micro-enterprises fail to obtain finance and trade credit from suppliers, such as lack of financial records and poor positioning in the supply chain (Yang, et al., 2023), this then leaves micro-enterprises with limited choice of financing their operations and end up borrowing from friends, relatives and 'loan-sharks' (Amin, 2023) who at times charge unreasonable interest rates which keeps compounding at drastic rates to such an extent that some borrowers end up defaulting. These usurious lending practices are very much talked about, however there is limited research to try and understand the extent and impact of usury in the micro-enterprises sphere, hence results of this research are adding value in that regard.

Usury and its implications

Usury is the practice of charging excessively high interest rates on loans, and is normally practised by informal financiers commonly known as loan sharks (Aravik & Tohir, 2023). One of the major reasons why borrowers flock to get these usurious loans is because of lack of capacity to borrow from formal lending institutions. Loan sharks take the risk of loaning money to almost anyone but they compensate for that by charging unsustainable interest rates which take a toll on micro entrepreneurs. Fadilla & Aravik (2021) accuse usury as one reason causing and perpetuating widening of income disparities in society, this shows that action needs to be taken at national level to ensure usury is discouraged at all costs as a source of funding business operations by micro-enterprises because it eats all the small margins realised, at times micro entrepreneurs end up disposing of their personal properties which they need for their day to day survival so as to cater for repayment of the usury loans. In the long-run usury damages and disturbs the social order leading to injustices and exploitation of the poor by the loan sharks (Fasa, et al., 2019), In this regard the winners are the creditors, and debtors bear all risk (Paldi, 2014; Shidiq, 2014). Usury is considered a path to self-destruction on the borrower, since in usury transactions the borrower is the weaker party (Farooq, 2019). In most countries apart from Islamic nations there are no laws to prohibit usury contracts and loans, it is therefore of paramount importance that governments especially of developing nations consider coming up with policies that safeguard micro-entrepreneurs from being exploited by loan sharks through usurious loans.

Usury is pervasive in the overall financial system of the world, particularly in the western world (Jafarzadeh & Moradi, 2023). Hence, it is not possible to entirely eliminate usury practices from the banking system because providers of finance are also in business to maximise their bottom-line. In such a scenario it can be seen as the duty of the government to ensure those with potential in society are supported in ways that can enable them to grow and contribute to national development. Micro entrepreneurs are full of potential and vision, hence deserve attention by the government, because once micro enterprises thrive and are formalised they can lead to poverty eradication and provide a significant chunk to the fiscus. Usury financing has negative consequences on the commercial and economic relations, causing disruptions on financial relations of individuals in the society (Jafarzadeh & Moradi, 2023), hence should be avoided at all costs in as much as micro-enterprise financing is concerned, this is because usury transactions/ loans contains elements of extortion, whose elements are considered detrimental to the weaker party in the loan contract and therefore is considered unlawful in Islamic economics (Azahra & Syifa, 2023).

Rasyid, et al (2023) examined the effect of Qardh financing (interest-free loans) on the development of micro-enterprises, and data collected from 150 micro and small businesses reveal that Qardh financing positively impacts development and growth of micro-enterprises. Micro Waqf Banks are a common phenomenon in the Islamic community and they offer financial rescue services through Qardh financing to micro and small businesses surrounding boarding schools (Fauzi, et al., 2023), under this arrangement only the principal is returned and the loan is given without collateral and interest, this is so because once the lender charges interest it is considered usury under Islamic law. Governments of developing nations should make an effort to establish similar initiatives as Micro Waqf Banks to support micro entrepreneurs, so as to eliminate loan sharks from the financing models of micro entrepreneurs (Rasyid, et al., 2023).

Methodology

This paper sought to determine the various sources of finance employed by micro enterprises in Ruwa, Zimbabwe, as well as the implications of usury. In order to gain insights on different sources of finance and examine implications of usury, the study adopted a qualitative research methodology. Targeted population was all micro entrepreneurs in Ruwa, and the sample of participants used involved only micro entrepreneurs who are operating in legally designated operating sites and there are six legally designated operating sites where micro entrepreneurs trade in various goods such as retail products, agricultural products, construction, hardware and electrical products.

