International Journal of Learning and Development
ISSN 2164-4063
2024, Vol. 14, No. 2

An Assessment of the Critical Success Factors of Microfinance Institutions (MFIs) in Lusaka, Zambia

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Received: March 20, 2024 Accepted: May 7, 2024 Published: May 13, 2024
doi:10.5296/ijld.v14i2.21781 URL: https://doi.org/10.5296/ijld.v14i2.21781

Abstract

This research focuses on the critical success and failure factors of microfinance institutions (MFIs) in Lusaka, Zambia, addressing a vital aspect of the financial landscape that impacts small businesses and low-income individuals. Despite the positive role of MFIs in providing financial assistance to entrepreneurs, recent closures of six institutions in Zambia underscore the need to understand the factors influencing their success or failure. The problem statement highlights the potential consequences of MFI closures, such as negative impacts on women, increased poverty levels, income inequality, child labor, and barriers to sustainable local economic development. Notably, the study aims to fill a research gap by assessing factors affecting MFIs' operations in Zambia, particularly those leading to closures, which the Bank of Zambia has not yet addressed or documented. The research objectives are clear and specific, intending to assess both critical failure factors from MFIs that have closed in Lusaka and critical success factors for the functioning of MFIs in the region. Additionally, the study aims to suggest measures to enhance the application of these critical success factors. Moving into the research methodology, an exploratory research design is chosen, providing a foundation for assessing the critical success factors of MFIs in Zambia. The mixed-method approach, incorporating qualitative and quantitative strategies, enhances the comprehensiveness of the study. The target population comprises 29 registered MFIs in Lusaka, and a one-stage cluster sampling technique is applied to select 10 MFIs with 60 key informants. The use of questionnaires for data collection, both open and closed-ended, facilitates the gathering of both qualitative and quantitative information. Ethical considerations are diligently addressed, ensuring informed consent, confidentiality, justice, anonymity, and protection from harm. In the discussion of findings, a demographic analysis reveals important characteristics of the respondent base, emphasizing the predominantly male representation and the prevalence of tertiary education among participants. Objective one focuses on assessing critical failure factors, with limited access to funding, operational efficiency, and limited financial literacy emerging as primary challenges. Objective two delves into critical success factors, highlighting financial stability, marketing strategies, technology adoption, and outreach to the underserved population as significant considerations. Objective three provides insights into measures employed by MFIs, such as technology integration, capacity building, customer-centric approaches, and risk management systems. The recommendations emphasize diversification of funding sources, tailored financial literacy initiatives, operational efficiency optimization, and enhanced community engagement to address identified challenges. In summary, this study contributes valuable insights into the dynamics of MFIs in Lusaka, offering practical recommendations for their sustained success and impact on local communities.

Keywords: Microfinance, Critical Success Factors, Critical Failure Factors, Lusaka, Financial Stability, Funding Sources, Operational Efficiency, Community Engagement

1. Introduction

Microfinance industry was born out of the desire to provide assistance to the world's vulnerable and poor in Bangladesh and Latin America and was introduced by Grameen Bank founder Dr.Muhammad Yunus in the 1970's. The concept was to ensure that the poor were able to access loans which they could afford to pay back (Campion, Linder & Knott, 2008). Microfinance has since evolved as an economic development tool or approach intended to benefit low income men and women, and some of these institutions not only offer credit service but also insurance and payment services (Ledgerwood, 1999). Since the 1970s when the microfinance movement started, there has been a rapid increase of these institutions which have spread around the world to many countries such as Zambia. Among the Microfinance institutions that were established in the 1970's and 1980's include LIMA Bank, Zambia National Building Society (Miambo and Mavrota, 2003). From then onwards, Zambia has continued to experience a steady growth of microfinance players, offering a wider dimension of financial products and services. However, due to operational issues like the rising cost of money over time, the failure rate of some of these institutions has been steadily rising, a problem that needs to be addressed.

The Christian Enterprise Trust of Zambia (CETZAM), a non-governmental organization (NGO), was founded in 1995 by a group of Zambian leaders on the Copperbelt (Monje, 2007) with the purpose of meeting Christian principles. It was formed to change the lives of poor, providing opportunities to create employment and generate income through credit and training services. The first loans were given in 1998 through a group based model, every member of the group was accountable for any debt in the group and if an individual failed to pay from the group, the other group members are to offset the debt. For several years, microfinance innovations have been replicated from country to country, each time with renewed enthusiasm and innovation leading to international best practices that have benefited our understanding and guided the practice of microfinance-credit (Manroth, 2001). Given the ongoing developments in microfinance, there is considerable interest for many microfinance institutions (MFIs) in Africa to keep pace with the changing landscape in the industry. Microfinance institutions play a vital role in helping the poor access credit and also those who engage in various micro businesses. However, these institutions are experiencing a number of issues that are forcing closures. In this regard, a study needs to be conducted to assess the key success factors affecting MFIs in Zambia.

