

Microcredit versus microsavings for MSME resilience in Lusaka, Zambia: A mechanism-based synthesis and managerial playbook

Godfrey Nyoni¹
Austin Mwange²

¹nyoni.godfrey@gmail.com

²austin.mwange@unza.ac.zm

^{1,2}The University of Zambia

<https://doi.org/10.51867/ajernet.7.1.81>

ABSTRACT

Micro, Small, and Medium Enterprises (MSMEs) in Lusaka operate in a high-volatility environment characterised by irregular demand, limited insurance, and frequent liquidity shocks. Microcredit is often promoted as the primary financial instrument for entrepreneurial growth; however, the wider evidence base indicates that microsavings and savings groups frequently provide more reliable gains in resilience and investment readiness, particularly where credit is costly or poorly aligned to cash-flow cycles. This paper develops a mechanism-based comparison of microcredit and microsavings for MSME resilience in Lusaka and comparable Zambian contexts, focusing on how each instrument affects capital accumulation and productive investment, risk management and income smoothing, behavioural discipline and time-consistent planning, and the operational sustainability of providers. The synthesis indicates that microcredit can accelerate investment and business activity for well-matched borrowers, but average performance gains are often modest and highly heterogeneous. Microsavings and savings groups more consistently strengthen liquidity buffers, improve cash management, and enhance preparedness for growth. Conclusion: A resilience-orientated inclusion strategy for Lusaka's MSMEs should treat savings as the default foundation and deploy credit selectively as an investment accelerant when a clear payback opportunity exists. Recommendations: MFIs and MSME support programmes should: sequence products by building savings histories before larger loans, align repayment schedules to cash-flow cycles, integrate low-cost digital rails for payments and collections while protecting trust and service quality, and strengthen governance and client-protection practices to reduce debt cycling and improve long-run enterprise survival.

Keywords: Digital Finance, Lusaka, Microcredit, Microsavings, MSMEs, Microfinance Strategy, Savings Groups

I. INTRODUCTION

Lusaka's Micro, Small, and Medium Enterprises (MSMEs) form the backbone of urban livelihoods, yet their survival and growth are constrained by thin margins, irregular cash flows, and frequent shocks. For many owner-managed firms, the primary challenge is not only low profitability but also the fragility of working capital: a single adverse event can disrupt inventory cycles, trigger late repayments, and erode customer relationships. These realities place liquidity management at the centre of enterprise resilience. Microcredit has traditionally been positioned as the principal response to MSME financing constraints. However, the global evidence base now suggests that treating microcredit as a universal engine of transformation is neither analytically defensible nor managerially prudent (Morduch, 1999; Meager, 2019).

A more strategic question for practitioners and policy-makers is how to design a portfolio of instruments- microcredit, microsavings, savings groups, and digital payments- that matches the constraints and capabilities of urban MSMEs. This paper develops such a framework, comparing microcredit and microsavings as complementary, not competing, tools for enterprise performance in Lusaka. Urban MSMEs also face strategic constraints: limited capacity to adopt new technologies, weak bargaining power with wholesalers, and restricted access to formal procurement contracts. These constraints mean that even when credit is available, the marginal returns to borrowing may be low unless finance is paired with capability-building investments and market access. This is why a purely financial inclusion lens can be insufficient; the relevant question is how finance translates into capabilities that generate durable performance improvements (Barney, 1991; Teece et al., 1997).

Consistent with this perspective, this paper treats microcredit and microsavings as strategic instruments. Their value is assessed not only by access metrics but by their contribution to liquidity buffers, investment timing, and the routines that enable small firms to learn, adapt and scale. Zambia's urban enterprise economy is highly competitive. Many microenterprises sell similar goods in close proximity, meaning that marginal expansion by one trader can be offset by reduced sales for another. Under such conditions, undifferentiated credit expansion can increase business activity without raising average profits. A resilience-oriented approach therefore prioritizes liquidity buffers, inventory

stability and risk management, rather than assuming that more borrowing automatically produces growth. This paper converts the evidence base into actionable decision rules for practitioners. The focus is on product sequencing, underwriting diagnostics, digital-channel choices, and monitoring indicators that can be implemented by MFIs and MSME-support programmes in Lusaka.

1.1 Statement of the Problem

Although microfinance programmes and MSME support initiatives in Zambia frequently emphasize credit expansion, MSMEs in Lusaka continue to experience recurrent liquidity stress, fee arrears, inventory disruptions, and vulnerability to shocks. The practical question facing practitioners and policymakers is not whether finance matters, but which instruments—microcredit, microsavings, savings groups, and digital finance—produce the most reliable improvements in MSME resilience under high volatility. Existing evidence is dispersed across disciplines and contexts, and local decision-makers lack a consolidated, mechanism-based synthesis that translates the global evidence into implementable design rules for Lusaka’s MSMEs. This gap limits effective product matching, increases the risk of debt-driven coping, and weakens the ability of MFIs and programmes to build durable enterprise resilience.