These legally designated operating sites were purposively selected, providing a representative sample of micro-enterprises in Ruwa, as they cover a diverse range of businesses undertaken by micro entrepreneurs. Face to face and telephone in-depth interviews with participants were conducted to get their insights on financing models and implications of usury, telephone interviews were employed on 9 participants who were owners of the micro-enterprises not physically present at their business during times of data collection. Open-ended questions were employed and these were in most instances followed up with probing questions to gain deeper insights and clarification from the micro entrepreneurs. The actual sample size was determined iteratively by data saturation point which was reached on the 22nd participant, however in total 30 participants were interviewed and this increased credibility and reliability of the results. On average each interview lasted 28 minutes, and 23 participants agreed to be audio recorded whilst 7 participants refused and their choice was respected. Participants were given codes, first participant being P1, second participant P2, third participant P3…...up to participant 30 (P30). Informed consent was sought, and interviewees participated voluntarily as they could opt out of the interviews at any point during the interview. The data was manually coded and thematic analysis was employed to analyse the data.

Results and discussion

Subsequent to transcribing the data verbatim and coding, the following 4 themes emerged from the interview responses as shown in table 1.

Table 1: Thematic analysis of data from the interviews

Theme	Source of finance	Challenges accessing finance from banks and microfinance institutions	Implications of usury	Perceived sustainable and effective financing approaches for micro-enterprises

Codes	✓ Personal savings ✓ Borrowings from friends and family ✓ Loans from banks	✓ Excessive documentation required ✓ Collateral issues ✓ Approval process too long ✓ Eligibility criteria too strict	✓ Usury relied upon during financial emergencies ✓ The high interest rates are a burden ✓ Tough to be profitable ✓ Some businesses on the brink of closing shop	✓ Peer-to-peer lending ✓ Crowdfunding ✓ Microfinance tailored for micro-*enterprises'* specific needs

The government of Zimbabwe is making efforts to facilitate access to finance for micro-enterprises through establishment of financial institutions such as Small and Medium Development Corporation (SMEDCO), Zimbabwe Women's Microfinance Bank, Empowerbank, Community Development Fund and Women Development Fund. However, results of this study show that some micro-entrepreneurs are not aware or not interested approaching these institutions, this can be a result of the lending conditions which are at times not conducive for micro-entrepreneurs for example in the case of salary based loans there is a requirement for a payslip and majority of micro-entrepreneurs are the urban poor (Carol & Ongori, 2013), who are not formally employed, also in some cases there is need for collateral and some of the micro entrepreneurs are recent university graduates with nothing to their name except their ideas and educational certificates.

Micro entrepreneurs in Ruwa make use of personal savings to fund their business operations, Most of these entrepreneurs started operating before the emergency of the currency crises being faced today, this was noted from the fact that many of those interviewed kept talking about the fact that before the current economic crises they could save from their earnings and could start their businesses using their savings, P8 echoed that *"When* I started about 7 years ago, I used personal savings to start my business because back then we could save, but here and there I borrow for working capital from *friends.",* P10 as well spoke along same lines saying *"I* have never attempted getting a loan from the bank, I relied on personal savings and loan from my family members abroad when I started my business in 2014, as for working capital requirements I make use of the *profits I generate.".* It is clear from their expressions that these micro entrepreneurs relied mostly on personal savings and have little interest approaching formal financial institutions to seek funding, this finding is in sync with, Ronald (2017) who finds that a lot of micro entrepreneurs resort to savings, borrowings from friends and loan sharks as compared to formal financial institutions.