2. Literature Review and Conceptual Framework

2.1 Microfinance and Microfinance Institutions

Microfinance refers to the provision of financial services to low income households, including the self-employed. These financial services include savings, credit, payment facilities, remittances and insurance (García-Pérez et al, 2020). Microfinance, therefore, encompasses microcredit, micro savings and micro insurance (García-Pérez et al, 2020). With the passage of time, there has been increasing emphasis on the importance of offering a range of quality, flexible financial services in response to a wide variety of needs of the poor (Pazarbasioglu et al, 2020). MFIs are those organizations that provide financial services to low income communities, and include NGOs; member-based organizations such as village banks, CUs and SACCOs, specialized government banks and private commercial banks. MFIs vary widely by organizational type, scale of operations and levels of professionalism. A study of microfinance shows that there is no single 'best practice model' for the provision of microfinance services (Joseph, 2021).

It is difficult to generalize about specific characteristics due to the broad range and variations in types of institutions. The broad range of institutional forms has resulted in MFIs being registered under different Acts and falling under different supervisory authorities. Consequently, the regulatory and supervisory environment in relation to microfinance in most countries is fragmented, and not all MFIs are regulated for the provision of financial services. Furthermore, MFIs differ from traditional FIs in terms of client features, lending technology, loan portfolio features, culture or ideology and institutional structure. Most of the distinctive characteristics of MFIs are the result of innovations developed by the microfinance sector to overcome problems of information asymmetry and high transaction costs that hinder financial service provision to low income households. These innovations include group lending, frequent repayments, public repayments, progressive lending, non-traditional collateral, and the targeting of women.

2.2 Fundamentals of Microfinance

As a provider of banking services, the MFI is subject to adverse selection and moral hazard from credit clients with little or no collateral (Armendariz de Aghion and Morduch, 2005). Mersland and Strøm (2009) point out that adverse selection arises since the bank does not have enough information to differentiate between good and bad risks. This insight has particular relevance in the microfinance field, since customers often have a short or no credit history, and little or no collateral. Moral hazard is the problem that the borrower will not exert necessary effort to repay the loan, when the bank is unable to monitor (Mersland and Strøm, 2009). What sets the new microfinance initiatives apart is that of finding new ways to deal with these problems through group lending, character lending and the stepwise building of a credit history, and thereby, to establish workable business models (Kumari, 2020).

The adverse selection and moral hazard story on the part of the MFI is extended to problems on the part of depositors and borrowers. How can they judge if the MFI does not use its informational advantage in the money markets to charge too high loan interest, or to take on too much risk with depositors' money? These are questions particularly important to ask in the microfinance market where the level of customer education is, at best, moderate and people repeatedly experience exploitation and fraud (Mersland and Strøm, 2009). Thus, the microfinance industry is beset by mutual adverse selection and moral hazard problems. It is no surprise that Macey and O'Hara (2003) maintain that the relationships to depositors and borrowers are as important to the success of the bank as the managers' and the board's relationship to its owners.

Therefore, incentive problems have a dual nature, one between owners and managers, the other between the MFI and its customers. Furthermore, the special nature of banks as providers of financial infrastructure often requires public regulations of the bank-customer relationship in order to get customers to entrust their savings and avoid possible economy-wide breakdowns. Therefore, the monitoring of the bank is not as straightforward as in ordinary firms, and need to take the MFI's regulatory framework into consideration (Mersland and Strøm, 2009). According to Mersland and Strøm (2009) the internal comprise the functions of the CEO and the board, the ownership type, internal controls, financial management, risk management and audits. These mechanisms are made by choice and are called internal accordingly. Furthermore, Mersland and Strøm (2009) specify external governance mechanisms as the product market competition and regulation.

2.3 The role of Microfinance Institutions

The role of microfinance in any economy is to achieve the provisions of its definition and allow for a better society for the poor, unemployed and those excluded from the formal banking sector. The major goals that relate to the establishment of these MFI's are as follows:

Microcredit has emerged as an innovative tool for fighting poverty in underdeveloped countries (Ribeiro et al, 2022). Microcredit has emerged as an innovative tool for fighting poverty in underdeveloped countries (Ribeiro et al, 2022). The provision of micro-credit to the poor, especially to youth and women in the rural, is essential in poverty reduction through empowerment. One of the most popular new technical tools for economic development and poverty reduction is microloans, made famous in 1976 by the Grameen Bank in Bangladesh. The idea is to loan small amounts of money to farmers or villages so these people can obtain the things they need to improve their economic rewards (Chikwira et al, 2022).

In order to mitigate loan repayment defaults, Grameen Solidarity theory should be used. It steams its roots from the Grameen Bank founded by Dr Yunus. Solidarity lending is a lending practice where small groups borrow collectively and group members encourage one another to pay (Banda, 2020). Solidarity groups build on traditional patterns that prompt the social and economically marginalized sectors to seek collective response and mutual accountability (Huda, 2020).

