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RISK MITIGATION AND MANAGEMENT IN THE MICROFINANCE BANKING SECTOR IN ZIMBABWE: A CASE STUDY OF EMPOWERBANK

BY

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Abstract

The microfinance sector has become a major conduit for the provision of financial services to the informal business sector and the generally marginalized poor citizens who are shunned by the conventional banking system based on high risk. Quite a significant number of microfinance institutions have been struggling for survival since the adoption of the multicurrency owing to the general meltdown of the economy. This study sought to understand the key risk mitigation measures to arrest microfinance bank failure in Zimbabwe and the focus of the study was Empower bank. The main objectives of the study were; to find out the importance and value of risk management, to establish the operational policies and guidelines to mitigate risk factors, to assess the effectiveness of risk management guidelines, to evaluate the risk mitigation strategies that have been designed and implemented by Empower Bank and to assess the challenges that have been faced by Empower bank in reducing risks associated with failure. The methodology which was used included both qualitative and quantitative research. The research design was a case study. The main research instruments which were used for the study were questionnaires and in-depth interviews. A total of 36 respondents, inclusive of six key informants were purposively selected because of their role in risk management at Empower bank. The study showed that the dominant risk factors that were common at Empower bank include credit risk, audit risk, fraud risk, and foreign currency risk among other factors. The study further showed that risk management structure and reporting requirements were in place at Empower Bank as well as the presence of a Board Committee on risk management but that there was a need for further refinements with continuous updates of risk management policies. Empower Bank should operate using Basel models II as well as Basel model III, which calls for operational efficiency and effectiveness within financial institutions. The study recommends prudent risk management, sound corporate governance, use of technology, regulatory framework and innovations, and staff training and motivation as significant drivers of success and risk mitigation measures for microfinance institutions in Zimbabwe. Other factors affecting the success of microfinance institutions (MFIs) include management and leadership, access to resources as well as coverage, reach, and marketing.

Keywords: Microfinance, Risk, Risk Management, Risk Mitigation

Declaration

I declare that this dissertation is my original work except where sources have been cited and acknowledged. The work has never been submitted, nor will it ever be submitted to another university for the award of a degree – 25/03/2020

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Dedication

I dedicate this work to the Almighty God and my family for their encouragement and support throughout my studies. Special dedication goes to my workmates who sacrificed their energies by toiling and sweating to make sure that I produce a quality dissertation and become what am today in the academic circles.

List of Acronyms and Abbreviations

COSO	Committee of Sponsoring Organizations of the Tread way Commission
DTMFIs	Deposit Taking Micro Finance Institutions
ERM	Enterprise Risk Management
IIAs	Institute of Internal Auditors,
ISO	International Organization for Standardization
MFIs	Micro-Finance Institutions
NYSE	New York Stock Exchange
RBZ	Reserve Bank of Zimbabwe
USA	United States of America

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CHAPTER 1 INTRODUCTION

1.1 Introduction

The government of Zimbabwe has been trying to broaden the appeal of Microfinance Institutions (MFI's) to avail credit and bridge the financial exclusion gap over the past couple of years. The economic thinking was that by addressing this gap in a financially sustainable manner, MFIs can become active in the formal financial system of the country by appealing better to the economically active, poor rural households and marginalized communities. Empower Bank was formed with the hope that the financially excluded groups would enjoy improved financial empowerment at the community level. Like any other MFI, Empower Bank faces several risks in its operations that require expertise, strategy, and sound operations to prevent adverse events.

1.2 Background of the Study

Microfinance institutions are fundamental to economic growth and development. As a result, the Reserve Bank of Zimbabwe (RBZ) has recognized the significance of such institutions that continue to extend financial assistance to the marginalized and economically excluded women and youths in Zimbabwe who have not benefited from financial assistance from mainstream commercial banks in Zimbabwe (RBZ, 2019).

There are more than 205 microfinance institutions in Zimbabwe. The number of Microfinance institutions continues to grow as a result of an ever-increasing deposit base as well as the increase in the demand for loans and an ever-increasing informal sector (RBZ, 2019). According to the RBZ (2019), in 2018, micro-finance institutions extended loans to borrowers which amounted to $ 388 million to low-income earners. The sector also realized an increase in the number of clients from 288,858 to 349,341. The loan portfolio increased from $ 351 million to $ 388 million (RBZ, 2019). However, most beneficiaries from microfinance institutions have been marginalized and disadvantaged women. The loan packages that were extended to women increased from $ 76 million in 2017 to $ 113 million in 2018 whilst the number of female borrowers increased from 153, 980 to 161, 023 during the same period (RBZ, 2019). The Deposit-Taking Micro Finance Institutions (DTMFIs) realized an increase in deposits from $ 624 million to $ 641 million. The government of Zimbabwe acknowledges that the Microfinance sector plays an important role in financial inclusion and financial intermediation which has led to the focus on linkages between women empowerment initiatives with the Microfinance institutions (RBZ, 2019).

Whilst the microfinance sector registered a 97% increase in the number of branches over the year from 682 to 750 by the end of 2018, the sector saw a decline in the number of branches in 2019 (RBZ, 2019). This was due to the consolidation and closure of branches as well as the adoption of digital finance to reach the financially excluded. Some MFIs in Zimbabwe had more than 20 branches with deposit-taking of over 3 600 micro-finance access points through agency banking.

In a statutory instrument update by the RBZ (2019), microfinance institutions are required under Section 7 of the Microfinance Act, [Chapter 24:29] to comply with the Companies Act [Chapter 24:03], the Collective Investment Schemes Act [Chapter 24:19], and the Securities and Exchange Act [Chapter 24:25]. Also, for them to be operational, they should meet the stringent control system set by the RBZ as mitigation against collapse.

The Bank for International Settlements Communications (2010) highlighted that positive developments have been noted in the microfinance sector with regards to outreach programs, loan portfolio size, funding gender-focused projects, and deposit mobilization. Also, microfinance institutions should be operated under a robust risk management framework for their survival.

Proactive risk management is a fundamental long-term survival tool for microfinance institutions (Steinwand, 2000). A risk management framework encompasses an internal risk management system. According to Bank for International Settlements Communications (2010) and Steinwand (2000), a comprehensive risk management framework was developed by microfinance institutions which were drawn from Egypt, Kenya, Bangladesh, Indonesia, South Africa, El Salvador and Colombia focusing on the implementation and effectiveness of risk management guidelines provided to MFIs with the possible strategies which can, therefore, be used to find new opportunities and reduce threats with regards to financial viability.

Operations risk remains one of the risk factors that are common in financial institutions. The extension of loans to borrowers has a higher risk of a possible default. For micro-finance institutions to be successful, risk should be managed effectively and efficiently. Failure to mitigate risk factors will fail to meet the social and economic strategic objectives of such institutions (Bank for International Settlements Communications, 2010). Furthermore, the management of risk is a complex task but remains important in a globalized world that is economically and financially interlinked. However, the sector continues to grow through the growth of technology such as mobile banking and agency banking which has increased the depth and breadth of microfinance products to reach remote rural areas that have been shunned by mainstream commercial banks.

1.3 Statement of the Problem

Despite the stringent measures, set by the RBZ, the macroeconomic environment in Zimbabwe has been turbulent. Many companies have closed citing high operational costs, low capitalization, and liquidity crisis. Also, it has been noted that many microfinance institutions have collapsed the world over due to the lack of a comprehensive risk management framework (Dube & Matanda, 2015).

Whilst the microfinance sector has seen a reduction in the number of branches, the idea of financial inclusion to the marginalized women remains a challenge. The sector also faces challenges such as funding which has affected MFIs to carry out outreach programs and underwrite more business. Reducing failure in the microfinance industry will result in the availability of funding to entrepreneurs, empowerment of women, and improved access to borrowers that do not have collateral to access loans from conventional banks.

The Herald (2019), pointed out that microfinance institutions have become a fundamental part of financial systems by giving loans to people on low incomes, offering money transfers services, taking deposits and providing micro-insurance to marginalized customers.

Studying MFI failure is relevant because crises have changed microfinance institutions' structures and business models. Despite the importance of this, there have been few studies that have analyzed the failure of microfinance institutions Zimbabwe. Therefore, this study seeks to investigate risk mitigation measures to arrest microfinance bank failure in Zimbabwe using a case study of Empower Bank.

1.4 Research objectives

The objectives of the study were to:

I. Evaluate the importance and value of risk management at Empower Bank
II. Establish the operational policies and guidelines to mitigate risk factors at Empower Bank.
III. Assess the challenges faced by Empower bank in reducing risks associated with failure.
IV. Assess the effectiveness of risk management guidelines and mitigation strategies that have been implemented by Empower Bank.

1.5 Research questions

The questions of the study were to:

I. What is the importance and value of risk management at Empower Bank?
II. What are the operational policies and guidelines to mitigate risk factors at Empower Bank?
III. What are the challenges faced by Empower bank in reducing risks associated with failure?
IV. What is the effectiveness of risk management guidelines and mitigation strategies that have been implemented by Empower Bank?

1.6 Research Assumptions

I. There were no confounding factors that influenced the respondents' answers. All the information that was given by participants in the study was from their knowledge and judgement.

II. Lessons learned from experiences on risk management in Zimbabwe, regional, and international financial markets were applicable to Empower Bank.

1.7 Significance of the Study

The study will be of great importance to management at Empowerbank, MFI's, and policymakers in strategy formulation for the achievement of their social and financial objectives. The study will also assist policymakers in determining policies that help in the development of the microfinance sector for economic growth in Zimbabwe. It will also increase the researcher's and the academic community's knowledge concerning risk mitigation and management in the MFI sector.

1.8 Delimitation of the Study

The study focused on the risk management mitigation against bank failure, a study of Empower bank in Zimbabwe. The study was then delimitated from 2015-2020.

1.9 Limitations of the Study

The study had the following limitations:

- Information on the operations of Empower Bank in Zimbabwe was deemed as confidential; therefore, some respondents were not open to the researcher for purposes of confidentiality of information about the operations of the microfinance institutions. The researcher had to make assurance to the respondents that the information gathered for the study was purely for academic purposes.

- Time presented immeasurable challenges given the limited period given to complete the study. Time management was of paramount importance to meet the rigorous requirements of the research study. However, whenever the researcher encountered such challenges that would have affected the completion of this study the researcher constantly consulted his supervisor wherever the researcher encountered some challenges as a mitigation measure for time management.
- The research program was associated with costs that were catered for by the researcher since the program was self-sponsored with also due consideration to the current cash crisis.

1.10 Chapter Summary

This chapter looked at the background of the study, the statement of the problem, the research questions, and objectives. The chapter also discussed the significance of the study, the limitations and delimitations of the study. The next chapter discussed the available literature on risk management in microfinance institutions.

CHAPTER 2 REVIEW OF RELATED LITERATURE

2.1 Introduction

2.1.1 Defining risk for microfinance institutions

The Reserve Bank of Zimbabwe's Microfinance Act Chapter (24.30) of 2013, highlighted that the overall risk that is faced by many microfinance institutions can be decomposed into the four major categories which are credit risk, operational risk, market risk, and strategic risk. These categories are in sync with the provisions of the Basel 111 Accord as reflected by Chikalipah (2018) who provided evidence that MFI had a lot of risks when compared to the traditional banking industry. Microfinance loans are associated with a higher risk due to relaxed credit vetting, suboptimal risk management and guidance structures, limited capital, and poor strategic focus (Chikalipah, 2018).

Within the four categories of risk cited in the Microfinance Act Chapter (24.30), only credit risk and market risk have a measurable financial impact and can be referred to as "Financial risks". The operational and strategic risk categories cater to non-financial factors that include human or system failure, fraud, poor regulatory oversight, unbalanced board composition which leads to poor strategic focus. The Reserve Bank of Zimbabwe and the Basel 111 Accord concurred with Chikalipah (2018) that failure to mitigate against operational and strategic risk translates to financial losses. For this study, the risk is taken as synonymous with any of the four forms of risks cited above. The quantifiable risks faced by microfinance institutions include financial risk, transactional risk, operational risk, credit risk, market risk, foreign currency risk, currency risk, and liquidity risk (Steinwand, 2000).

Business entities need to manage their financial risk coupled with other risks such as credit risk, liquidity risk, interest rate risk, foreign exchange risk, and investment risk. MFIs should develop policy frameworks that reduce individual credit risk as an effort to maintain a clean quality portfolio. Microfinance institutions that depend on savings deposits as a source for funding must make sure that they have enough cash to fund such loans as well as withdrawals from savings (Steinwand, 2000; Iqbal, Shaheen & Hassan, 2015; Musona & Coetzee, 2001). On the other hand, microfinance institutions that depend on deposits, as well as borrowed sources of funds, are normally exposed to risks if interest rates change. Financial risk management, therefore, demands the institution of a complicated treasury function which must then be located at the head office with the sole mandate of managing liquidity risk, interest rate risk, and investment portfolio risk (Steinwand, 2000). However, once the MFIs develop an array of choice of funding coupled with different loan assets then it becomes imperative for them to manage risk factors as well.

Credit risk is one of the most pressing risk factors in most MFIs which is the risk to earnings or capital due to borrowers' late and non-payment of loan requirements. Credit risk entails both the loss of income which may result from MFIs' inability to collect expected interest earnings as well as the loss of principal derived from loan defaults (Ernst & Young, 2014; Odell, 2011; Johnny, 2018; Steinwand, 2000). However, credit risk entails transactional risk and portfolio risk. Credit risk, the most frequently addressed risk for MFIs, is the risk to earnings or capital due to borrowers' late and non-payment of loan obligations. Credit risk encompasses both the loss of income resulting from the MFI's inability to collect anticipated interest earnings as well as the loss of principal resulting from loan defaults.