Five (P5, P7, P12, P17 and P22) outstanding micro entrepreneurs showed favour of formal financial institutions, as they claim relatively fair interest rates because formal financial institutions are highly regulated in terms of how they operate. These five micro-enterprises which relied on formal financial institutions were showing signs of growth and thriving business. P5 for example, was clear in articulating that she takes advantage of formal financial institutions for her financing needs since it offers relatively low interest rates, however she alluded to the fact that there is a lot of paperwork to be completed, and she had this to say, *"As* a small business it is difficult to obtain funding from these big banks, however there are other avenues specific for people like us, at first the loan application process was cumbersome but these days all my paperwork is now in order and things are working out for me. If you compare interest rates you can find that formal financial institutions are much better as compared *to loan sharks."*

P1, P4 and P16, were showing some keen knowledge of how the banking ecosystem operates, as they were concerned by the issue of transaction costs when borrowing from formal financial institutions, they said that borrowing from relatives and friends has the benefit that there are no administration costs effected into the transaction, also the funds are received quickly since there is no bureaucracy or a lot of paperwork involved. P4 narrated thus *"…when getting money from the* bank the borrower is always on the receiving end and pays all the transaction costs, for example if I am to get a loan of say $1000 at times the money credited to your account is $850 or so, the other portion is already taken by the bank on top of that you have to pay interests, this arrangement *is different if you are to borrow from family and friends, you get a better deal."* Their sentiments closely align with findings by Yang, et al (2023), who echoed that the benefits for SMEs sourcing funds from informal financing sources is low transaction costs, resulting from close relationship between lenders and borrowers, they also added that this relationship between informal lenders and borrowers reduces the risks of moral hazard.

Micro-entrepreneurs resort to usury loans when in desperate times to resuscitate their businesses operations because loan sharks are quick to release funds without a lot of paperwork involved especially if the clients are through referrals. P23 narrated thus *"There was no choice, I had to resuscitate my operations and that's when I engaged a loan shark* whom I got to know through a *friend, I wasn't asked for collateral then, probably because I was referred by a friend. However,* the interest rates of that loan weighed heavily on my operations for a long time and I wasn't *actually profitable.".* P1, P8, P12, P13, P19 and P26 echoed the same sentiments of the need for emergence funds to help bail their business in difficult times, which makes it clear that going for usurious loans is effectively a result of circumstance and not entirely by choice, these findings converge with Amin (2023) who finds that when left with no choice, micro entrepreneurs may resort to loan sharks for their financing needs.

The only upside of usury loans is that it can provide the needed relief of finance instantly, but after that what follows are problems. All responses on the implications of usury were sad tales on the profitability of micro-enterprises, the interest rates were too high such that during the period of the usury loan it was difficult to be profitable especially if one defaults paying the monthly payments at some point, for example P15 had a sad story to tell as follows "At first I *didn't* know the negative effects of usury loans, I think *it's* because I did my calculations wrong or maybe it was ignorance. I borrowed from these so-called loan sharks and used one of my houses as collateral, unfortunately *things did not go well in my business and I missed on 2 payments servicing my loan, that's when* things got a toll on me. I had to pay close to 140% in interest for that loan. I will never borrow from loan sharks, I will rather go to the bank and wait in the long *que.".* Obtaining funds instantly is good because any business requires working capital to ensure day to day operations are a success, however financing such operations with usury loans particularly for micro-enterprises is not a good option as the repercussions are dire, they impact profitability and survival of the micro-enterprise, this is in sync with Farooq (2019) who rightly notes that usury loans are a path to self-destruction and in that regard the obvious winners in such transactions are the loan sharks (Paldi, 2014; Shidiq, 2014).