Microfinance has been promoted as a tool to reduce poverty. Even so, it has been argued that microfinance will achieve this by promoting productive activity, spurring self-employment and income generating activities (leikem, 2012). Based upon this argument, logical assessment to analyze the impact of microfinance on borrower income were carried out. In the early findings of Armedariz and Morduch (2005), the researchers attempted to measure the casual impact of microfinance on borrowers' income. Despite the difficulties of non-random program location and client selection, the research's findings indicated that microfinance may increase household wealth and total consumption levels. Children's, health, and educational needs are on the rise while everything else stays the same. In another similar research carried out by Hartarska et al (2023), the findings were that microfinance benefitted the poor by providing them with lives savings and credit. Microcredit to the poor increased their income and enhanced their livelihood opportunities.

Scholars in various countries have studied the impact of micro-credit on women empowerment, there is some evidence that indeed microcredit is empowering women, however, this is not consistent across the reviewed studies (Kim et al., 2009). A study carried out in Uganda found that women who took part in micro- credit programs gained financial management skill and gained some selective household assets more commonly held by men (Lakwo, 2006). This conclusion was based on the observation that while women were the ones who signed the loan contracts with microfinance institutions, the control over the utilization of loans was taken over by the men. However, the primary responsibility of loan repayment lay with the women, who in most cases had to draw on their personal savings to repay the loans. This conflict over control of loans often led to domestic violence against the women.

Microfinance institutions play an important role in the alleviation of poverty by seeking to increase employment opportunities and enhance income adequate to raise the poor above the poverty line (Muntambanadzo, 2013). This is made possible through the capital provisions made available to micro borrowers who later become beneficiaries that are able to create not only for themselves but also a proportion of those individuals directly linked to micro enterprises. This makes microfinance a financial sustainable instrument capable of providing capital for and ensuring growth and sustainability in the private informal sector ignored by traditional commercial banks (Boateng et al, 2015).

2.4 Microfinance in Zambia

In Zambia microfinance can be traced as far as the 1970's and the government was the earliest providers of microfinance in Zambia. In 1980, the Bank of Zambia put up a scheme as a means of encouraging financial institutions to extend credit to small scale industries. It was after this that the earliest microfinance institutions sprung up and these are Lima Bank in 1987, Cooperative bank in 1989, ZNBS. The other vital institutions established by the government at that time included SIDO and SEPU.

In the 1990's, formal microfinance was dominated by the cooperative societies which were registered as credit unions under the Cooperative society Act. It so happened that these cooperative societies depended on government and donors hence resulted in lots of inefficiency and lack of sustainability. Lack of savings mobilization and emphasis on subsidized loans as borrowers considered government loans as fruits of independence. Even so, reforms in the economic sector like liberalization and failure of other state-owned financial institutions has led to the increase of MFI's operating in the financial sector aiming at meeting the needs of the corporate sector, working class elite.

The modern microfinance industry in Zambia has been an emerging industry with the oldest MFI's dating back to the liberalization of financial industry in 1992/93 and the majority MFIs emerged between 1996 and 1998 (Maimbo and Mavrota, 2003). However, most of these MFIs are now transforming their structure to companies limited by guarantee and today there is an interesting blend of private sector for profit firms and non-profit NGOs.

Furthermore, two organizations now exist that encourage the development of microfinance sector and these are the MBT and AMIZ. According to the AMIZ Report (2010), AMIZ's vision is to see the development of sustainable microfinance industry that can contribute significantly to the reduction of poverty in Zambia.

The conceptual framework was developed from the various information that was reviewed in the literature review. Concepts, variables and theories were pulled out from the reviewed literature and guided the development of the current conceptual framework. The conceptual framework used in this study was developed based on the crirical success factor theory which according to Chaulagain and Lamichhane (2022) guides that the few crucial areas where "things must go right" in order for the firm to succeed and for the manager's objectives to be fulfilled are known as critical success factors.

According to the conceptual framework shows variables and their possible patterns with respect to influence on each other and how as a whole they in turn influence of microfinance institutions (MFIs). The independent variable are the critical success factors which consist of a number of variables such marketing strategies, adoption of new technologies, product attributes, organizational resources, regulatory framework and customer and brand loyalty. As illustrated in the figure, the dependent variable is the success of microfinance institutions. The literature review provided critical justification for selecting these specific variables and their effect on micro financial institutions.