Credit risk includes both transaction risk and portfolio risk. Besides, some MFIs have adequate financial resources which should be used to cushion loan losses (Kithing, 2010). To mitigate financial losses, many microfinance institutions have come up with several strategies among them group lending, cross guarantees, stepped lending, and pear monitoring (Basu, Blavy & Yulek, 2004; Morduch, 2014). Other strategies that many microfinance institutions have devised include portfolio diversification, the issuance of large individual loans, and limiting exposure to economic sectors such as agriculture (Steinwand, 2000). Management must take into cognisance that each type of lending must be viewed as having a different profile which then requires different loan structures and underwriting guidelines. To effectively manage risk management must have well-established borrower screening, careful loan structures, and well-designed monitoring, and well- designed collection mechanisms among other factors. Besides, there should also be the provision of good reporting procedures, and routine checks on credit risk (Basu et al., 2004; Morduch, 2014).

Market risk includes interest rate risk, foreign currency risk and investment portfolio risk. These may be caused by a change in the value of assets and liabilities which may be a response to changes in market interest rates. This is also known as asset and liquidity management risk, interest rate risk is an important treasury function where financial institutions match the maturity schedules as well as risk profiles of their liabilities and assets (Alemayehu & Lemma, 2014; Boateng, Boateng & Bampoe, 2015). According to Steinwand (2000), the loan crisis in the United States of America was caused by management's failure to match assets against liabilities. This was also exacerbated by savings and loan institutions that financed themselves with short term deposits whilst undertaking long term investments initiatives. As the short-term funding rapidly increased, saving and loan institutions were not able to restructure them faster enough to reduce losses. In many microfinance institutions, the greatest risk results in a situation where the cost of funds increases faster than the micro-finance can or can adjust its lending rates (Steinwand, 2000). As a result, the cost of funding can then increase thereby exceeding the interest earned to loans and investments which may result in a loss to MFIs.

Interest rate instabilities can have an impact on fee income since they are associated with loan products which are usually interest-rate sensitive. Interest rate management is of significance to microfinance institutions that make long-term loans which then rely on capital markets for funding their assets (Steinwand, 2000). On the other hand, microfinance institutions that may operate in unstable macro-economic environments, interests paid to savers usually move slowly. Such microfinance operations may face additional challenges such as asset and liability management issues (Alemayehu & Lemma, 2014; Boateng et al., 2015). However, to mitigate failure microfinance institutions may adopt the following strategies such as the reduction in mismatch between short-term valuable rate liabilities and boost profitability, reduces interest rate risk and liquidity risk, even if the MFI pays a slightly higher rate on those funding sources (Steinwand, 2000).

Foreign currency risk is a situation where MFI's lose earnings or capital as a result of fluctuation in the value of currencies, many microfinance institutions have the challenges of lending in a certain currency and then tries to settle the account in another currency (Solli, 2015; Hoyt & Liebenberg, 2010). On the other hand, where a currency such as the US$ gains within financial markets, then MFIs may benefit from such an increase. However, to reduce foreign currency risk, microfinance institutions should avoid funding loan portfolios with foreign currency unless that matches foreign assets (Holden & Holden, 2004).

These are risks that are caused by human or computer errors which may be part of the business's daily operations. This may take place at any point within the business's operations. Such risk may be caused by poor technology and information systems, poorly skilled human resource base, poor internal controls, and fraud which are the responsibility of internal auditors who should detect and deter it (Steinwand, 2000).

Internal auditors are in some cases well-positioned to detect fraud than external auditors. External auditors face the challenge of limitations in terms of time and space in the day to day operations of an organization (Gbegi, 2013). On the other hand, through observation, an internal auditor may be well-positioned in the organization to detect or notice possible red flags that an external auditor may easily miss, despite the new American Institute of Certified Public Accountants (AICPA) fraud standard (Johnny, 2018). Internal auditors can easily detect potential fraud loopholes with the organization and as internal they get involved in more detailed, transaction-level reviews as an insider it is important to raise the concern of the internal auditor (Charkraborty, 2008). The legal department once informed by management over potential fraud management from the legal department can raise the issue to the internal auditor. However, according to the Institute of Internal Auditors (IIA) standards, an internal auditor has a role to play regarding fraud detection and prevention, although this is a management obligation (Abor & Adjasi, 2007). Many business failures have been caused by unstable or very hash macroeconomic environments others have been noted as caused by questionable business activities among them a fraud. The financial scandals at Enron and others that led to the enactment of the Sarbanes-Oxley Act (SOX) are testimony of financial fraud that can be committed by senior management (Carroll & Shabana, 2010; Buallay, Hamdan & Zureigat, 2017).

Fraudulent activity can occur at all levels in an organization. However according to Ernst and Young (2003) Global Fraud Survey report, it was revealed that 85% of the worst fraud cases were committed by insiders on the payroll, and over half of those frauds were initiated by members of management (Charkraborty, 2008). However, the inception of SOX and its strong emphasis on better internal controls it did not change anything in efforts to fight and root out fraud in both private and public organizations (Louwers, Blay, Sinason, Strawser & Thibodeau, 2018).

However, an effective internal auditor needs to recognize potential fraudulent business practices as part of an audit and then make recommended controls and procedures to be followed to limit and expose the possible commission of fraud (Louwers et al., 2017). Fraudulent activities represent a breakdown in a wide range of good practices and procedures, but internal auditors must recognize that commissions of such crimes are always possible in an organization; big or small, private or public.

An important internal auditor must understand the dictionary or legal definition of fraud. Its common law definition is the obtaining of money or property using a false token, symbol, or device. In other words, someone improperly authorizes some document that causes an improper transfer of money (Louwers et al., 2017). Fraud can be costly and effective internal controls are an organization's first line of defense against the potential commission of fraud (Long, 2009). A comprehensive, fully implemented, and regularly monitored system of internal controls is an essential framework for the prevention and detection of fraud, at the same time internal auditors are often involved in fraud cases (Louwers et al., 2017).

Once fraud is detected in an organization the internal auditor must investigate and determine the extent and possible damage of the reported fraud (Ekanem, 2010). From a historical perspective, both internal and external auditors have not regularly paid more attention to fraud as part of their duties. However, this has changed and today both internal and external auditors are taking on a more important role in the detection and prevention of fraud.

2.1.2 Microfinance institutions and their rationale in Zimbabwe

MFIs were formed to lessen and to increase access to funding for startup companies, entrepreneurs, and other related customers who cannot access funding from the traditional banks (Wambui &Wanjiru, 2016). Banks do not lend money to customers that do not have adequate collateral which limits the options for a startup business that normally does not have assets (Banerjee & Jackson, 2018). The Reserve Bank of Zimbabwe (2013) further points out the need for having microfinance companies as special vehicles to champion financial inclusion in Zimbabwe and increase access to finance for the entrepreneurs.

2.2. Overview and structure of Empower Bank

Empowerbank is owned 100% by the Government of Zimbabwe and registered as deposit-taking Micro Bank in terms of the Microfinance Act [Chapter 24:29] which is regulated by the Reserve Bank of Zimbabwe. According to Empowerbank (2019), the company was formed with a mandate to provide solutions to the financially excluded population with a greater focus on the youth. The company has two branches in Harare and their business portfolio includes loans to youth-led businesses in the form of agriculture projects, asset financing, guarantees, and savings accounts.

Considering the general corporate governance as highlighted by The Herald (2016), Empowerbank Limited has a board of directors that spearheads the strategic direction of the company and a team of executive management which is responsible for the daily operations of the company. The organogram for Empowerbank has created dovetailing from the need to ensure that structured and appropriate reporting and control mechanisms are in place for the various operational functions of the company (Empowerbank, 2019).

Empowerbank Organogram

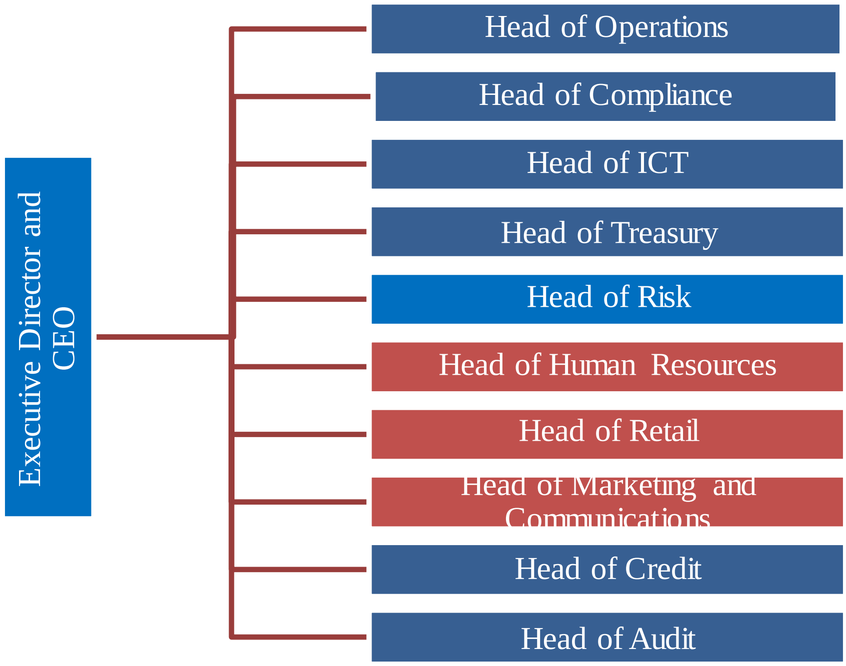


Figure 1 Empowerbank Organizational organogram

2.3 Importance of risk management at MFIs

2.3.1 Overview of risk management by MFIs

According to Dube and Matanda (2015), microfinance institutions are prone to several risks due to the nature of their operations. These risks stem from the customers that they deal with who normally do not have the requisite collateral for their borrowing need, the high failure rate of entrepreneurship ventures and lack of strategic focus and internal control to mitigate against adverse economic and market conditions. Both internal and external factors influence the risk that is faced by MFIs. The key factors that influence risks include the company's performance, the country's economic growth, political stability, and the existence of a private credit bureau. Additionally, excessive liquidity, a higher proportion of deposits over loans, and more loans per employee all increase the risk for an MFI (Sainz-Fernandez et al., 2015).

According to Mago, Hofisi and Mago (2013), MFIs in Zimbabwe should prioritize risk management as it is one of the crucial issues necessary for the growth and development of any entity. Effective management of operational risk enables the MFIs to survive in the current economic environment that is characterized by poor confidence in the banking sector and limited scope for deposit mobilization. Mago et al. (2013) further attribute the failure of MFIs as emanating from delays in detecting operational risks beforehand.

The RBZ (2017), pointed out that whilst there is a dire need for financing in the Zimbabwean economy, MFIs should avoid moral hazards of over-exposing themselves to customers without taking the necessary due diligence. Pursuance of company growth should not be done at the expense of precaution against the known risk management and mitigation practices.

2.3.2 Red flags and fraud Detection in MFIs

Many fraudulent activities are easy to identify after the fraud has been uncovered. Auditors and management must be always on the lookout for indicators of possible fraud commission in advance. According to (Louwers et al., 2017), serious fraud cases have been committed by senior management and it is often difficult to detect them whilst those committed by lower managers are easy to detect mechanisms as inflating the actual hours worked for an employee, generating payment vouchers for fictitious or terminated employees, or issuing duplicate vouchers for an employee.

Early in the twenty-first century, with the failures of Enron, WorldCom, and many others, issues about fraudulent financial reporting have changed. In 2002 the AICPA released SAS No. 99 on the auditor's responsibility for detecting fraudulent financial reporting. With this auditing standard, external auditors are now responsible for providing reasonable assurance that audited financial statements are free of material misstatement, whether caused by error or fraud (Louwers, et al, 2017). However, SAS No. 99 calls on the external financial statement for auditors to take on an attitude of professional skeptic whenever there is a possibility for the commission of fraud. Professional skepticism in the auditing profession means putting aside any prior beliefs as to management's honesty, the standard calls for the external audit team to exchange ideas or brainstorm on how frauds could occur in the organization (Kanhai, 2014; Wambui & Wanjiru, 2016). Such an approach may be able to identify fraud risks and the auditors should be able to design audit tests that are responsive to the risks of fraud (Louwers et al., 2017).

2.3.3 Transactional Risk

This is a risk that may be found in the delivery of products and services which may occur daily. In MFIs transactional risk are common to such institutions with high but small volumes of daily transactions (Solli, 2015; Hoyt & Liebenberg, 2010). To mitigate that there should be high levels of cross-checking but since MFIs are associated with small short-term loans cross-checking may not be effective which then is prone to more errors and possible commission of fraud (Steinwand, 2000).

However, the loan portfolio remains one of the bulks of MFIs assets this becomes the main source of operational risk. With diversification in the offering of more services by MFIs such as savings and insurance the possibility of operational risk therefore increases.

2.3.4 Currency Risks

In today's global business environment most companies face some sort of currency risk. Larsson and Hammarlund (2005) and Lamberg (2009) have listed some actions which involve currency risks, and these are a foreign investment, foreign debt, import, and export. There are different steps that a company can take to minimize these risks. Actions that companies can take include receiving payments in their currency or a strong currency when exporting and the opposite for import. Terms in contracts can also be negotiated to include a clause about fluctuations of the currency (Steinwand, 2000).

2.5 Liquidity a Risk factor in the Financial Sector in Zimbabwe

Liquidity management can be attained by doing a comprehensive analysis of both the balance sheet and income statement. Incorporating accounts receivable and inventory turnover measures into an operating cycle concept (Mugo & Chitokwindo, 2014). According to Mugo and Chitokwindo (2014) undertaking such an initiative provides a more appropriate view of liquidity management than relying on the acid test indicators of solvency. These additional liquidity measures explicitly recognize the life true nature of some working capital components which depends entirely on the extent to which three basic company operations such as production, distribution, and collection are undertaken. Ibrahimov (2014) further points out that these activities are non-immediate and non-integrated.