It was clear from the results that micro entrepreneurs who avoided usury loans were stable, even though they narrated facing challenges, their operations were stable and showed signs of sustainability, those who financed their business solely from personal savings and concessionary loans from family and friends reported consistent profitability albeit showing struggling signs in the Covid-19 period and all the five participants who accessed funding from formal financial institutions were reporting consistent profitability and sustained growth. This is witnessed by responses such as the one by P17 who had this to say *"I faced some challenges when I attempted* to access funding from the bank for my working capital needs, the application process was somewhat complex because I am not formally employed and have nothing to my name. However, the bank finally sat down with me, read my business plan together with my financial statements and they worked out a loan commensurate to my operations and business plan, the loan amount was not sufficient but it assisted sustaining my business operations, I repaid the loan in full and I *am on a positive trajectory.".* Commentaries such as these show that some formal financial institutions are not too rigid and are willing to work with micro-enterprises in providing finance to their diverse customer categories, micro-enterprises are therefore encouraged to seek funding from such formal financial institutions who are flexible enough to design products that suit micro entrepreneurs. However, in the event that one is able to save substantial amounts, it is good to make use of personal savings. However, in the prevailing economic environment in Zimbabwe it is difficult for many prospective micro entrepreneurs to save especially from their salaries since it is reported that many are earning below the poverty datum line, hence are forced to approach formal financial institutions.

Conclusions and recommendations

The government of Zimbabwe through relevant ministries need to make accelerated efforts to create an enabling ecosystem for startups and micro-enterprises, as well as support networks that are readily accessible without much bureaucracy, because as it stands from the results of this study startups and micro-enterprises are finding it very difficult to source funds to finance their projects, in the end they may resort to loan sharks. Survival and sustainable growth of micro-enterprises is paramount in Zimbabwe and this cannot be possible if they are not properly financed, and usury should not be a financing approach as results indicate negative implications of usury loans on micro-enterprises' survival and operations. Micro-enterprises may lack capital, skills and educated personnel but they do not lack potential, hence these men and women need the government's utmost support to ensure they survive and realise their full potential.

Results of this study inform policy makers, financial institutions and micro entrepreneurs in designing sustainable financing solutions which support growth and development of micro-enterprises in Ruwa, Zimbabwe. Government, if possible, should come up with mechanisms that encourage micro entrepreneurs to make use of self-help groups as they provide low cost credit; this has proven to be a success in rural India (Hoffmann, et al., 2021). Self-help groups have several benefits not just provision of low cost capital but people with a common cause and drive are brought together on a platform where they can share ideas and perspective on how to operate their business in a better way given the prevailing environment where the economy is not growing at an accelerated rate.

Financial institutions in Zimbabwe can as well capitalise on FinTech so as to capture the MSMEs market share, since FinTech enhances the ability of MSMEs to obtain finance (Chao & Tao, 2023). Banks and all credit granting institutions are in business to maximise shareholder wealthy, and one way to ensure that happens is by attracting many customers, the world is increasingly going digital and financial institutions should invest more resources to ensure all of its products are digitised and capture a greater market share including micro entrepreneurs and farmers in the remote areas of Zimbabwe, full financial inclusion ensures financial institutions are well resourced, and in the process competition improves and this may cause relatively fair interest rates to be charged, in the long-run benefiting the micro entrepreneur. If the loan granting process is efficient and fair market interest rates are offered by the bank, this may reduce instances of micro entrepreneurs obtaining usury loans from loan sharks.

It is also recommended that micro entrepreneurs desist from usury loans as they pose negative implications on the operations such as reduced profitability, limited growth and low chances of sustained survival. Rather, micro entrepreneurs should at least seek funding from formal financial institutions who are flexible enough to design products commensurate with micro-enterprises. Moreso, crowdfunding in the form of self-help groups and peer-to-peer lending has proven to be a sustainable financing model for micro-enterprises.

Future researchers are challenged to investigate the extent of application of the in duplum rule by banks and microfinance institutions in Zimbabwe, this is because the opinions of participants interviewed who sort financing from banks show that they are paying interest rates in total which are almost equivalent to the initial loan amount. Borrowing from the bank particularly for business purpose should not be too costly because this can discourage entrepreneurs from forming relationships with banks to such an extent that they may even shun buying many of the products offered by the bank, there has to be trust between the bank, business owners and entrepreneurs so that money keeps circulating through formal banking channels and this is positive to the whole economy.

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