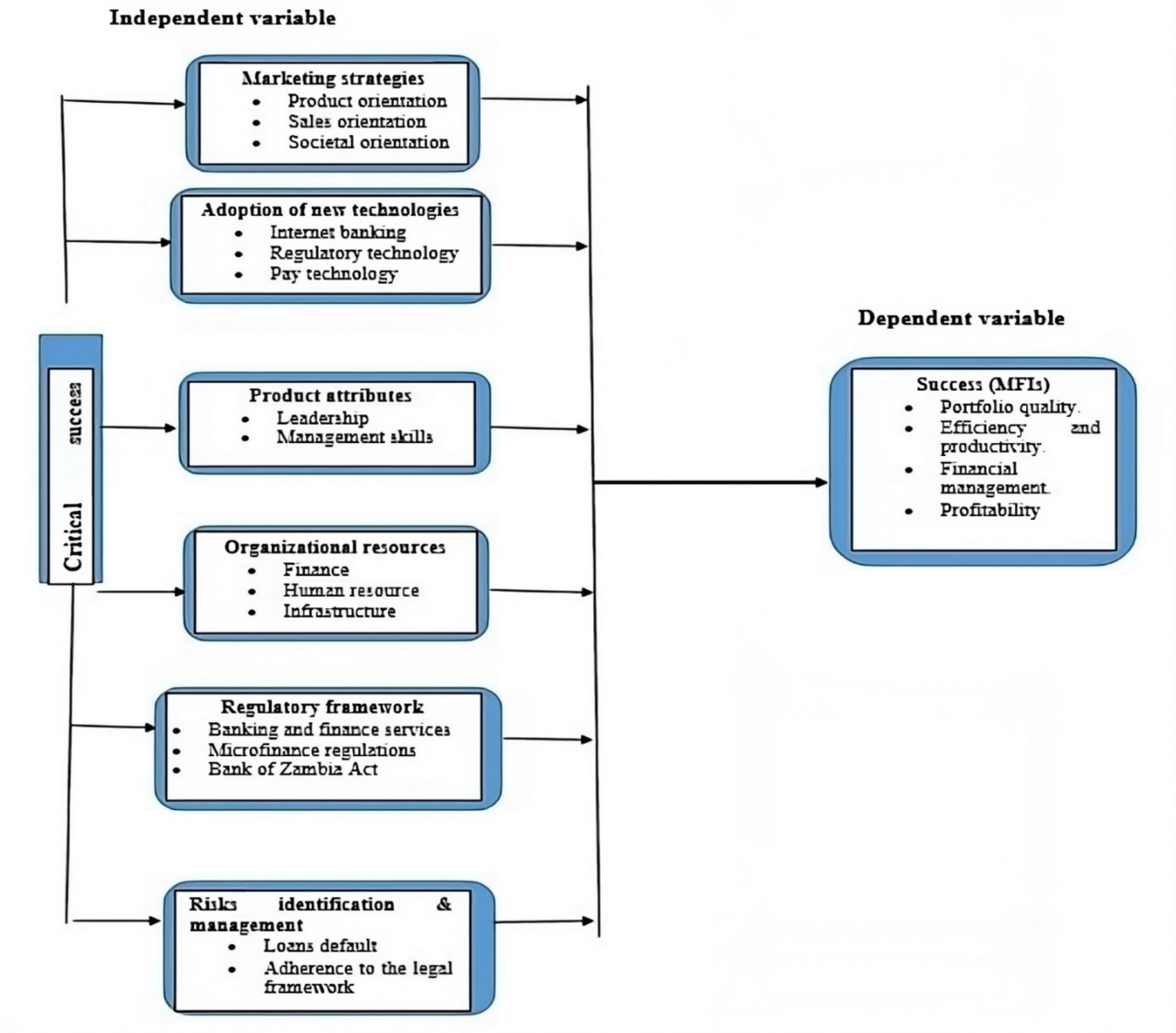

Figure 1. Conceptual framework

3. Research Methodology

This study adopted mixed research approach but more quantitative. Additionally, a positivism research philosophy was utilized. The positivism research philosophy was used because it centers on establishing law-like generalizations through methods that rely on deductive reasoning and scientific procedures. This study adopted an exploratory research design drawing upon quantitative data. Both primary and secondary data collection methods were utilized, and the collected data was carefully analyzed and interpreted to highlight the key research issues. The research questionnaire was used as the main tool for data collection. The study used one stage cluster sampling techniques. Therefore, out of the 29 microfinance institutions in Lusaka, 10 MFIs were selected randomly and 6 key informants were purposively selected from each selected MFIs. Hence, the sample for this study will be 60 respondents. The Slovin formula will be used to determine an adequate sample size for the investigation.

4. Reliability and Validity

In order to ensure reliability, the researcher used a pre-test the research instruments in a pilot study across several potential respondents to ensure that the understanding of the questionnaire was consistent across different respondents. The questionnaire was revised in order to address the issues in the questions that will not be easily understood or not similarly understood by the respondents in the pilot of the questionnaire. Thus, validity entails whether the study instruments/tools are able to measure what they ought to measure given the context in which they are applied. In order to minimize the issues in relation to the test validity, the questionnaire was designed as a close-ended questionnaire thereby limiting the responses of the respondents to a positive response, a negative response, or no response to the question posed. Given that the questions were close-ended questions; the validity of the questionnaire was accepted due to this approach which ensured that the responses reflected the respondents' unbiased perspectives.