In addition, accounts receivable turnover is an indicator of the frequency with which a firm's average receivables investment is converted into cash (Mugo & Chitokwindo, 2014). However, changes in credit and collection policy have a direct consequence on the average outstanding accounts receivable balance on a firm's annual sales. On the other hand, over granting liberal terms of payment to a firm's customers can result in fewer liquidity inflows in a company that can affect potential investment opportunities hence profitability (Ekanem, 2010; Ibrahimov, 2014).

However, the liquidity problem can only be achieved when sales increase proportionally to the increase in receivables. In addition, the decrease in liquidity will be reflected in lower receivable turnover and a more extended receivables collection period. Mugo and Chitokwindo (2014) point out that the choice a firm adopts to maintaining larger average receivables investments over a longer period will result in higher current and acid-test ratios. On the other hand, inventory turnovers point to the frequency with which firms can convert their cumulative stock of raw material, work-in-process, and finished goods into cash. According to Mugo and Chitokwindo, (2014), adopting purchasing, production scheduling, and distribution strategies require more extensive inventory commitments to realize a possible cash flow anticipated from the sale of the end produces at a lower turnover ratio.

However, when firms cannot modify either the payment practices established with customers or their access to short-term debt financing policy framework with non-trade creditors, decisions that create longer or less liquid holding periods will again be accompanied by a higher current ratio indicator of solvency. (Ekanem, 2010; Ibrahimov, 2014; Mugo & Chitokwindo, 2014) argue that, the cumulative days per turnover for accounts receivable and inventory investments approximates the length of a firm's operating cycle. Furthermore, by incorporating asset turnovers into an operating cycle concept of the current asset conversion period provides a more realistic, though incomplete, indicator of a firm's liquidity position. Mugo and Chitokwindo, (2014) point out that, challenges of adopting the operating cycle strategy are not enough to indicate the firm's financial position because it fails to consider the liquidity requirements of such a firm by the time dimension of its current liability commitments. On the other hand, by integrating the time pattern of cash outflow by a firm's current liabilities is important for liquidity analysis and evaluation. This is normally associated with the time pattern of cash inflows generated by transforming a firm's current asset investments (Mugo & Chitokwindo, 2014).

The global financial crisis of 2008 to 2009 affected many financial institutions including microfinance institutions around the world. With an ever-decaying economic environment, most micro-finance institutions in Zimbabwe faced a serious liquidity crisis. The country's financial sector including micro-finance institutions encountered serious liquidity challenges hence the Zimbabwean government introduced a multi-currency regime (RBZ, 2016). However, some micro-finance institutions in Zimbabwe failed to meet the capital requirements according to the expectations of the Reserve Bank of Zimbabwe (RBZ, 2016). The unstable macroeconomic environment did not only affect micro-finance institutions, but banks were also affected with some going under curatorship. World Bank (2014) concurred with Dhliwayo (2015) that despite the crisis, the financial institutions remained stable during the period, there were also other challenges that the sector faced in 2013 such as the increase in non-performing loans and the increase in credit risks.

According to Driessen (2010) and Dhliwayo (2015) liquidity crisis means the inability of a financial institution to fund increases in its assets and to meet its obligations, without incurring high losses. Chambers (2008) viewed liquidity crisis as the sudden and sustained evaporation of the financial market and funding liquidity which then has a serious impact on the stability of the financial system and the economy. Williamson (2008) cited in Dhliwayo (2015) pointed out that liquidity crisis is the manifestation of obstacles that can affect the smooth flow of money within the financial system with a major focus on such flows premised on the central bank, the commercial banks, micro-financial institutions, and financial markets.

To reduce such a risk some financial institutions may abruptly sell their assets at non-prevailing market prices which may fuel liquidity challenges, insolvency hence bank closures. This concurs with Norwani, Mohamad, and Chek (2011) who pointed out that insolvency and remains the main factor behind illiquidity in most financial institutions including micro-financial institutions.

Dhliwayo (2015) points out that competition was a contributory factor that tends to weaken the risk standing of applicants who may have less liquidity tend to forego the monitoring of such risk factors and as a result, they tend to invest less in risky projects. Moreover, Norwani, Mohamad and Chek (2011) indicated that financial liberalization can also result in failures in financial institutions. Financial liberalization means the deregulation of the foreign capital account, the domestic financial sector, and the stock market. It has been pointed out that there is a strong link between financial liberalization and the result, financial crisis (Usama, 2012). In addition, studies have indicated that where a monopoly exists by one or two financial institutions the effect is that such financial institutions may not be likely to be affected by bank runs as compared to those which may be in a competitive financial system hence the need for a sound working capital management (Mohamad & Saad, 2010; Organdie, 2012).

2.4 Review of Operational policies and guidelines to mitigate risk at MFIs and Empowerbank

Empowerbank is regulated in terms of the Microfinance Act [Chapter 24:29] which is administered by the Reserve Bank of Zimbabwe. The bank, just like all the other microfinance institutions subscribes to the provisions of the following Acts that govern the operation of financial institutions in Zimbabwe. According to RBZ (2018) annual report, the apex bank prudential supervision to deposit-taking MFI'S. Prudential supervision or regulation governs the soundness of deposit-taking MFI's to prevent financial system instability and losses to small unsophisticated depositors by employing the following supervisory methodologies.

Risk-based supervision which is a structured supervisory process designed to identify key risk factors through qualitative and quantitative assessment of an institution's risk profile assesses the adequacy of the risk management policies and practices that are used to mitigate risk and focus supervisory resources (including examination time) based on the risk characteristics of the institutions. The approach requires a strong understanding of the institution and focuses on validating management's ability to identify measure, monitor, and control risks (RBZ Annual report, 2018).

Consolidated Supervision is where a microfinance institution is in a banking group. The approach evaluates the strength of the individual microfinance institution and the entire banking group, taking cognizance of the whole spectrum of risks that affect an institution, whether these risks are carried in the books of the regulated entity or related parties. Consolidated supervision promotes the overall evaluation, both qualitatively and quantitatively, of the strength of a banking group to which a microfinance institution belongs, to understand the relationship among the entities and to assess the potential impact of other entities in the group on the operations of the banking institution (RBZ Annual report, 2018).

2.5 Risk assessment and risk mitigation strategies for MFIs

2.5.1 Risk Assessment

This refers to the entity's ability to properly assess risks and mitigate them to an acceptable level using controls measures. According to Gbegi (2013), some of the various ways in which risks could be introduced to the entity and, therefore, areas where controls and procedures should be developed to affect the entity's system of controls positively include changes in the operating environment; new personnel; new or revamped information systems; rapid growth and new information technology employed among other factors.

Where the organization's management and or board of directors are not active in assessing and mitigating risks, this aspect of the control system would be defective to some degree (Louwers et al, 2017). There is, therefore, the need to come up with a proactive policy approach that is looking at the business environment to identify factors or forces that could prevent the accomplishment of organizational objectives. As it relates to fraud deterrence, risk assessment involves the identification of internal and external means that could potentially defeat the organization’s internal control structure, compromise an asset, and conceal the actions from management (Gbegi, 2013). Furthermore, it is a creative process that involves identifying as many potential threats as possible among them fraud and evaluating them in a way to determine which require action, and the priority for that action.

However, managers in the financial sector specifically those who work in micro-finance institutions must be able to assess any risks that they may encounter in their day to day operations among them; business risk, credit risk, market risk, interests rate risk, foreign exchange risk, operational risk, accounting risk and audit risk amongst other risk factors.

2.5.2 Internal Controls

The Committee of Sponsoring Organisations of the Tread way Commission (COSO) model stipulates that risk assessment should remain as one of the key elements of internal control (Karagiorgos, Drogalas, Eleftheriadis & Christodoulou, 2010). However, the model also stipulates that there five fundamental principles on internal control which are the control environment, risk assessment, control activities monitoring, and the use of communication for coordination purposes within a financial institution as mitigation measures against microfinance institutional failures. Some of the models of risk control that were implemented in both the USA and Canada included risk assessment and risk management. Furthermore, the Turnbull report indicated that there was a link between internal control and business risk. On the other hand, the Cadbury report indicated that there was no link between internal control and business risk. Despite such differences in the two reports risk assessment remains one of the most fundamental components of internal control (Karagiorgos et al., 2010)

In a study that was conducted at KPMG in Europe in 2000, it was indicated that 60 percent of the participants indicated that risk management and internal control remained very important aspects of business survival and growth. Further studies that were conducted in Australian companies by Karagiorgos et al (2010) indicated that many auditors indicated that risk management and internal control remained fundamental in business operations. The IIA (2004) further alluded that the implementation of internal audit operations was there to improve risk assessment and risk management. Further Beumer (2006) cited in Karagiorgos et al. (2010) indicated that successful risk management should use the following risk maps, objectives and strategy, risk reporting and periodic follow-ups on the implementation plans were fundamental to risk mitigation.

Internal control is the process designed and effected by those charged with governance, management, and other personnel to provide reasonable assurance about the achievement of the entity's objectives concerning the reliability of financial reporting, effectiveness, and efficiency of operations and compliance with applicable laws and regulations (Louwers et al., 2017). Through internal control systems can identify types of potential misstatements and consider factors that affect the risks of material misstatements and design the nature, timing, and extent of further assessment of the risk factors (Boahene, Dasah & Agyei, 2012). It follows that internal control is designed and implemented to address identified business risks that threaten the achievement of any of these objectives (Messier, 2013). In addition, there are important components of internal control systems which may include some of the following; the control environment, the organizations risk assessment process, the information system, control activities, and monitoring of controls (Boahene et al., 2012).

The risk assessment aspect of COSO means an organization's ability to properly assess risks and find measures to mitigate them to an acceptable level using controls. Gbegi (2013) points out an organization' s system of controls may include: changes in the operating environment; new personnel; new information systems; rapid growth and new information technology employed among other factors. If the organization's management or board is not active in assessing and mitigating risks, this aspect of the control system would be ineffective to some extent (Gbegi, 2013).In addition; control systems are used to identify anything that could prevent the accomplishment of organizational objectives. Concerning fraud deterrence, risk assessment involves the identification of internal and external threats that could affect the organization's internal control structure, affect the organization's assets, and affect management from taking decisive actions (Gbegi, 2013). Furthermore, it is a creative process that involves identifying as many threats as much as possible and evaluating them in a way to determine which action to take and the possible way of dealing with such threats whether they might be internal or external.

In addition, the global financial crisis of 2008-2009, forced many companies around the world to develop their risk management guidelines and practical measures to deal with risk management. However, despite instituting such measures many companies globally still encounter many challenges, such as the failure to link risks to strategy; defining risks; developing corporate frameworks that are responsive to risks as well as taking into consideration the aspirations of various stakeholders. According to OECD (2014), effective risk management is not about eliminating risk-taking, which is a fundamental principle in business and entrepreneurship.

However, studies that have been conducted in both developing and developed countries have indicated that many institutions in both the private and public sectors have put in place stringent measures on how to manage risks. Such measures encompassed developing or strengthening existing regulation or guidance, raising supervisory expectations for the risk management and engaging more often the board of directors and management, to assess the accuracy and usefulness of the information provided to the board of directors by auditors to carry their duties in a transparent and accountable manner (Johnny, 2018).

On the other hand, many risk management issues have been dealt with within national corporate governance codes around the world. From an international perspective, professional institutes and associations have also come up with their framework and guidelines on risk management and auditing. OECD (2014) pointed out that, in 1992, COSO published an internal control integrated framework guide, and in 2004 an Enterprise Risk Management (ERM) integrated framework guide was published. According to the OECD in the 2010 report despite the efforts that have been put in place by entities none of the existing guidance on risk management is adequate to deal with risk management.

The guidance framework, on the other hand, does not provide adequate guidance on how to create effective risk management and assurance framework. To deal with such shortcomings in 2009, the International Organization for Standardization (ISO) issued its standard for implementation of risk management principles called the ISO 31000, which has been adopted by many companies both private and public around the world (OECD, 2014). The ISO 31000 framework provides principles and standard guidelines on risk management that could achieve convergence from a variety of standards, and procedures that differ between industries, subject matters, and countries (Louwers et al., 2017). However, more guidance may have been provided on managing the risks that deserve particular attention, such as risks that hurt investors, stakeholders, and taxpayers among others.

However, risk management guidelines and principles for them to be effective they should be fully understood by regulators and other standard setters that effective risk management is not about eliminating risk-taking, which is a fundamental driving force in business (Louwers et al., 2017). The purpose of risk management must be understood, managed and, when appropriate, communicated to various shareholders and other stakeholders if necessary, to do so (Louwers et al., 2017). The effective implementation of risk management requires a holistic approach to the organization as a whole rather than treating each business unit as a separate entity but should also involve the board of directors in both establishing and overseeing the risk management structure. The board of directors should also review and guide the formulation and the implementation of corporate strategy with risk-appetite and the internal risk management structure which will have an impact on corporate governance (OECD, 2014).

Many benefits can be drawn from implementing internal control provisions relating to accountability, independent audits, internal controls and document retention (OECD, 2014) As a result, there are several factors which are necessary for creating good internal controls to reduce the risk of fraud such as quality of top management, accounting system and accurate financial statement ((Johnny, 2018). Fraud is one of the serious crimes that had affected many micro-finance in the country as money is siphoned from these institutions without reactive response mechanisms to curb such cases in place (Njanike, Dube, & Mashayanye, 2009). Some models can be adopted to reduce fraud in a company such as the COSO model.

2.6 Risk mitigation strategies for MFIs

Many risk management issues have been dealt with in national corporate governance codes around the world as stipulated in the New York Stock Exchange (NYSE) listed company rules, the UK's combined code, and the French AFEP-MEDEF code. From an international perspective, professional institutes and associations have also come up with their framework and guidelines on risk management and corporate governance. OECD, (2014) pointed out that, in 1992, COSO published an internal control integrated framework guide, and in 2004, an ERM integrated framework guide. However, a report which was prepared for the Organization for Economic Corporation and Development (OECD) in 2010 indicated that, despite such efforts, "none of the existing guidance on risk management is adequate to deal with risk management. The guidance framework has been extremely high-level and has been process-oriented and does not provide adequate guidance on how to create effective risk management and assurance framework. To deal with the shortcomings of the previous efforts by various institutions and governments, in 2009, the International

Organization for Standardization (ISO) issued its standard for implementation of risk management principles called the ISO 31000, which has become the world standard guideline. The purpose of ISO 31000 is to provide principles and standard guidelines on risk management that could achieve convergence from a variety of standards, and procedures that differ between industries, subject matters, and countries. However, more guidance may have been provided on managing the risks that deserve particular attention, such as risks that hurt investors, stakeholders, taxpayers, and the environment.