1.2 Research Objectives

- (i) To synthesize peer-reviewed evidence on how microcredit affects MSME resilience and performance, with emphasis on investment timing, repayment pressure, and heterogeneity of outcomes.
- (ii) To synthesize peer-reviewed evidence on how microsavings and savings groups affect MSME resilience, focusing on liquidity buffers, income smoothing, and investment readiness.
- (iii) To develop a mechanism-based comparison framework that specifies when credit dominates savings and when savings dominates credit for Lusaka’s MSMEs.
- (iv) To translate the evidence into a managerial playbook for MFIs and MSME support programmes in Lusaka, including product sequencing, underwriting diagnostics, digitization choices, and governance safeguards.

II. THEORETICAL REVIEW

Credit and savings affect enterprises through different behavioural and institutional channels. Credit relaxes current liquidity constraints but creates future obligations; it can accelerate investment if expected returns exceed the effective cost of borrowing and if the investment horizon aligns with repayment schedules. Savings, by contrast, builds internal finance and strengthens self-insurance capacity. Where returns to investment are uncertain and shocks are common, savings can be welfare-improving by reducing the probability that a negative event triggers distress sales, expensive coping debt, or business closure. This distinction implies that the ‘right’ instrument is conditional on the firm’s opportunity set, risk exposure, and time horizon. From the standpoint of information economics, MFIs arise because conventional lenders struggle to price risk for small borrowers with limited collateral and incomplete records. Delegated monitoring and relationship lending can partially substitute for collateral by reducing monitoring costs and improving incentives (Diamond, 1984). Group-based approaches use social capital to enforce repayment, share information, and coordinate discipline. Social capital is economically productive when it enables credible commitments and reduces opportunism (Coleman, 1988).

Digitization introduces a further distinction: it can reduce transaction costs and enable faster transfers, but it can also weaken relational discipline if it is implemented in ways that diminish trust and client support (Siwale, 2022). Credit constraints can persist even in competitive lending markets because lenders may ration credit rather than raise interest rates when information is imperfect and monitoring is costly. This insight underscores why MSMEs with identical apparent characteristics can receive different credit outcomes and why relationship and behavioural data are valuable in microfinance underwriting (Stiglitz & Weiss, 1981; Diamond, 1984).

The microfinance promise is partly institutional: by substituting relationship-based information and social enforcement for collateral, MFIs can serve clients who are excluded from banks. Yet this institutional solution is fragile if it relies on excessive repayment pressure or if competitive dynamics encourage irresponsible lending (Morduch, 1999). Imperfect information is a foundational constraint in small-firm finance. Lenders often cannot distinguish high-return from low-return projects or disciplined from undisciplined cash-flow management. Credit rationing logic implies that data and monitoring substitutes—relationship lending, savings histories, transaction records—can be more effective than simply adjusting prices (Stiglitz & Weiss, 1981; Diamond, 1984). A capability lens helps explain why finance alone may not be sufficient. Enterprises need routines for planning, budgeting, supplier management, and adapting to market changes. These routines resemble dynamic capabilities, suggesting that finance is most effective when it supports learning and disciplined reinvestment (Tece et al., 1997).

III. METHODOLOGY

This study adopts an integrative evidence-synthesis research design appropriate for review-based research. The process follows established guidance for integrative and systematic-style syntheses, with reporting structured around PRISMA-inspired principles to strengthen traceability and auditability (Whittemore & Knaf, 2005; Torraco, 2005; Tranfield et al., 2003; Page et al., 2021). Before screening, an explicit review protocol was drafted to specify the review objectives and research questions, eligibility criteria, information sources and search strings, screening and quality appraisal procedures, and the synthesis strategy (Moher et al., 2009; Snyder, 2019).

The focal context is Lusaka, Zambia, and comparable Zambian settings discussed in peer-reviewed studies on microcredit, microsavings, savings groups, and digital finance. Although the study is not a primary field survey, the synthesis is oriented toward urban MSMEs operating under high volatility, with emphasis on decision rules that are implementable by MFIs and MSME support programmes in Lusaka.

The target population for inference is MSMEs and microfinance clients in Lusaka's enterprise economy, together with the microfinance institutions and programmes that design and deliver microcredit and microsavings products. The unit of analysis across included studies varies (entrepreneur, household, enterprise, or institution), and this heterogeneity is explicitly managed through mechanism-based coding and evidence weighting.