5. Ethical Considerations

Ethical issues of research were applied to all phases of the research process. All the ethical principles which include informed consent, confidentiality, justice, anonymity, and protection from harm will be observed. Informed consent will be applied to participants by providing potential research participants with all the necessary information about a study so that they can make an informed decision about whether to participate or not. The participants will be assured of confidentiality and there will be no coercion whatsoever as a form of making the respondents participate in the research. All information collected will be purely used for the purposes of this academic research and confidentiality will be upheld. Using justice, the researcher will not expose one group of people to the risks of the research solely for the benefit of another group and therefore, fair and equal distribution of benefits and risks of participation in a research study for the researcher and participants will be observed. Providing anonymity of information collected from research participants mean that will not collect identifying information of individual persons such as names and addresses. To protect respondents from harm, the researcher will obtain informed consent from participants.

6. Analysis of the Results

6.1 Type of Microfinance Institution

The results in figure 2 show that majority of the respondents responded to others representing 70 percent while 8.3 percent worked for commercial banks with microfinance services and 20 percent worked for cooperatives while 1.7 percent for non-profit organization

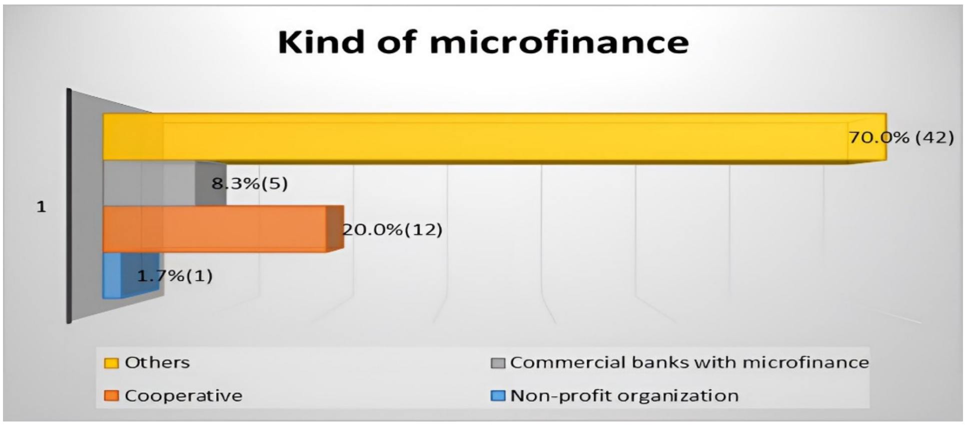

Figure 2. Type of microfinance institution

6.2 Critical Failure Factors of Microfinance Institutions

Figure 3 displays the results, it shows that 90 percent agreed to limited access to funding as a critical failure factor and 83.3 percent agreed to operational efficiency while 80 percent agreed to limited financial literacy and 68.3 percent agreed to economic vulnerability. 40 percent agreed to competition and market saturation and 76.7 percent agreed to lack of collateral while 65 percent agreed to staff capacity and training.