However, risk management guidelines and principles for them to be effective they should be fully understood by regulators and other standard setters that effective risk management is not about eliminating risk-taking, which is a fundamental driving force in business and entrepreneurship. The purpose of risk management must be understood, managed and, when appropriate, communicated. In addition, effective implementation of risk management requires an enterprise-wide approach rather than treating each business unit individually but should also involve the Board in both establishing and overseeing the risk management structure. The Board should also review and guide the alignment of corporate strategy with risk-appetite and the internal risk management structure which will have an impact on corporate governance (OECD, 2014).

On the other hand, Hosna, Manzura, and Juanjuan (2009) established that the impact of credit risk management on profitability was not uniform amongst banks. The absence of effective credit risk management was one of the major causes of bank failures in Zimbabwe (Njanike et al., 2009). On the other hand, Kithinji (2010) highlighted that the major source of bank profits was affected by other factors other than credit and nonperforming loans. Aduda and Gitonga (2011) (as cited in Alshatti, 2015) indicated that credit risk management effected on bank profitability at a certain level.

According to studies conducted by Aruwa and Musa (2012), they found out that there was a strong relationship between risk components and the financial performance of banks. In addition, Boahene et al. (2012) investigated the relationship between credit risk and profitability. They established that there was a strong relationship between credit risk and the profitability of banks. Gakure, Ngugi, Ndwiga, and Waithaka (2012) who carried out a study to determine the effect of credit risk management techniques of banks' performance on unsecured loans, they found out that financial risk in a bank may be as a result of the imposition of constraints on the bank's ability to satisfy its business objectives (Alshatti, 2015).

On the other hand, it was found out that internal audit was a key instrument in reducing risk management in the financial sector. However, internal control according to the Institute of Internal Auditors (IIAs) is an important management control device that is connected to a company's structure as well as the rules of business of a particular organization. According to the COSO Framework (1992) and The Turnbull Report (1999), the application of internal audit systems is key in protecting the assets of an organization from fraud, and loss such that an organization's assets are identified and managed well. Furthermore, internal controls are used to determine compliance with an institution's laws and regulations.

2.7 Effectiveness of Risk Management in Micro-finance Institutions.

Effective risk management provides an early warning system or potential risk mitigation, with regards to the efficient and effective allocation of resources, help management to tailor-make measures against risk with regards to capital allocation and liquidity expectations helps in the provision of better information (Bank for International Settlements Communications, 2010; Steinwand, 2000). As a result, MFIs should, therefore, learn how to manage such risk factors.

However, to have a stronger financial institution in the USA the comprehensive CAMELS approach has been used by regulators as the approach emphasizes the quality of internal control systems which help such institutions to quickly identify and mitigate possible risk (Bank for International Settlements Communications, 2010; Steinwand, 2000). According to the US Federal Reserve Bank, risk management strategies are designed to limit risk. With the ever growth of MFIs around the world they need to strengthen their internal ability to identify and mitigate risk (Bank for International Settlements Communications, 2010; Steinwand, 2000).

Many MFIs have been exposed to financial credit risk, interest risk liquidity risk, operational risk, and strategic risk. To deal with such risk factors effective management measures must be put in place such as identifying and prioritization of risk design policies to measure risk as well as developing cost-effective policies to mitigate risk (Bank for International Settlements Communications, 2010; Steinwand, 2000). In addition, risk mitigation can also encompass the implementation of risk management strategies such as the role of the board of directors and management regarding accountability openness, and transparency. However, the implementation of risk mitigation strategies can be affected by some challenges.

2.8 Challenges faced by MFIs in reducing risks associated with failure

The US economy suffered several scandals related to savings and loan associations in the early 1980s (Singleton, 2007). The COSO model of internal controls has not only received attention but has also been applied in the auditing profession with increasing frequency (Singleton, 2007). Public opinion and interested legislators led the way in demanding changes to prevent those kinds of catastrophes from occurring again ((Johnny, 2018). The National Commission on Fraudulent Financial Reporting was formed in 1985 to study the causal factors that can lead to financial risks and to develop recommendations for public companies, independent auditors, the US Securities and Exchange Commission (SEC), other regulators, and the educational institutions (Singleton, 2007). One of the major conclusions of the commission was that the best way to mitigate major financial risks was to improve internal controls. COSO developed a model of internal controls, promulgated it among members of the various stakeholder organizations and, in 1992, published what now is referred to as the COSO Model of Internal Control (Johnny, 2018).

The COSO model describes five interrelated elements of internal control that provide the foundation for fraud deterrence (Singleton, 2007). These elements of internal control are the means for which the opportunity factors can be removed to most effectively limit instances of fraud (Black, 2005; Gbegi, 2013). The Association of Certified Fraud Examiners (ACFE) 2002 Report to the Nation on Occupational Fraud and Abuse reveals that 46.2% of frauds occur because the victim lacked enough control mechanisms to prevent the fraud (Black, 2005; Gbegi, 2013). The five COSO components are control environment, risk assessment, control mechanisms, and monitoring.

According to Banerjee and Jackson, (2018) in a study of three villages in Bangladesh, the study found out that microfinance led to an increased level of indebtedness among already impoverished communities and increased social, economic, and environmental vulnerabilities. In further studies, it has emerged that social capital can be undermined by market-based measures like microfinance (Banerjee & Jackson, 2018).

Paradoxically, a plethora of empirical evidence in the traditional banking industry claims that smaller loans are associated with higher risk and the exact opposite is true for large loans. In this study, we investigate these claims by estimating the relationship between loan sizes and credit risk in the microfinance industry. The sample used for our analysis incorporates over 2000 annual observations and 632 microfinance institutions drawn from 37 countries of the sub-Saharan African (SSA) region over the period 1995 to 2013. Using the GMM technique, estimates indicate that credit risk is positively related to loan sizes among microfinance institutions operating in SSA. The findings have significant implications for the portfolio managers of microfinance institutions operating in SSA, particularly in light of the current wave of mobile money services in many countries(Chikalipah, 2018).

However, some risks are involved in the financial sector including microfinance institutions which include risk factors such as lack of security, which is available in conventional systems, lack of customer-care oriented workforce. Some challenges that are common to agency banking include operational risks, liquidity risks as well as corporate risks if fraudulent activities have been undergoing (Nyamutowa, & Masunda, 2013). However, the ever-challenging macroeconomic environment affected several microfinance institutions including Lion micro-finance which finally collapsed.

However, such a collapse resulted in the emergency of the prudential standards on the emerging new financial sector in Zimbabwe. In addition, a financial institution in this case microfinance institutions in Zimbabwe are required to establish internal policies, procedures systems, and controls. Such policies and procedures should be consistent with standard technology in the industry concerning hardware and software (RBZ, 2016).

2.9 Risk Management in Micro-finance Institutions

2.9.1 Control Environment

The control environment consists of the actions, policies, and procedures that reflect the overall attitudes of top management, directors and stakeholders concerning internal control and its importance to an organization (Black, 2005; Gbegi, 2013). The control environment relates to fraud deterrence, risk assessment involves the identification of internal and external means that could potentially defeat the organization’s internal control structure, compromise an asset, and conceal the actions from management (Black, 2005; Gbegi, 2013). Furthermore, it is a creative process that involves identifying as many potential threats as possible, and evaluating them in a way to determine which require action, and the priority for that action other key factors that are important to internal controls according to the COSO model include internal communication, monitoring, and control mechanisms ((Johnny, 2018).

2.9.2 The Process of Risk Assessment

This is the process of identifying and responding to business risks which may have an impact on the organization's financial reporting. On the other hand, internal control also entails monitoring mechanisms that may involve supervisions, functions of managers, internal audits, and communication from outside the organisation (Boahene et al, 2012). Furthermore**,** the auditor should evaluate and design the organisation's related controls, including relevant control activities, and determine whether they have been implemented or not. Where management has not appropriately implemented controls over risk factors this may indicate a weakness in the organisation's internal control, hence the need for the auditor to communicate to relevant management (Boahene et al, 2012).

Effective risk management provides an early warning system or potential risk mitigation, with regards to the efficient and effective allocation of resources, help management to tailor-make measures against risk with regards to capital allocation and liquidity expectations helps in the provision of better information (Bank for International Settlements Communications, 2010; Steinwand, 2000). As a result, MFIs should, therefore, learn how to manage such risk factors.

However, to have a stronger financial institution in the USA the comprehensive CAMELS approach has been used by regulators as the approach emphasizes the quality of internal control systems which help such institutions to quickly identify and mitigate possible risk (Bank for International Settlements Communications, 2010; Steinwand, 2000). According to the US Federal Reserve Bank, risk management strategies are designed to limit risk. With the ever growth of MFIs around the world they need to strengthen their internal ability to identify and mitigate risk (Bank for International Settlements Communications, 2010; Steinwand, 2000).

Many MFIs have been exposed to financial credit risk, interest risk liquidity risk, operational risk, and strategic risk. To deal with such risk factors effective management measures must be put in place such as identifying and prioritization of risk design policies to measure risk as well as developing cost-effective policies to mitigate risk (Bank for International Settlements Communications, 2010; Steinwand, 2000). In addition, risk mitigation can also encompass the implementation of risk management strategies such as the role of the board of directors and management regarding accountability openness, and transparency. However, the implementation of risk mitigation strategies can be affected by some challenges.

2.10 Chapter Summary

The chapter looked at the stakeholder theory, risk management, risk assessment, the risk process, and risk management in microfinance institutions. The next chapter discussed the research methodology.

CHAPTER 3 RESEARCH METHODOLOGY

3.1 Introduction

This chapter showed how data was collected to address the objectives in Chapter 1 and any research gaps in Chapter 2. The methodology used to carry out the study was discussed in this chapter was the research design, population, sampling, data collection instruments, analysis, organization of data and ethical considerations are outlined.

3.2 Research design

The study followed a cross-sectional design utilizing mixed methods of data collection. This design was appropriate as it allowed for the collection and analysis of data at a given point in time. The mixed research approach using arrived at using the guidance of the research onion model (Saunders, 2009). In line with Saunders, Lewis, and Thornhill (2007), the time horizon for the study could not allow for an industry-wide study therefore the best research approach to use was the case study.

3.3 Population and Sampling

3.3.1 Target Population

Forty Empowerbank employees were identified as directly responsible for risk management and therefore formed the target population. These comprised of staff in the functions of risk management, credit, audit, retail, treasury, operations, compliance, ICT and treasury.

3.3.2 Sample size

The researcher computed the target sample using the formula by Krejcie and Morgan (1970) to calculate the target sample size for a population of 40 participants and a margin of error of 5%. The Krejcie and Morgan (1970) formula is stated below;

$S = X^2NP\,(1\text{-}P) / d^2(N\text{-}1) + X^2P\,(1\text{-})$

Where:

S = Required sample size

X = Z value (e.g 1.96 for 95% confidence level)

N = Population size

P = Population proportion (expressed as a decimal) (assumed to be 0.5 (50%)

d = Degree of accuracy (5%)

According to the calculation, for the known population of 40, the recommended sample size was 36 participants.

3.3.3 Sampling Methods

Non-probability sampling was conducive for this study because there was a need to identify personnel from Empowerbank who had in-depth knowledge of risk management, mitigation measures, and the possible causes of microfinance failures in Zimbabwe and within the region. In addition, snowballing was used to track key informants who were suitable for the study and those with knowledge on risk management in the microfinance sector.

3.3.4 Purposive Sampling

The research used a purposive sampling procedure and a non-probability approach to select key informants and risk managers for in-depth interviews who were drawn from Empowerbank. The purposive sampling was used to locate the participants from the risk management department (Tracy, 2013).

3.3.5 Snowballing

Once the first eligible participant was identified, the researcher used the snowballing technique to identify additional eligible employees that were targeted in this study. The snowballing approach was used and had an advantage that the researcher only concentrated his effort on eligible respondents whose duties are directly involved in risk management.

3.4. Data Collection Methods

The employment of the mixed methods approach based on Saunders (2007) in research employing the use of data collection tools that are appropriate for both qualitative and quantitative data collection. Three data collection tools were used in this study which included questionnaires, key informant interviews, and document review.

3.4.1 Questionnaires

The questionnaires made it possible for the researcher to interview respondents and gather both gather both quantitative and qualitative responses that informed the findings for the study.

The quantitative research method concentrates on the collection and analysis of numerical data Kothari, 2014). Quantitative methods are based on the idea that social phenomena can be quantified, measured, and expressed numerically.

3.4.2 Key informant Interviews

The major source of evidence was interviewing key informants using in-depth interviews at Empower Bank. This was necessitated by the fact that the respondents were policymakers at Empowerbank and responsible for the formulation and implementation of risk management policies. The interviewees had quite in-depth knowledge of risk management and were aware of some of the challenges which Empowerbank was facing in predicting risk management and what method could be used to deal with such risk factors. The in-depth interviews allowed the researcher to interact with respondents to the extent that judgment could be made whether the interviewee was comfortable with the questions that were asked or not. Almost all respondents who were managers were quite comfortable with the questions which were posed by the researcher. The key informants who were drawn from Empowerbank made a significant contribution to the research and highlighted whatever they knew, or imagined, the solution which was in the hands of policymakers who then determined what resources in terms of human and material were acquired to deal with risk management.