Evidence inclusion followed predefined eligibility criteria rather than statistical sampling. Studies were eligible if they addressed the focal constructs in microfinance or MSME finance, provided empirical evidence or analytically grounded reviews, reported outcomes relevant to the research questions, and provided a verifiable DOI to support traceability. Screening proceeded in stages (title/abstract followed by full-text screening), with disagreements resolved through discussion and reference to the review protocol (Moher et al., 2009; Page et al., 2021).

Searches were designed to capture high-quality peer-reviewed evidence on the focal mechanisms. Databases commonly used for development finance, economics, and management research were prioritized (for example, Scopus, Web of Science, and EconLit), complemented by targeted journal searches and backward and forward citation tracing (Tranfield et al., 2003; Snyder, 2019). Search strings combined concept blocks including microfinance or MFI terms, the focal modality (microcredit, microsavings, savings groups, or digital finance), and MSME or enterprise outcome terms, connected using Boolean operators. Each included study was extracted into a structured evidence table capturing context, unit of analysis and sample, intervention or construct operationalization, research design, key findings and effect direction, implementation features, and moderators (Torraco, 2005; Rousseau et al., 2008).

Because the evidence spans multiple designs and contexts, findings were synthesized using structured narrative synthesis and mechanism-based aggregation rather than pooling effect sizes. Extracted information was coded into mechanism categories aligned to the manuscript's theory-of-change to enable cross-study comparison (Torraco, 2005; Rousseau et al., 2008). The thematic structure was refined iteratively using transparent qualitative synthesis procedures (Braun & Clarke, 2006). Robustness checks were conducted by comparing conclusions when restricting attention to higher-rigour studies versus the full set, and by evaluating whether implications remained consistent across MSME segments and settings.

This article is based on secondary analysis of published studies and therefore did not involve direct human-subject data collection. Ethical considerations were addressed through accurate representation of sources, transparent inclusion rules, and DOI-based traceability of all included academic evidence, consistent with best practice in evidence syntheses (Moher et al., 2009; Page et al., 2021).

IV. FINDINGS & DISCUSSIONS

4.1 Findings

Findings are organized to mirror the study objectives. Microcredit and micro savings (including savings groups) are treated as the primary independent instruments, with digitization and governance features analysed as design conditions that strengthen or weaken their effects. The focal dependent outcome is MSME resilience, operationalised in the reviewed evidence through liquidity buffering, income smoothing, survival, asset accumulation, and preparedness for growth.

4.1.1 Evidence on Microcredit: Investment Acceleration with Heterogeneous Outcomes

Randomized evaluations provide the most credible evidence on microcredit impacts because they reduce selection bias. Across diverse settings, microcredit expansions consistently increase borrowing and, for some clients, business start-up or expansion. Yet average impacts on profits and consumption are usually modest, and some borrowers experience downside risks (Banerjee et al., 2015; Augsburg et al., 2015). In Mexico, microcredit expansion generated limited community-level impacts and demonstrated that product design and baseline market conditions mediate results (Angelucci et al., 2015). In Morocco, microcredit increased investment in productive assets and self-employment among likely borrowers, but also shifted labour allocation, illustrating that credit can change the structure of livelihoods with

ambiguous welfare effects (Crépon et al., 2015). A key managerial implication is segmentation. The evidence suggests that ‘average borrowers’ do not exist in practice; rather, outcomes depend on entrepreneurial capacity, opportunity set, and product terms. Meta-analytic work underscores this point by quantifying large cross-context variation even when studies use comparable experimental designs (Meager, 2019).

Importantly, positive effects are often mediated by whether borrowers use loans for business expansion versus consumption smoothing. When households face frequent shocks, credit may be diverted to urgent needs, which can protect welfare in the short run but does not necessarily build enterprise capacity. This distinction reinforces why MFIs and policy programmes must clarify whether their core objective is enterprise growth, welfare smoothing, or both. Long-standing evidence from group-based credit programmes suggests that participation can alter household economic behaviour and can have gender-differentiated effects, highlighting that the microenterprise is frequently embedded in household decision-making rather than being a purely separate firm entity (Pitt & Khandker, 1998). In Lusaka, loan utilization is shaped by household needs and market volatility. When shocks are frequent, borrowers may rationally use loans to stabilize consumption or meet urgent obligations, which can protect welfare but may not build enterprise capacity. This reinforces why savings buffers can be more robust for resilience and why credit should be paired with savings features to avoid debt-driven coping. Evidence also suggests that microcredit impacts can differ by gender and household decision-making patterns, implying that MSME finance policies should consider intra-household realities rather than treating the enterprise as isolated (Pitt & Khandker, 1998).