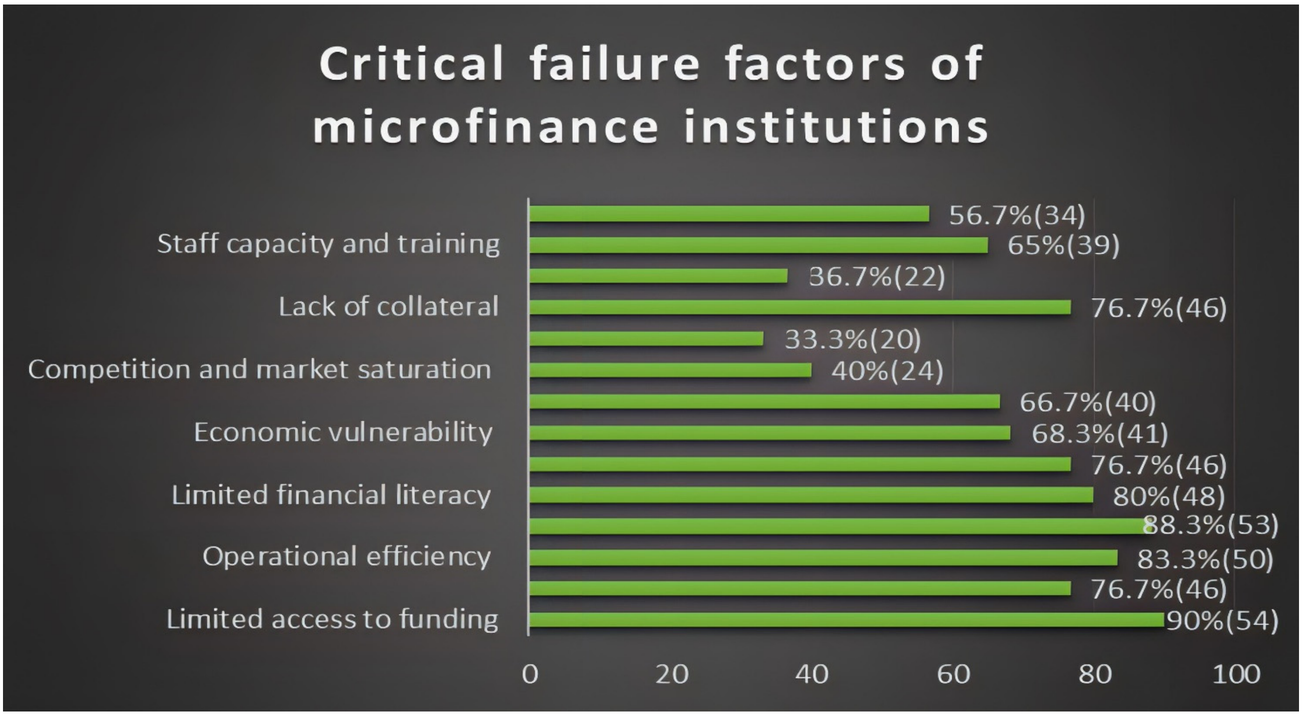

Figure 3. critical failure factors

6.3 Critical Success Factors of Microfinance Institutions

The survey results in table 1 below provide valuable insights into the perceptions of respondents regarding various critical factors for Microfinance Institutions (MFIs). The majority agree (63.3%) that financial stability is a key consideration, emphasizing its paramount importance for the success and sustainability of MFIs. Outreach to the underserved population is less acknowledged, with 80% expressing a neutral stance, undermining the significant role of MFIs in reaching marginalized communities. Marketing strategies also garner substantial attention, with 56.7% strongly agreeing and 36.7% agreeing on their relevance. The adoption of new technology is viewed positively, as 53.3% agree and 43.3% strongly agreeing, indicating the increasing importance of technological advancements in the microfinance sector. Product attributes, organizational resources, regulatory compliance, efficient risk management, and customer and brand loyalty are recognized as critical factors, with varying degrees of agreement. These findings collectively highlight the multifaceted nature of success in microfinance, emphasizing the need for a holistic approach that addresses financial stability, technology integration, client outreach, and organizational capabilities.

Table 1. Critical success factors

	Agree	Strongly agree	Neutral	Disagree	Strongly disagree
Financial stability	38	16	6	0	0
	63.3%	26.7%	10.0%	0.0%	0.0%
Outreach to underserved population	5	4	48	3	0
	8.3%	6.7%	80.0%	5.0%	0.0%
Marketing strategies	34	22	4	0	0
	56.7%	36.7%	6.7%	0.0%	0.0%
Adoption of new technology	26	32	2	0	0
	43.3%	53.3%	3.3%	0.0%	0.0%
Product attributes	31	25	4	0	0
	51.7%	41.7%	6.7%	0.0%	0.0%
Organizational resources	19	33	8	0	0
	31.7%	55.0%	13.3%	0.0%	0.0%
Regulatory compliance	28	27	5	0	0
	46.7%	45.0%	8.3%	0.0%	0.0%

Efficient risk management	29 48.3%	28 46.7%	3 5.0%	0 0.0%	0 0.0%
Customer and brand loyalty (client satisfaction)	28 46.7%	28 46.7%	4 6.7%	0 0.0%	0 0.0%

6.4 Measures and Strategies

Figure 4 displays the results, the results show that 98.3 percent employ technology integration, 83.3 percent employ capacity building, 85 percent use customer-centric approach, 83.3 percent employ risk management systems while 70 percent employ financial education and 68.3 percent employ strategic partnerships. 68.3 percent diversify their services and 80 employ client protection, data analytics and reporting is employed by 81.7 percent and regulatory compliance by 66.7 percent. Monitoring and evaluation, social impact measurement, community engagement, innovation and adaptability and flexibility in loan products were employed represent 86.7 percent, 48.3 percent, 66.7 percent, 78.3 percent and 78.3 percent respectively while 1.7 percent employ others.