3.4.3 In-depth interviews

In-depth interviews are an effective qualitative method for getting people to talk about their personal feelings, opinions, and experiences (Kelly, 2016). An interview is a discussion between two or more people and can be a structured or unstructured conversation (Philipp, 2014; Teddlie, & Yu, 2007). This can be a face-to-face meeting or a telephone conversation. Furthermore, in-depth interviewing is a qualitative research technique that involves conducting intensive individual interviews with a small number of respondents to explore their ideas on a particular idea, program, or situation. The in-depth interview as a research technique is designed to get an understanding of a participant's perspective on a given research topic.

According to Bhattacherjee (2012) during in-depth interviews, the participants under interview are normally considered as experts in the subject that might be under enquiry. The researcher's interviewing techniques are motivated by the desire to learn everything the participant can share which falls under a qualitative research approach. Researchers engage with participants by neutrally posing questions, listening attentively to respondents' responses, making follow-up questions, and probes based on those responses (Kelly, 2016; Bhattacherjee, 2012). Participants are not led towards any preconceived idea, nor do they encourage participants to provide answers by expressing approval or disapproval during a conversation with the participants (Neuman, 2011). However, in this study key informant interviews were conducted with key informants who were in the risk department at Empowerbank in Zimbabwe.

3.4.4 Documentary Analysis

The research also used some documentary research to obtain information that was relevant to risk management at Empowerbank which were available on their website. According to Kelly (2016), documentary research can assist the researcher in categorizing, investigating, interpreting, and identifying the nexus between risk management and mitigation measures at Empowerbank. Documentary research was used to study the causes of failures and the possible strategies which other countries around the world have used to deal with microfinance institutional failures. Interview guides were issued on time therefore this assisted the respondents to find out the roles risk managers were expected to play in ensuring that institutions such as Empowerbank failure were reduced.

3.5 Data analysis and interpretation

3.5.1 Descriptive statistics

A descriptive statistical analysis was done to analyze all the quantitative data and its distribution. The quantitative research method concentrates on the collection and analysis of numerical data, (Kothari, 2014). Quantitative methods are based on the idea that social phenomena can be quantified, measured, and expressed numerically. The information about a social phenomenon is expressed in numeric terms that can be analyzed by statistical methods. The observations can be directly numeric information or can be classified into numeric variables. The number of questionnaires that were distributed to the respondents constituted the numerical data.

3.5.2 Thematic Analysis

The qualitative data that was gathered from key informants that were used in-depth interview and questionnaire responses and documentary research were analyzed thematically. The data that was analyzed was in the form of field notes, policy documents, and interview transcripts. The researcher then identified patterns by constructing themes using research questions and objectives as the basis for themes analysis. This method kept the researcher focused on the subject of risk management in microfinance institutions as well as the study of the preparedness of managers at Empowerbank in dealing with risk management and failure. The process was repeatedly done to ensure that no information was left unattended.

3.5.3 Content analysis

The researcher used content analysis to analyze data that was gathered from a documentary search that was on risk management and microfinance failure. This data was related to enabling statutes on risk management policies and strategies that helped microfinance institutions from possible failures. The researcher, however, restricted the research to risk management at Empowerbank to avoid researching on issues that were not necessary to the main research topic and objectives.

3.6 Ethical Considerations

Kothari (2014) defined research ethics as a code of practice that governs how the research process should be conducted. Neuman (2016) argued that research ethics is the extent to which a researcher complies with the standards that are permissible at law and accepted by society when studying a phenomenon. The researcher only interviewed participants who provided written consent to participate in the study. The researcher did not request the names, phone numbers, or emails of the respondents to safeguard their privacy. The researcher made assurances that respondents' views in the study remained confidential and were not to be published or commercialized in any form without prior approval or consent by the relevant authority from the University who gave the student a letter authorizing the student to carry out the study.

3.7 Chapter Summary

The chapter looked at the research design, clearly articulating the delimitation of the study, study population, target sample, data collection techniques, and data analysis and presentation of the study. Ethical considerations were given attention to demonstrating how the study complied with international research ethics guidance and mitigation measures against confounding factors. The next chapter focused on data presentation and data analysis.

CHAPTER 4 DATA PRESENTATION, ANALYSIS, AND INTERPRETATION

4.1 Introduction

The previous chapter focused on the research methodology that was adopted in this study. In addition, in the previous chapter, the focus was on the way the research design was presented and how the data was collected and analyzed. In this chapter, the findings of the study were presented and analyzed. The three related processes of presenting data as found from the field, analyzing it to make interpretations and were observed in this chapter. The interpretation of results was done using themes that answer directly to the research questions.

4.2 Questionnaire Response rate

The response rate for the questionnaire was 94 % as 34 out of the 36 questionnaires sent to the target participants were completed and returned to the researcher. The saturation principle was employed for the key informant interviews. Based on the themes that were emerging from the responses from key informants, the researcher could not identify any new themes after the fourth interview and concluded the interviews after interacting with six participants.

4.3 Demographic Characteristics of Respondents

4.3.1 Gender of respondents

The respondents' gender distribution (n=34; m= 62,5%; f=37,5%) is represented in table 4.1 below.

Table 4. 1 Gender Distribution

	Frequency	Percentage	Valid Percent	Cumulative Percent
Valid Male	22	64,7	64,7	64,7
Female	12	35,3	35, 3	100
Total	34	100	100	

Source, Field Data 2020

As Table 4.1 shows, 64, 7 % (*n*=22) of the participants in the study were males whilst females made up the remaining 35,3 % (*n*=12). As such, most of the participants in the study were male.

4.3.2 Age of Respondents

Table 2 Ages of Respondents

Valid	Frequency	Percentage	Valid Percent	Cumulative Percent
20-29 years	10	29,4	29,4	29,4
30-39 years	7	20.6	20,6	50
40-49 years	13	38,2	38,2	88,2
50 years plus	4	12,8	11,8	100
Total	34	100	100	

The age group of the participants was also investigated. Four age groups were identified and used as classes, namely those below 20 years, to 50 years and above. The 30-39 age groups were represented by 20,6 % (*n*=7) whilst those who were between 40 and 49 years were the first and represented by 38 % (*n*=13). The least age groups were participants aged between 20 and 29 years thus 29,4 % (n=10) and 50 years and above these were represented by made up 12,8 % (*n*=4) respectively of the total participants in the study. According to these findings, therefore, this translates into the 20-50 years age class which is the most economically active group.

4.3.3 Level of education of respondents

Table 3 Level of Education

Valid	Frequency	Percentage	Valid Percent	Cumulative Percent
Degree	17	50	50	50
Masters'	10	29,4	29,4	79,4
Postgrad	7	20,6	20,6	100
Total	34	100	100	

Source, Researcher 2020

The highest level of education of the participants was classified as having a Degree, a Master's degree, or a postgraduate certificate, was determined. The findings on the highest academic level of the participants showed that 50 % (*n*17) of the participants had Bachelors' degrees whilst 29,4 % (*n*=10) of them had (Master's) degrees. It was also established that 20, 6% (*n*=7) of the participants in the study had a postgraduate certificate. The findings, therefore, showed that most of the participants in the study had either first or second degrees. The findings on the education levels attained by participants are consistent with the expectations since the risk management field is a specialised field.

4.3.4 Experience of respondents in the banking sector

Table 4. 4 Number of Years in the Banking Sector

Valid	Frequency	Percentage	Valid Percent	Cumulative Percent
1-5 years	10	29,4	29,4	29,4
6-10 years	9	26,5	26,5	55.9
10 years and above	15	44,13	44,13	100
Total	34	100	100	

Source, Researcher 2020

As presented in table 4.4, most of the participants that is 44, 13 % (*n*=15) have been in the banking sector at the national and regional level for 10 years and above. The second category of respondents had served between 1 and 5 years and was represented by 29,4 % (*n*=10). The second category of respondents had worked in the banking sector between 6 and 10 years and was represented by 26, 5 % (*n*=9)According to these findings, most of the participants in the study had between 10 to 15 years of working experience in various banks in Zimbabwe and within the region. This indicated that they had more experience in the sector. This concurs with (Steinwand, 2000) who pointed out that credit risk is one of the most pressing risk factors in most MFIs which is the risk to earnings or capital due to borrowers' late and non-payment of loans requirements.

4.4 Overview of the operational policies and guidelines to mitigate risk factors at Empower Bank.

The respondents demonstrated that operational policies and guidelines were in place to mitigate against risk factors were at Empowerbank. 100% of the respondents reflected that there were risk management structures in place including board committees on risk management and accountability by those in the position of risk management. The summary of responses on the availability of operational policies and guidelines to mitigate risk factors at Empower Bank is presented in table 4.5.

Table 4. 5 Existence of risk and management policies

Existence of risk management policies on:	Yes		No		Total Responses	
	Frequency	%	Frequency	%	Frequency	%
i) Risk management structure and reporting requirements	34	100%	0	0%	**34**	**100%**
ii) Board Committee on risk management	34	100%	0	0%	**34**	**100%**
iii) Organization's rational for managing risk	29	85%	5	15%	**34**	**100%**
iv) The link between the bank's objectives and policies and the risk management policy	27	79%	7	21%	**34**	**100%**
v) Accountability and responsibilities for managing risk	31	91%	3	9%	**34**	**100%**
vi) Resources commitment to assist those accountable and responsible for managing risk	17	50%	17	50%	**34**	**100%**
vii) Ways in which risk management performance will be measured and reported	26	76%	8	24%	**34**	**100%**

Source, Primary data

Whilst, 100 % of the respondents indicated that risk management structure and reporting requirements were in place, as well as the Board Committee on risk management, only 50% of the respondents indicated that there were resources committed to assisting those accountable and responsible for managing risk. From the responses, management was aware of the existence of risk management resources but the non-managerial employees were generally not aware of the existence of such resources. At least 79% of the respondents acknowledged that there was a link between the bank's objectives and policies and the risk management policy, which demonstrated that Empower Bank was rational in managing risk which was coupled by the link between Empower bank's objectives and policies and the risk management policy.

Employees at Empowerbank were generally accountable and responsible for managing risk because top management had put in place enough resources commitment to assist those accountable and responsible for managing risk as well as ways in which risk management performance was measured and reported. These findings reveal that there is the existence of risk management principles and generally the staffs are aware of them. This is in agreement with Black, (2005 and Gbegi, (2013) who highlighted that the control environment consists of the actions, policies, and procedures that reflect the overall attitudes of top management, directors, and stakeholders concerning internal control and its importance to an organization.

4.5 Assessing the effectiveness of risk management guidelines at Empowerbank.

The study sought to establish if the respondents were able to identify the dominant risk factors for MFIs. This was used to infer the ability of Empowerbank to identify and rectify operational issues that may result in financial losses.

4.5.1 The most Dominant Risks faced by Empower Bank in Zimbabwe

Thematic coding of qualitative responses from questionnaires and responses from key informants pointed that Empowerbank risk management employees were able to identify the four major risk classes outlined by the Reserve Bank of Zimbabwe and the Basel 111 Accord which include credit risk, operational risk, market risk, and strategic risk. Financial risk management, therefore, demands the institution of a complicated treasury function which must then be located at the head office with the sole mandate of managing liquidity risk, interest rate risk, and investment portfolio risk (Steinwand, 2000).

4.5.2 Strategies that have been put in place to deal with risk factors

The respondents indicated that some of the strategies that have been put in place to deal with microfinance failure included the strict adherence to International Financial Reporting Standards, the institution of a board that oversees the management of risk in areas such as credit management, audit risk management, and market risk management. This concurs with Bank for International Settlements Communications, (2010), Steinwand, (2000), cited in chapter 2) who indicated that, to mitigate failure microfinance institutions should have a stronger and comprehensive CAMELS approach which has been used by regulators as the approach emphasizes the quality of internal control systems which help such institutions to quickly identify and mitigate possible risk.

4.6 Root causes of Microfinance Failure in Zimbabwe

Table 4. 6 Root causes of Microfinance Failure in Zimbabwe

Valid	Frequency	Percentage	Valid Percent	Cumulative Percent
Strongly Agree	19	75	75	75
Agree	15	25	25	100
Neutral	0	0	0	100
Somewhat disagree	0	0	0	100
Strongly disagree	0	0	0	100
Total	34	100	100	100

Source, Primary data

At least 75 % (*n*=19) of the respondents strongly agreed that some of the root causes of microfinance bank failure in Zimbabwe included poor corporate governance practices. 25 % (*n*=15) of the respondents agreed that microfinance failure was somewhat due to poor corporate governance which had ripple negative effects on large non-performing loans as well as poor credit risk management. Other factors that have also contributed to microfinance failure according to the respondents included weak and ineffective regulatory and supervision mechanisms, the ever-deteriorating economic environment, under capitalisation of the sector due to an ever-deteriorating macroeconomic environment, defaults by borrowers due to a volatile macroeconomic environment, high unemployment levels and capital flights. They further lamented that the loss of qualified risk management personnel who have sought sanctuary in neighbouring countries to seek greener pastures which to some extend has seen the financial institution relying on young and inexperienced risk managers thereby the chances of detecting several risk factors may be slim. They also highlighted that there have been a few forensic auditors who have the in-depth know-how of detecting some of the risk factors such as fraud. This also qualified what Louwers, (2017), who indicated that a comprehensive, fully implemented, and regularly monitored system of internal controls is an essential framework for the prevention and detection of fraud, at the same time internal auditors are often involved in fraud cases.

4.6 Challenges faced by Empower Bank in reducing risks factors associated with Microfinance failure

Some of the challenges which Empower Bank has been facing over the last few years include the turbulent macroeconomic environment which has affected money supply and demand. The respondents pointed out that in some cases where there were shortages in money supply borrowers had to hold on the limited cash they would have rather than investing in risky projects. In addition, Empowerbank had also faced some liquidity shortages which affected the operations of the Empowerbank. On the other hand, whilst the government introduced a multi-currency regime in 2009 there have been inconsistencies in policies that govern the use of foreign currency. One of the respondents indicated that in July 2019 the Government banned the use of foreign currency which affected Empowerbank. Some respondents pointed out that, for example, some of the portfolios of Empowerbank were anchored in foreign currency and the banning and the later reintroduction of foreign currency created some shocks at Empowerbank, as well as its stakeholders and shareholders. At one point the government reversed such a negative policy issue and allowed certain sectors within the economy to resort again to the green bank. One of the respondents indicated that the monetary authorities have of December 2019 issued again a complete ban on the use of the green bank.