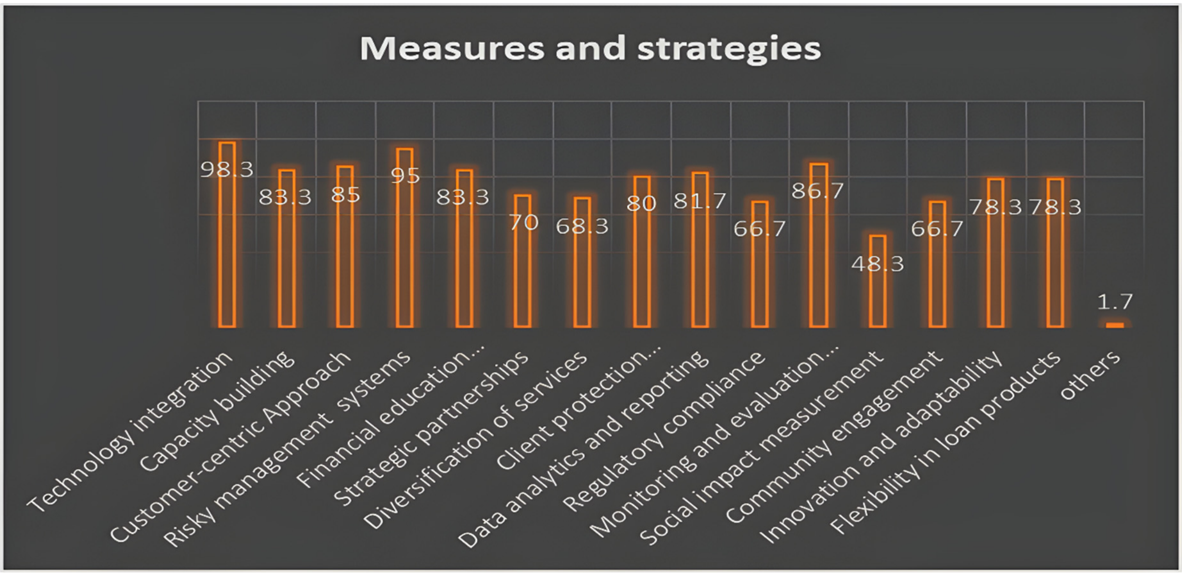

Figure 4. Measures and strategies

7. Discussion of Results

7.1 Critical Failure Factors of MFIs in Lusaka

The findings from the respondents regarding critical failure factors faced by microfinance institutions (MFIs) in Lusaka provide valuable insights. The majority, at 90%, identified limited access to funding as a critical failure factor, indicating a significant challenge in securing financial resources. Operational efficiency followed closely, with 83.3%

acknowledging its importance, suggesting that streamlined and effective operations are vital for MFI success. Limited financial literacy was recognized by 80% of respondents, underlining the importance of enhancing financial education among clients. Economic vulnerability, as cited by 68.3%, indicates the susceptibility of MFIs to economic fluctuations. The lower agreement percentages for competition and market saturation (40%), lack of collateral (76.7%), and staff capacity and training (65%) suggest varying degrees of significance for these factors. Possible reasons for these results could include the intense competition and saturation in the market, highlighting the need for innovative strategies. The high agreement on limited access to funding underscores the critical role of financial resources in sustaining MFIs. Addressing these identified failure factors requires strategic interventions, such as exploring diverse funding sources, improving operational efficiency, enhancing financial literacy programs, and devising measures to mitigate economic vulnerabilities. Additionally, efforts should be directed towards fostering a competitive edge, finding alternative collateral options, and investing in comprehensive staff capacity building and training programs to fortify the overall resilience of microfinance institutions in Lusaka. Siwale and Ritchie (2011) had done a similarly research in Zambia with the topic "Failure by design: the rise and fall of a microfinance institution in Zambia–a case of Pride Zambia" and had similar results.

7.2 Critical Success Factors of Microfinance Institutions

The survey results indicate a nuanced perspective on the critical success factors (CSFs) of microfinance institutions in Lusaka. Financial stability emerged as a primary consideration, with 63.3% of respondents emphasizing its paramount importance. This aligns with the foundational role financial stability plays in ensuring the sustainability and effectiveness of MFIs. The emphasis on this factor may stem from the recognition that a solid financial base enables MFIs to provide consistent and reliable financial services to their clients. Surprisingly, outreach to the underserved population received a less enthusiastic response, with 80% expressing a neutral stance. This may be attributed to a lack of awareness or appreciation for the transformative impact MFIs can have on marginalized communities. Bridging this gap in perception is crucial for promoting the social mission of microfinance and expanding financial inclusion. The substantial attention given to marketing strategies (56.7% strongly agreeing and 36.7% agreeing) suggests a growing acknowledgment of the importance of effective communication and promotion in the competitive financial landscape. This emphasis on marketing could be influenced by the need for MFIs to differentiate themselves, attract clients, and build trust within the community.

The positive view on the adoption of new technology (53.3% agree and 43.3% strongly agree) reflects an awareness of the evolving landscape and the increasing role of technology in financial services. The respondents likely recognize that embracing technological advancements can enhance operational efficiency, broaden service delivery, and improve overall customer experience. The varying degrees of agreement on factors like product attributes, organizational resources, regulatory compliance, efficient risk management, and customer and brand loyalty highlight the complexity of the microfinance sector. Different stakeholders may prioritize these factors differently based on their roles and perspectives within the industry. These results are similarly to the findings of Siwale and Ritchie (2011) in Zambia and Parul (2018) in Bangladish and Hartung (2007)

7.3 Measures and Strategies

The survey results shed light on the measures and strategies employed by microfinance institutions in Lusaka to enhance the application of critical success factors. The high adoption rate of technology integration (98.3%) indicates a strong recognition of its transformative potential in streamlining operations, expanding outreach, and improving financial services delivery. The ubiquity of technology in the modern world underscores its significance in enhancing efficiency and staying competitive in the microfinance sector. Capacity building emerges as another prominent strategy, with 83.3% of respondents employing it. This reflects an understanding that investing in the skills and knowledge of staff contributes to the overall effectiveness of microfinance institutions. A well-trained workforce is better equipped to navigate challenges, adapt to changes, and maintain high service standards. The emphasis on a customer-centric approach (85%) aligns with the earlier discussion on marketing strategies as a critical success factor. Recognizing and meeting the diverse needs of clients not only fosters trust but also strengthens the institution's market position and client loyalty. The employment of risk management systems by 83.3% of institutions underscores the acknowledgment of the inherent risks in the microfinance landscape. Effectively managing risks is crucial for safeguarding financial stability and ensuring the long-term sustainability of microfinance operations.

The use of financial education (70%) and strategic partnerships (68.3%) indicates a commitment to empowering clients with financial literacy and expanding the institutional network. Financial education contributes to responsible borrowing and enhances the impact of microfinance in the communities served. Strategic partnerships can facilitate resource-sharing, innovation, and broader community reach. The relatively lower adoption rates for social impact measurement (48.3%), community engagement (66.7%), and regulatory compliance (66.7%) suggest potential areas for improvement. Strengthening these aspects can enhance the social mission of microfinance, deepen community connections, and ensure alignment with regulatory standards. The high employment of monitoring and evaluation (86.7%) reflects a commitment to assessing and improving the effectiveness of microfinance programs. Regular evaluations allow institutions to adapt to changing circumstances, refine strategies, and maximize positive outcomes. The results are similar to the scholar Hartungi who carried out a research to try and understand the success factors of a microfinance institution in a developing country in 2007.

8. Conclusions and Recommendation

In conclusion, this study delved into Identifying the Critical Success Factors of Microfinance Institutions (MFIs) In Lusaka, Zambia. From the study findings, then it can be concluded as follows:

The first objectives was Identify Critical Failure Factors of MFIs in Lusaka. The findings reveal that limited access to funding, operational efficiency, and limited financial literacy are primary contributors to the failure of microfinance institutions in Lusaka, as identified by the majority of respondents. These critical failure factors highlight the pressing need for strategic interventions, including exploring diverse funding sources, improving operational efficiency, and enhancing financial education programs. Addressing economic vulnerability and adopting innovative strategies to navigate competition and market saturation are crucial for fortifying the resilience of MFIs in the dynamic financial landscape of Lusaka.

The second objective was to assess the Critical Success Factors of MFIs in Lusaka. The nuanced perspective on critical success factors emphasizes the paramount importance of financial stability in ensuring the sustainability and effectiveness of microfinance institutions. However, the neutral stance towards outreach to the underserved population suggests a gap in awareness, highlighting the need for targeted efforts to promote the transformative impact of MFIs on marginalized communities. The significant attention given to marketing strategies and the positive view on technology adoption underscore the industry's recognition of the evolving financial landscape, emphasizing the multifaceted nature of success that requires a holistic approach.

The third objective was to recommend Measures to Enhance Application of Critical Success Factors. The measures employed by successful microfinance institutions in Lusaka, such as technology integration, capacity building, and a customer-centric approach, indicate a proactive approach to enhance critical success factors. Recommendations include fostering community engagement, improving social impact measurement, and strengthening regulatory compliance to create a more comprehensive and sustainable microfinance landscape. Strategic interventions, such as exploring diverse funding sources, enhancing financial literacy programs, and investing in staff capacity building, are crucial for addressing critical failure factors and fortifying the overall resilience of microfinance institutions in Lusaka.

Based on the results, the following are some of recommendations the study suggested;

- Diversification of Funding Sources: Explore and recommend diverse funding sources beyond traditional avenues. This could involve partnerships, grants, or alternative financial instruments to address the critical issue of limited access to funding.
- Tailored Financial Literacy Initiatives: Develop targeted financial literacy programs based on identified gaps to empower clients. This can enhance the understanding of financial products and services, addressing the critical factor of limited financial literacy.
- Operational Efficiency Optimization: Research and propose specific strategies for optimizing operational efficiency within MFIs. This may include technology adoption, process streamlining, and staff training to address the acknowledged importance of operational efficiency.
- Enhanced Community Engagement: Propose strategies to enhance community engagement, addressing the neutral stance on outreach to the underserved population. This could involve community-driven initiatives, partnerships with local organizations, and awareness campaigns to highlight the transformative impact of

MFIs on marginalized communities.

The study's findings and recommendations contribute to addressing the research objectives and enhancing the understanding on the Critical Success Factors of Microfinance Institutions (MFIs) In Lusaka, Zambia.

Funding

None.

Informed Consent

Obtained.

Provenance and Peer Review

Not commissioned; externally double-blind peer reviewed.

Data Availability Statement

The data that support the findings of this study are available on request.

Competing Interests Statement

The authors declare that there are no competing or potential conflicts of interest.

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