According to Dhliwayo, (2015) it was indicated that some of the challenges which microfinance face include, the increase in non-performing loans and the increase in credit risks.

4.7 Evaluation of the risk mitigation strategies being implemented by Empowerbank.

The results from the assessment of risk mitigation strategies being implemented by Empowerbank are presented in the table below where respondents were asked on the availability of sound risk management strategies at Empowerbank. Further studies which were conducted in Australian companies by Leung, (2003) cited in Karagiorgos, et al.,

(2010) indicated that many auditors indicated that risk management and internal control remained fundamental in business operations.

4. 7 Empowerbank and Risk Management Control Measures

Table 4. 7 **Empowerbank and Risk Management Control Measures**

Valid	Frequency	Percentage	Valid Percent	Cumulative Percent
Strongly Agree	21	61,8	75	75
Agree	13	38,2	38,2	100
Neutral	0	0	0	100
Somewhat disagree	0	0	0	100
Strongly disagree	0	0	0	100
Total	34	100	100	100

Source, Primary data

From Table 4.7 61,8 % (n=21) of the respondents strongly agreed that Empower Bank had put in place a group's risk management process premised on the Enterprise-Wide Risk Management model which helps Empower Bank to mitigate risk whilst 38,2 % (n=13) agreed. This has also been implemented and strengthened by the institution of a stronger risk management framework such as the existence of a competent board, the institution of robust policies, evaluation of risk and possible mitigation strategies, and the implantation and continuous evaluation of stronger internal controls. Empower Bank had come up with a group risk and compliance committee which has several key managers who are responsible for risk management in key risk portfolios areas such interest risk, market risk, audit risk as well as the Asset and Liabilities Committees (ALCO) whose mandate is to predict risk before Empower Bank is affected by the different risk regimes.

The respondents also pointed out that there was a need to offer refresher causes to the human resource base within the risk management department which would be able to act as an early warning system to the entire Empower Bank structures over impending risk factors. On the other hand, the Basel models called for Empower Bank to increase its operational efficiency and effectiveness at the same time lowering the cost of capital. The respondents also pointed out that by increasing the quality of Empower Bank's capital base this would enhance that all material risks are confined within the capital framework. Further studies which were conducted in Australian companies by Leung, (2003) cited Karagiorgos, et al., (2010) indicated that many auditors indicated that risk management and internal control remained fundamental in business operations.

Furthermore, the respondents also pointed out that, risk management measures can be reinforced by harnessing advanced technological tools, the implementation of innovative financial instruments, carrying out daily risk assessments at the same time updating the main ledger system which would then automatically update all the other information delivery systems within Empower Bank. The use of management information systems at Empower Bank would then remove the manual entry of information at Empower Bank thereby reducing the chances of human error and possible commission of fraud. In addition, the information will be transferred to Empower Bank with speed and accuracy but the implementation of such information management systems needs to be tailor-made according to the needs of Empower Bank and international systems.

They further indicated that during the financial crisis such as 2004, 2005, 2008 and 2009 global financial crisis, many microfinance institutions in Zimbabwe did not have enough measures which were covered in the risk-based regime because many microfinance institutions withheld large volumes of illiquid credit products amongst their trading books without compensatory measures against capital to support such risk factors. Many microfinance institutions among them Empower Bank also failed to absorb on-and off-balance sheet risk factors including derivative exposures. , many risks were not appropriately covered in the risk-based regime.

Some of the respondents pointed out that some of the strategies that could be used by Empower Bank's risk personnel included; audit and inspection, scenario analysis, the sustained conducting of risk assessment workshops, risk meetings, industry benchmarking, and incident investigations as well as the use of stress triggers in risk management, though they pointed out that this may differ from one institution to the other. Furthermore, they pointed out that stress tests can be very useful with regards to liquidity, exchange rates, credit, and interest rates.

Table 4. 8 Management effectiveness in dealing with liquidity problems over the past five years

Valid	Frequency	Percentage	Valid Percent	Cumulative Percent
Strongly Agree	24	87,5	87,5	87,5
Agree	0	0	0	87.5
Neutral	10	12.5	12.5	100
Somewhat disagree	0	0	0	100
Strongly disagree	0	0	0	100
Total	34	100	100	100

Source, Researcher 2020

From table 4.8 above 87,5 % (*n*=7) of the respondents strongly agreed that liquidity problems affected the institution because of the volatile macroeconomic environment in Zimbabwe which has not been predictable. Only 12, 5% (*n*=1) of the respondents were neutral on the fact that management at Empower Bank was effective in dealing with liquidity problems over the past 3 years. The respondents also indicated that government policies with regards to liquidity challenges have been changed time and again at the expense of Empower Bank in terms of their measures that would have been put in place by Empower Bank with relations to liquidity challenges. This is in support of Mugo (2010), who pointed out that, the global financial crisis of 2008 to 2009 affected many financial institutions including microfinance institutions around the world.

Table 4.9 Impact of cash management on profitability at Empower Bank

Valid	Frequency	Percentage	Valid Percent	Cumulative Percent
Strongly Agree	34	34	34	100
Agree	0	0	0	100
Neutral	0	0	0	100
Somewhat disagree	0	0	0	100
Strongly disagree	0	0	0	100
Total	34	100	100	100

Source, Researcher 2020

From table 4.9, 100 % (*n*=34) of the respondents indicated that the unstable economic environment has had a great impact on the profitability of Empower Bank. As a result, Empower Bank has been struggling to establish a strong influence and market share against the backdrop of other microfinance institutions in Zimbabwe.

Table 4.10 Some of the Greatest Risk Factors which can result in Micro Finance Failure in Zimbabwe

Valid	Frequency	Percentage	Valid Percent	Cumulative Percent
Strongly Agree	26	75	75	75
Agree	8	25	25	100
Neutral	0	0	0	100
Somewhat disagree	0	0	0	100
Strongly disagree	0	0	0	100
Total	34	100	100	100

Source, Researcher 2020

From table 4.10 above, 75 % (*n*=26) of the respondents strongly agreed that audit risk, credit risk, and market risk were some of the factors which can fail microfinance institutions whilst 25 % (*n*=8) agreed The reason being that some auditing procedures may be affected or influenced by the board of directors who may have a huge stake in the operations of some microfinance institutions such as what happened with Lion Microfinance bank in early 2019. On the other hand, the other challenge which can affect fairness in the auditor's opinion may be curtailed by political influence in terms of policies and regulations. However, some microfinance institutions in Zimbabwe according to one respondent collapsed because they failed to meet the capital requirements according to the requirements of the Reserve Bank of Zimbabwe.

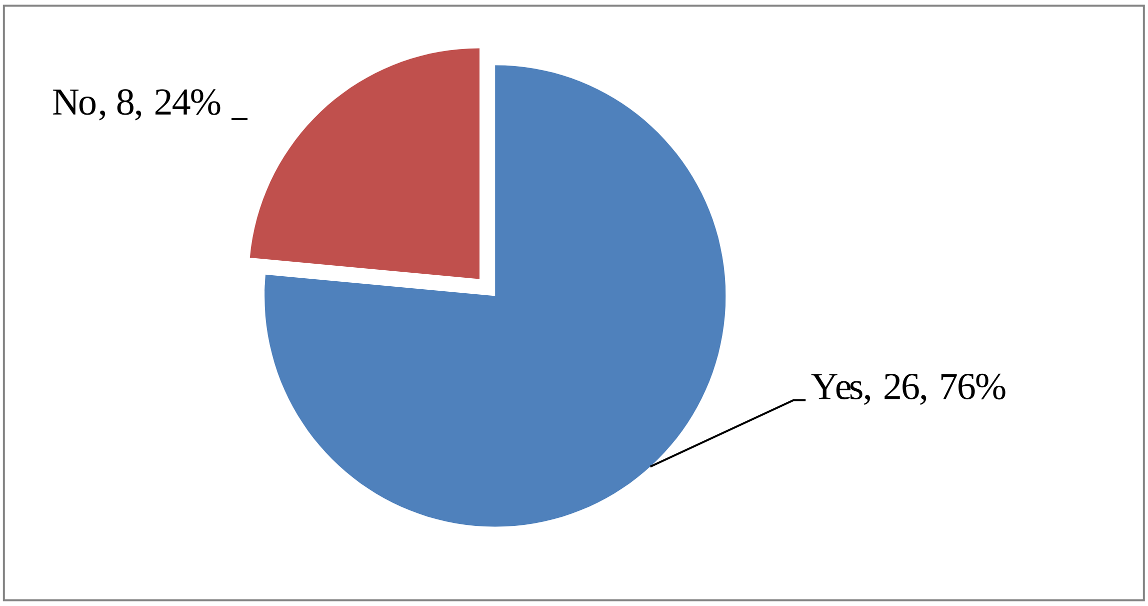
Table 4.11 Measures which Empower Bank has implemented to help management in mitigating risks associated with failure

Valid	Frequency	Percentage	Valid Percent	Cumulative Percent
Strongly Agree	24	50	50	50
Agree	6	37,5	37,5	87,5
Neutral	0	0	0	0
Somewhat disagree	4	12,5	12,5	100
Strongly disagree	0	0	0	100
Total	34	100	100	100

Source, Field 2020

From table 4.6 above 50% (*n*=24) of the respondents strongly agreed that some of the measures that have been put in place by Empower Bank include limiting as well as controlling credit risk for individuals. Such risk factors have been monitored through policy reviews, procedures, and mechanisms, reviewing loan lending and investment policies through a body that is conducted on annual bases. However, 37,5% (*n*=6) of the respondents agreed that the annual reviews were not strong enough to deter failure since the economic environment is so turbulent such that what management may plan today may not be effective tomorrow. 12,5% (n=1) of the respondents somewhat agreed that to mitigate failure the board of directors is expected to conduct such reviews on quarterly basis. Other measures also include the establishment of a board credit committee which then supervises a credit management committee. The credit management committee according to the respondents will then be responsible for the evaluation of credit exposures, credit quality whilst on the other hand the credit group division will prepare detailed risk reports as well as having a credit loss initiative plan. On the other hand, they also pointed out that the risk management unit at Empower Bank should be independent of business and a chief risk officer should be in place, who is answerable to the board of directors. This concurs with Leung, (2003), who showed that in a study that was conducted at KPMG in Europe in 2000 it was indicated that 60 percent of the participants indicated that risk management and internal control remained very important aspects of business survival and growth.

Figure 4. 2 Opinion on cases of fraud risk at Empower bank in Zimbabwe



From figure 4.2 above 76 % (n=26) of the respondents indicated that the cases of fraud as a risk factor were not that high, whilst 24 % (n=8) of the respondents indicated that the chances for the commission of fraud were possible.

4.8 Liquidity crisis and impact at Empower Bank in Zimbabwe

There is a need for the treasury to come up with a stable currency even the prolonged use of the multi-currency regime until the economy normalizes. There is also a need for the government to deal with the parallel market. One of the respondents indicated that it was quite bad for a country surely to have a thriving black market for foreign exchange, he further alluded that this has affected the economy. Some countries have been doing well such as Botswana, South Africa, and Namibia. The reason why the microfinance sector has strived in those countries is that they have quite stable economies and government policies supporting the microfinance sector with less political interference within the sector. One of the respondents indicated that managers at Empower Bank should not violate some of the fundamental risk management policies and frameworks. However, some of the respondents also highlighted that to reduce failure there was also a need to have an Asset and Liability Committee to effect sound internal controls. They further indicated that the main purpose of the committee is to oversee how credit extensions to customers are within the required limits according to the needs of Empower Bank. With the ever-decaying economic environment, Empower Bank has also been facing some liquidity challenges.

4.9 Discussion of Findings

The findings from educational levels indicated that most of the participants in the study had either first or second degrees, which showed a high level of education amongst the participants who had a better understanding of risk management at Empower Bank. Most of the respondents were fully qualified and were the right respondents to positively respond to the research questions as well as the objectives that were under study. Some of the participants in the study had between 10 to 15 years of working experience within the banking sector from a national to a regional point of view which means they had more experience in the sector and were better in understanding risk.

Risk management structure and reporting requirements were in place at Empower Bank which was understudy, as well as the Board Committee on risk management. Empower Bank was rational in managing risk which was coupled by the link between the Empower Bank's objectives and policies and the risk management policy. Empower Bank employees such as non-managerial staff were also accountable and responsible for managing risk because top management had put in place enough resources commitment to assist those accountable and responsible for managing risk as well as ways in which risk management performance was measured and reported. The dominant risk factors that were common at Empower Bank include credit risks, audit risk, fraud risk, and foreign currency risk among other factors. The strategies that have been put in place to deal with failure at Empower Bank included the strict adherence to International Financial Reporting Standards, the institution of a board that oversees the management of risk in areas such as credit management, audit risk management, and market risk management among other risk factors.

The root causes of failure amongst microfinance institutions in Zimbabwe included poor corporate governance practices, large non-performing loans, poor credit risk management, weak and ineffective regulatory and supervision mechanisms, the ever-deteriorating economic environment, undercapitalization, loss of confidence by borrowers, high unemployment levels, capital flights, the loss of qualified risk management personnel to greener pastures and the existence of few forensic auditors who have the in-depth know-how of detecting some of the risk factors such as fraud.

The main challenges that Empower Bank faced over the past five years included the turbulent macroeconomic environment which has affected equilibrium with regards to money supply and demand. The government has been inconsistent with regards to policies that govern the use of such foreign currency which had become the backbone of most microfinance institutions in Zimbabwe against an underperforming local currency against major international currencies.

Management at Empower Bank had put in place a group's risk management process premised on the Enterprise-Wide Risk Management model. Empower Bank has also implemented and strengthened the institution through a stronger risk management framework such as the existence of a competent board, the institution of robust policies, evaluation of risk and possible mitigation strategies, and the implementation and continuous evaluation of stronger internal controls. Empower Bank had established a group risk and compliance committee which had several key managers who are responsible for risk management in key risk portfolios such as interest risk, market risk, audit risk as well as the Asset and Liabilities Committees (ALCO) whose mandate is to predict risk before Empower Bank is affected by the different risk regimes.

Mitigation measures at Empower Bank that were under study included offering refresher causes to the human resource base within the risk management department which would be able to act as an early warning system to the entire bank on impending risk factors. Empower Bank was also operating using the Basel models to increase its operational efficiency and effectiveness at the same time lowering the cost of capital. Empower Bank had increased the quality of their capital regimes so that all material risks are confined within the capital framework. Risk management mitigation measures can be reinforced by harnessing advanced technological tools, the implementation of innovative financial instruments, carrying out daily risk assessments at the same time updating the main bank ledger system which would then automatically update all the other information delivery systems. The use of management information systems at Empower Bank removes the manual entry of information thereby reducing the chances of human error and possible commission of fraud. In addition, the information will flow within the banking system with speed and accuracy.

Furthermore, some of the challenges which Empower Bank was facing were that bank did not have enough measures covered in the risk-based regime because many microfinance institutions in Zimbabwe withheld large volumes of illiquidity credit products amongst their trading books without compensatory measures against capital to support such risk factors, especially during the 2008-2009 global financial crisis. As a result, Empower Bank also failed to absorb on-and off-balance sheet risk factors including derivative exposures, many risks were not appropriately covered in the risk-based regime.

Strategies that were used by managers at Empower Bank included; audit and inspection, scenario analysis, the sustained conducting of risk assessment workshops, risk meetings, industry benchmarking, and incident investigations as well as the use of stress trigger in risk management though they pointed out that this may differ from one microfinance to the other. A stress test can be very useful with regards to liquidity, exchange rates, credit, and interest rates.

Empower Bank has not dealt enough with liquidity problems because of the volatile macroeconomic environment in Zimbabwe which has not been predictable because government policies with regards to liquidity challenges have been changed time and again at the expense of Empower Bank.

The unstable economic environment has had a great impact on the profitability of Empower Bank. Some emerging microfinance institutions have been struggling to establish a strong influence and market share against well-established microfinance institutions which were performing well despite the depressed economic environment.

Audit risk, credit risk, market risk, and audit risk were some of the factors which can result in the failure of microfinance institutions in Zimbabwe. The reason is that some auditing procedures may be affected or influenced by the board of directors who may have a huge stake in the operations of such microfinance institutions as what happened to Lion Microfinance which collapsed in early 2019. The most causes of failure in microfinance can be attributed to factors such as credit and liquidity risk which were very prevalent in Zimbabwe's microfinance institutions. Lion Microfinance collapsed because it failed to meet the capital requirements as stipulated by the Reserve Bank of Zimbabwe.

Some of the measures that have been put in place at Empower Bank included limiting as well as controlling credit risk by individuals. Such risk factors have been monitored which included policy reviews, procedures and mechanisms, reviewing of loan lending, and investment policies through a body that is conducted on an annual basis. Annual reviews were not strong enough to deter failure since the economic environment is so turbulent such that what management may plan today may not be effective tomorrow. To mitigate against failure the board of directors is supposed to conduct risk management reviews on a quarterly basis. Some of the measures included the establishment of a board credit committee which then supervises a credit management committee. The credit management committee will be responsible for the evaluation of credits exposures, credit quality whilst on the other hand the credit group division will prepare detailed risk reports as well as having a credit lose initiative plan. On the other hand, the risk management unit at Empower Bank should be independent of the bank's business and a chief risk officer should be in place who should then be answerable to the board of directors.

There is a need for the minister of finance to come up with a stable currency even the prolonged use of the multicurrency regime until the economy normalizes. There is also a need for the government to deal with the parallel market. The government has not dealt enough with the existence of the black market for foreign exchange, which has affected the economy as well as operations at Empower Bank.

Some microfinance institutions in countries such as Botswana, South Africa, and Namibia were striving quite well because of stable economies and government policies which supported the sector with less political interference within the sector. To reduce failure at Empower Bank there is also a need to have an Asset and Liability Committee to affect sound internal controls. The main purpose of the committee is to oversee how credit extensions to customers are within the required limits according to the needs of Empower Bank. With the ever-decaying economic environment, most microfinance institutions in Zimbabwe faced a serious liquidity crisis.

4.10 Chapter Summary

The chapter looked at mitigation measures against microfinance bank failures such as credit risk, liquidity risk, and audit risk among other risks as well as the possible measures and strategies that banks could use to remain stable. Other issues that were discussed in the chapter included the challenges which Empower Bank was facing is the harsh macroeconomic environment coupled with the government’s inconsistency with regards to the use of foreign currency.

CHAPTER 5 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

In this chapter, the researcher summarized the findings of the study and made a recommendation to the research problem. The researcher concluded by making recommendations for the study.

5.2 Summary of the Main Findings

The previous chapter focused on the data analysis and presentation that was adopted in this study. Most participants in the study were males and a few females. According to these findings with regards to age, the 20-50 years age class had a better appreciation of the sector in terms of challenges and strategies Empower Bank has been facing with regards to risk management.

The findings from educational levels indicated that most of the participants in the study had either first or second degrees, which showed a high level of education amongst the participants who had a better understanding of risk management at Empower Bank, and the majority of the respondents were better qualified and were the right respondents to positively respond to the research questions as well as the objectives that were under study. Some of the participants in the study had between 10 to 15 years of working experience within the banking sector from a national to a regional point of view which means they had more experience in the sector and were better in understanding risk.

Risk management structure and reporting requirements were in place at Empower Bank which was under study, as well as the Board Committee on risk management. Empower Bank was rational in managing risk which was coupled by the link between the Empower Bank's objectives and policies and the risk management policy. Audit risk, credit risk, market risk, and audit risk were some of the factors which can result in the failure of microfinance institutions in Zimbabwe.

Management at Empower Bank had put in place a group's risk management process premised on the Enterprise-Wide Risk Management model. The main challenges that Empower Bank faced over the past five years included the turbulent macroeconomic environment which has affected equilibrium with regards to money supply and demand.

5.3. Conclusions

The conclusions of the study are presented in line with the objectives and research questions as outlined below.

5.3.1 Adequacy of operational policies and guidelines to mitigate risk factors at Empower Bank.

Risk management structure and reporting requirements were in place at EmpowerBank which was under study, as well as the Board Committee on risk management. Empower Bank was rational in managing risk which was coupled by the link between the Empower Bank's objectives and policies and the risk management policy. Empower Bank employees such as non-managerial staff were also accountable and responsible for managing risk because top management had put in place enough resources commitment to assist those accountable and responsible for managing risk as well as ways in which risk management performance was measured and reported. The dominant risk factors that were common at Empower

Bank included credit risks, audit risk, fraud risk, and foreign currency risk among other factors. The strategies that have been put in place to deal with failure at Empower Bank included the strict adherence to International Financial Reporting Standards, the institution of a board that oversees the management of risk in areas such as credit management, audit risk management, and market risk management among other risk factors.

5.3.2 Existence of operational policies and guidelines to mitigate risk factors at Empower Bank

Empower Bank has also implemented and strengthened the institution through a stronger risk management framework such as the existence of a competent board, the institution of robust policies, evaluation of risk and possible mitigation strategies, and the implantation and continuous evaluation of stronger internal controls. Empower Bank had established a group risk and compliance committee which had several key managers who are responsible for risk management in key risk portfolios such as interest risk, market risk, audit risk as well as the Asset and Liabilities Committees (ALCO) whose mandate is to predict risk before Empower Bank is affected by the different risk regimes.

Mitigation measures at Empower Bank that were under study included offering refresher causes to the human resource base within the risk management department which would be able to act as an early warning system to the entire bank on impending risk factors. Empower Bank was also operating using the Basel models to increase its operational efficiency and effectiveness at the same time lowering the cost of capital. Empower Bank had increased the quality of their capital regimes so that all material risks are confined within the capital framework. Risk management mitigation measures can be reinforced by harnessing advanced technological tools, the implementation of innovative financial instruments, carrying out daily risk assessments at the same time updating the main bank ledger system which would then automatically update all the other information delivery systems at Empower Bank. The use of management information systems at Empower Bank removes the manual entry of information thereby reducing the chances of human error and possible commission of fraud. In addition, the information will flow within the banking system with speed and accuracy.

Strategies that were used by managers at Empower Bank included; audit and inspection, scenario analysis, the sustained conducting of risk assessment workshops, risk meetings, industry benchmarking, and incident investigations as well as the use of stress trigger in risk management though they pointed out that this may differ from one microfinance to the other. Stress tests can be very useful with regards to liquidity, exchange rates, credit, and interest rates.

5.3.3 Challenges faced by Empower Bank in reducing risks factors associated with failure

The main challenges that Empower Bank faced over the past five years included the turbulent macroeconomic environment which has affected equilibrium with regards to money supply and demand. The government has been inconsistent with regards to policies that govern the use of such foreign currency which had become the backbone of most microfinance institutions in Zimbabwe against an underperforming local currency against major international currencies.

Furthermore, some of the challenges which Empower Bank was facing were that bank did not have enough measures covered in the risk-based regime because many microfinance institutions in Zimbabwe withheld large volumes of illiquidity credit products amongst their trading books without compensatory measures against capital to support such risk factors, especially during the 2008-2009 global financial crisis. As a result, Empower Bank also failed to absorb on-and off-balance sheet risk factors including derivative exposures, many risks were not appropriately covered in the risk-based regime.

Empower Bank had not dealt enough with liquidity problems because of the volatile macroeconomic environment in Zimbabwe which was often not predictable because of government policies with regards to liquidity challenges have been changed time and again at the expense of Empower Bank.

The unstable economic environment has had a great impact on the profitability of Empower Bank. Some emerging microfinance institutions have been struggling to establish a strong influence and market share against well-established microfinance institutions which were performing well despite the depressed economic environment.

Some of the measures that have been put in place at Empower Bank included limiting as well as controlling credit risk by individuals. Such risk factors have been monitored which included policy reviews, procedures and mechanisms, reviewing of loan lending, and investment policies through a body that is conducted on an annual basis. Annual reviews were not strong enough to deter failure since the economic environment is so turbulent such that what management may plan today may not be effective tomorrow. To mitigate against failure the board of directors is supposed to conduct risk management reviews on a quarterly basis. Some of the measures included the establishment of a board credit committee which then supervises a credit management committee. The credit management committee will be responsible for the evaluation of credits exposures, credit quality whilst on the other hand the credit group division will prepare detailed risk reports as well as having a credit lose initiative plan. On the other hand, the risk management unit at Empower Bank should be independent of the bank's business and a chief risk officer should be in place who should then be answerable to the board of directors.

5.3.4 Management effectiveness in dealing with liquidity problems

There is a need for the minister of finance to come up with a stable currency even the prolonged use of the multicurrency regime until the economy normalizes. There is also a need for the government to deal with the parallel market. The government has not dealt enough with the existence of the black market for foreign exchange, which has affected the economy as well as operations at Empower Bank.

Some microfinance institutions in countries such as Botswana, South Africa, and Namibia were striving quite well because of stable economies and government policies which supported the sector with less political interference within the sector. To reduce failure at Empower Bank there is also a need to have an Asset and Liability Committee to affect sound internal controls. The main purpose of the committee is to oversee how credit extensions to customers are within the required limits according to the needs of Empower Bank. With the ever-decaying economic environment, most microfinance institutions in Zimbabwe faced a serious liquidity crisis.

5.4. Recommendations

5.4.1 Recommendations on operational policies and guidelines to mitigate risk factors at Empower Bank.

Risk management structure and reporting requirements must always be supported by the Board Committee on risk management. Empower Bank should continue to link between the bank's objectives and policies as well as risk management policy. Empower Bank should be accountable and responsible in managing risk and top management must continue to put enough resources commitment to assist those accountable and responsible for managing risk as well as ways in which risk management performance should be measured and reported. Empower Bank should continue to monitor risk factors such as credit risks, audit risk, fraud risk, and foreign currency risk among other factors. To avoid failure management at Empower Bank should strictly adherence to International Financial Reporting Standards, the institution of a board that oversees the management of risk in areas such as credit management, audit risk management, market risk management among other risk factors.

5.4.2 Recommendations on Operational policies and guidelines to mitigate risk factors at Empower Bank

Empower Bank managers should continue to implement strategies such as audit and inspection, scenario analysis, the sustained conducting of risk assessment workshops, risk meetings, industry benchmarking, and but should be used independently according to the needs of given commercial banks and risk managers should not adopt a fit all size policy implementation. Risk managers should continue to use stress tests which are very useful with regards to liquidity, exchange rates, credit, and interest rates.

Empower Bank should continue to evaluate aspects such as limiting and controlling credit risk by individuals. Such risk factors should be monitored using continuous comprehensive policy reviews, procedures, and mechanisms, reviewing loan lending and investment policies through a body that is conducted on annual bases. Annual reviews should be strong enough to deter possible failure at Empower Bank given an economic environment that is so turbulent to institute long term strategic forecast measures that deal with risk. The board of directors should conduct risk management reviews on a quarterly basis. Risk managers should establish a board credit committee that will continue to supervise the credit management committee. The credit management committee should be responsible for the evaluation of credits exposures, credit quality, prepare detailed risk reports as well as having a credit lose initiative plan. The risk management unit should be independent of the bank’s business and a chief risk officer should be in place, who must then be answerable to the board of directors.

5.4.3 Recommendations on resolving challenges faced by Empower Bank in reducing risks factors associated with Microfinance failure

There is a need for the minister of finance to come up with a stable currency even maintains a prolonged policy framework with regards to the use of the multicurrency regime until the economy normalizes. There is also a need for the government to deal with the black market for foreign exchange, which has affected the economy including operations at Empower Bank.

5.4.4 Recommendations on management effectiveness in dealing with liquidity problems

Empower Bank should have enough measures which should cover the risk-based regime and the bank should not hold large volumes of illiquid credit products amongst their trading books without compensatory measures against capital to support such risk factors. Empower banks should be able to absorb on-and off-balance sheet risk factors including derivative exposures, and many risks should be appropriately covered in the risk-based regime.

Empower Bank managers to continue to implement strategies such as audit and inspection, scenario analysis, the sustained conducting of risk assessment workshops, risk meetings, industry benchmarking, and but should be used independently according to the needs of given commercial banks and risk managers should not adopt a fit all size policy implementation. Risk managers should continue to use stress tests which are very useful with regards to liquidity, exchange rates, credit, and interest rates.

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5.5 Areas of further Studies

Some of the further areas which the researcher then proposes include; how internal and external audits are dealt with in microfinance institutions in Zimbabwe, how management in commercial banks have dealt with working capital management, to establish the effectiveness of internal and external audit is in microfinance institutions on the issue of accountability and transparency and to evaluate internal and external auditors independence in their opinion when carrying out auditing in microfinance institutions in Zimbabwe.

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APPENDICES

Appendix 1: Questionnaire to staff in risk management

My name is Kudzai Gambinga; I am a Zimbabwean and a student at Africa University in Zimbabwe. I am in my final year for the Executive Master's Degree in Business Administration. I am researching risk measures to mitigate Microfinance bank failure in Zimbabwe. A case study of Empowerbank For this study to be successful I kindly ask you to respond honestly and frankly to the question as possible as you can.

Section A: Demographic Profile

1. Gender. (Please tick in the boxes provided below).

	Select one Option
Valid Male	
Female	
Total	

2. Age of Respondents.

………….Years

3. What level of education did you attain? (Please tick in the boxes provided below

Valid	Tick where applicable
Degree	
Masters’	
Postgrad	

4. How have you been working in the Banking Sector

Valid	*Select one option*
1-5 years	
6-10 years	
10 years and above	

Section B:

5. Does Empower Bank have risk and management policies that address the following?

	Yes	No
1. Risk management structure and reporting requirements		
Board Committee on risk management		
Organization's rationale for managing risk		
The link between the bank's objectives and policies and the risk management policy		
Accountability and responsibilities for managing risk		
Ways in which conflict of interests are dealt with		
Resources commitment to assist those accountable and responsible for managing risk		
Ways in which risk management performance will be measured and reported		

Tick in the space provided below

What is the importance and value of risk management at Empower Bank

6. Have internal and external audits been dealt with at Empower bank in Zimbabwe?

	Select one option
Strongly Agree	
Agree	
Neutral	
Somewhat disagree	
Strongly disagree	

7. Have such risk management strategies that have been implemented by Empower bank in Zimbabwe effective?

Tick in the space provided below

	Select one option
Strongly Agree	
Agree	
Neutral	
Somewhat disagree	
Strongly disagree	

8. What is your opinion on operational policies and guidelines to mitigate risk factors at Empower Bank?

	Select one option
Strongly Agree	
Agree	
Neutral	
Somewhat disagree	
Strongly disagree	

9. Are there any challenges that have been faced by Empower bank in reducing risk factors?

Tick in the space provided below

	Select one Option
Strongly Agree	
Agree	
Neutral	
Somewhat disagree	
Strongly disagree	

10. Do you agree that Empower bank has strong risk management control measures?

Tick in the space provided below

	Select one Option
Strongly Agree	
Agree	
Neutral	
Somewhat disagree	
Strongly disagree	

11. Do you think management at Empower Bank has been effective in risk management?

Tick in the space provided below

	Select one Option
Strongly Agree	
Agree	
Neutral	
Somewhat disagree	
Strongly disagree	

12. Do you agree that risk mitigation strategies have been designed and implemented by Empower Bank?

Tick in the space provided below

	Select one Option
Strongly Agree	
Agree	
Neutral	
Somewhat disagree	
Strongly disagree	
Total	

12 Do you think the cases of fraud risk will continue to be a problem Empower bank in Zimbabwe?

Please tick where it is appropriate

Yes ☐

No ☐

13. In your opinion what are some of the things that Empower bank is doing to help mitigate risk

………………………………………………………………………………………………

………………………………………………………………………………………………

………………………………………………………………………………………………

………

14 What are the challenges that have been faced by Empower bank in reducing risks associated with failure?

……………………………………………………………………………………………

……………………………………………………………………………………………

…………………………………………………………………………………………….

What is your opinion on the state of auditing at Empower bank in Zimbabwe?

……………………………………………………………………………………………

……………………………………………………………………………………………

…………………………………………………………………………………………….

Appendix 2: Interview Guide

Interview Guide for in-depth interviews with management at Empower bank. My name is Kudzai Gambinga; I am a Zimbabwean and a student at Africa University in Zimbabwe. I am in my final year for a master's degree in Business Administrations. I am researching risk measures to mitigate Microfinance bank failure in Zimbabwe. A case study of Empowerbank. For this study to be successful I kindly ask you to respond honestly and frankly to the question as possible as you can.

1. What is the importance and value of risk management at Empower Bank
2. Have such risk management strategies that have been implemented by Empower bank in Zimbabwe effective?
3. What is your opinion on operational policies and guidelines to mitigate risk factors at Empower Bank?
4. Are there any challenges that have been faced by Empower bank in reducing risk factors?
5. Do you agree that Empower bank has strong risk management control measures?

Do you think management at Empower Bank has been effective in risk management?
Do you agree that risk mitigation strategies have been designed and implemented by Empower Bank?
Do you agree that internal and external auditors have been independent in their opinion when carrying out auditing Empower bank in Zimbabwe?
Do you think the cases of fraud risk will continue to be a problem Empower bank in Zimbabwe?
In your opinion what are some of the things that Empower bank is doing to help mitigate risk
What are the challenges that have been faced by Empower bank in reducing risks associated with failure?
What is your opinion on the state of auditing at Empower bank in Zimbabwe?

Appendix 3: Introductory Letter

My name is KUDZAI GAMBINGA, a final year (EMBA) student from AU. I am carrying out a study on, Risk measures to mitigate Microfinance bank failure in Zimbabwe. I am kindly asking you to participate in this study by answering .the questions and filling in. the forms attached.

What you should know about the study:

Purpose of the study:

This study, therefore, seeks to investigate risk mitigation measures to arrest microfinance bank failure in Zimbabwe: A case study of Empower bank. You were selected for the study because .your standing in the industry and your valuable input into the research. There are 36 other participants involved.

Procedures and duration

If you decide to participate you will be expected to complete the attached questionnaire. It is expected that this will take about four days to complete. The key informant interviews will take about 15 minutes.

Risks and discomforts

Some information could be sensitive and confidential; however, your input will only be used for the research and will not be distributed to any third party. It will be treated as confidential and a signed letter by the researcher will be provided before the interviews and completion of the questionnaires.

Benefits and/or compensation

The research will contribute to the existing board of knowledge on risk management measures to mitigate bank failures and stakeholders may benefit from making improvements on current knowledge. No payment in monetary terms is expected from participants

Confidentiality

All information submitted will be treated as confidential and will not be distributed to third parties without your permission. No names of participants will be requested on the questionnaires and they will be no quoting of names.

Voluntary participation

Participation in this study is voluntary. If a participant decides not to participate in this study, their decision will not affect their future relationship with the researcher, participant's organization, or other authority. If you chose to participate, you are free to withdraw your consent and to discontinue participating without penalty

Offer to answer questions

Before you sign this form, please ask any questions on any aspect of this study that is unclear to you. You may take as much time as necessary to think it over.

Authorisation

If you have decided to participate in this study, please sign this form in the space provided below as an indication that you have read and understood the information provided above and have agreed to participate.

--- ------------------------------

Name of Research Participant (please print) Date

Signature of Research Participant or legally authorised representative

If you have any questions concerning this study or consent form beyond those answered by the researcher including questions about the research, your rights as a research participant, or if you feel that you have been treated unfairly and would like to talk to someone other than the researcher, please feel free to contact the Africa

University Research Ethics Committee on telephone (020) 60075 or 60026 extension 1156 email aurec@africau.edu

Name of Researcher ---

Appendix 4: Approval Letter

EmpowerBank LIMITED BANKING ON THE FUTURE

Head Office: Tendeseka Park, Block 4,
First Floor Samora Machel Ave,
Eastlea Harare
Tel: +263 242 709550 – 709555
www.empowerbank.co.zw

9 August 2019

TO WHOM IT MAY CONCERN

RE: PERMISSION TO UNDERTAKE RESEARCH FOR DISSERTATION - KUDZAI GAMBINGA - {RISK MEASURES TO MITIGATE BANK FAILURE IN ZIMBABWE}

Kindly note we have approved Mr Kudzai Gambinga to undertake his study and will gladly cooperate and support him in his endeavours.

Yours faithfully

Shadreck Mhembere
Chief Executive Officer
Contact Number: +263772283739

Appendix 5: Authorization to Conduct Research (AUREC)

AFRICA UNIVERSITY

(A United Methodist-Related Institution)

INVESTING IN AFRICA'S FUTURE

AFRICA UNIVERSITY RESEARCH ETHICS COMMITTEE (AUREC)

P.O. Box 1320 Mutare, Zimbabwe, Off Nyanga Road, Old Mutare Tel +263-20-60075/60026/61611 Fax: [+263 20 61785] website: www.africau.edu

Ref: AU1142/19

13December, 2019

Kudzai Gambinga
C/O CBPLG
Africa University
Box 1320
Mutare

RE: <u>RISK MEASURES TO MITIGATE MICROFINANCE BANK FAILURE IN ZIMBABWE: A CASE STUDY OF EMPOWERBANK (2015 – 2019)</u>

Thank you for the above titled proposal that you submitted to the Africa University Research Ethics Committee for review. Please be advised that AUREC has reviewed and approved your application to conduct the above research.

AFRICA UNIVERSITY
RESEARCH ETHICS COMMITTEE (AUREC)
13 DEC 2019
APPROVED
P.O. BOX 1320, MUTARE, ZIMBABWE

The approval is based on the following.

a) Research proposal
b) Questionnaires
c) Informed consent form

- **APPROVAL NUMBER** AUREC1142/19

This number should be used on all correspondences, consent forms, and appropriate documents.

- **AUREC MEETING DATE** NA
- **APPROVAL DATE** December 13, 2019
- **EXPIRATION DATE** December 13, 2020
- **TYPE OF MEETING** Expedited

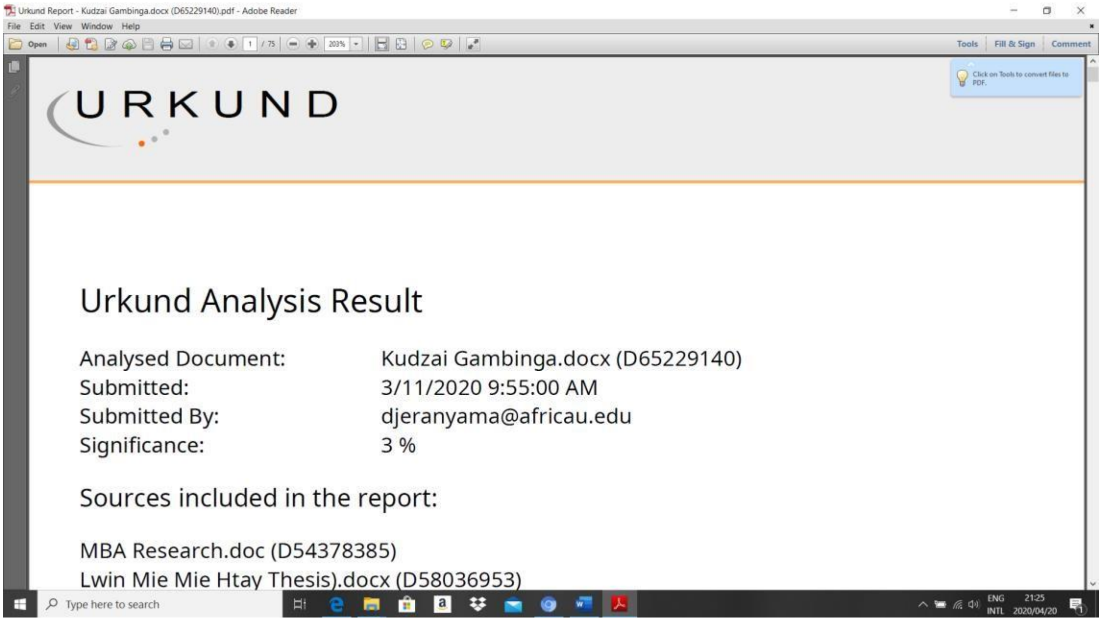
After the expiration date this research may only continue upon renewal. For purposes of renewal, a progress report on a standard AUREC form should be submitted a month before expiration date.

- **SERIOUS ADVERSE EVENTS** All serious problems having to do with subject safety must be reported to AUREC within 3 working days on standard AUREC form.
- **MODIFICATIONS** Prior AUREC approval is required before implementing any changes in the proposal (including changes in the consent documents)
- **TERMINATION OF STUDY** Upon termination of the study a report has to be submitted to AUREC.

Yours Faithfully

Chinzou

MARY CHINZOU – A/AUREC ADMINISTRATOR
FOR CHAIRPERSON, <u>AFRICA UNIVERSITY RESEARCH ETHICS COMMITTEE</u>



URKUND

Urkund Analysis Result

Analysed Document: Kudzai Gambinga.docx (D65229140)
Submitted: 3/11/2020 9:55:00 AM
Submitted By: djeranyama@africau.edu
Significance: 3 %

Sources included in the report:

MBA Research.doc (D54378385)
Lwin Mie Mie Htay Thesis).docx (D58036953)