4.1.2 Evidence on Microsavings and Savings Groups: Resilience as the Primary Payoff

Evidence on microsavings often points to a different primary payoff: resilience. In Kenya, access to savings accounts increased savings and investment among microentrepreneurs, supporting the view that savings constraints can bind enterprise development and that safe storage is not a trivial service (Dupas & Robinson, 2013). Commitment-oriented savings designs can further influence behaviour. In Malawi, facilitating savings for agricultural inputs increased input investments, suggesting that savings products can be structured to support forward-looking enterprise decisions (Brune et al., 2016). Group-based savings models offer disciplined accumulation and access to lump sums, alongside social support that can help households withstand shocks. Multi-country evidence indicates that savings groups improve welfare and inclusion outcomes for poor households (Karlan et al., 2017). Zambia-relevant evidence suggests that combining savings group participation with information and digital tools can strengthen productive outcomes, including for women in rural settings, which is informative for Lusaka’s peri-urban enterprise corridors where group-based finance is also common (Mwalupaso et al., 2025). Savings also has a ‘discipline’ function: it helps entrepreneurs plan, separate business from household budgets, and accumulate capital without immediate repayment pressure. For microenterprises in retail and trading, this discipline can reduce inventory stockouts and improve the ability to exploit supplier discounts by making purchases at the right time.

From a provider perspective, savings mobilisation can support sustainability and lower reliance on volatile external funding, but it also increases the governance and regulatory demands on institutions that take deposits. This reinforces the need for strong governance standards and effective supervision (Nyanzu et al., 2019; Okoye & Siwale, 2017). Microsavings support resilience by building self-insurance. In volatile trading environments, the ability to smooth liquidity without borrowing can prevent inventory stockouts, avoid late repayment penalties, and reduce reliance on informal high-cost credit. Experimental evidence shows that savings access can increase investment and business outcomes for microentrepreneurs (Dupas & Robinson, 2013). Savings groups add social discipline and can improve welfare and inclusion across contexts (Karlan et al., 2017). However, savings products and groups require attention to governance, fees and withdrawal rules. If products are too restrictive, clients may revert to informal mechanisms; if too permissive, the commitment function may be lost. Programmes should therefore pilot and adapt designs based on client feedback and observed behaviour.

4.1.3 When Credit Dominates Savings and when Savings Dominates Credit: a Decision Framework

For MSMEs, the choice between credit and savings depends on the constraint that is binding. Credit is most valuable when a firm has a clearly identified high-return opportunity—such as bulk inventory purchase, a verified supplier discount, or a productive asset with predictable payback - where the expected return comfortably exceeds the effective cost of borrowing. In such cases, credit accelerates time-to-investment. Savings tends to dominate when the enterprise faces frequent shocks, uncertain demand, or thin margins, because it provides self-insurance and reduces the probability that a negative shock triggers costly coping strategies. Savings also improves bargaining power by reducing desperation borrowing and enabling more selective credit uptake. Operationally, MFIs can translate this framework into product governance: use cash-flow diagnostics, differentiate repayment schedules, offer graduated credit limits, and attach savings features that build a liquidity ‘buffer stock’ before and during borrowing cycles. This portfolio approach is consistent with the literature’s core message that product design and matching matter as much as access itself (Karlan & Zinman, 2011; Morduch, 1999).

A practical way to operationalise the framework is to treat savings as ‘Phase 1’ and credit as ‘Phase 2’. Phase 1 builds a liquidity buffer and a behavioural track record; Phase 2 uses credit to accelerate investment that has been planned and tested. This sequencing is consistent with the empirical record that savings interventions tend to have more robust average benefits while microcredit impacts are context-specific (Dupas & Robinson, 2013; Meager, 2019). MFIs can implement this sequencing through product rules, such as requiring a minimum savings history for larger loans, offering rebates for consistent deposits, or creating ‘goal-based’ savings accounts tied to business equipment or inventory. Such designs move beyond the narrow ‘loan product’ mindset toward a portfolio model aligned with the realities of MSME cash-flow management.

A practical operational rule is to treat savings as Phase 1 and credit as Phase 2. Phase 1 builds a liquidity buffer and a behavioural record; Phase 2 uses credit to accelerate a planned investment with a clear payback window. This sequencing aligns with the evidence that savings interventions often yield more consistent benefits while microcredit impacts are heterogeneous (Dupas & Robinson, 2013; Meager, 2019). MFIs can implement sequencing through rules such as minimum savings history for larger loans, rebates for consistent deposits, or goal-based sub-accounts for equipment replacement and inventory. These design elements strengthen liquidity management and reduce the probability of debt cycling. Diagnostic underwriting can be simplified using a checklist: cash conversion cycle, typical monthly volatility, minimum liquidity buffer to avoid stockouts, proposed investment and payback window, household shock exposure, and prior savings discipline. Even basic diagnostics can improve product matching and increase the likelihood that credit functions as an investment tool rather than as crisis finance. To illustrate, a market trader with high daily turnover and frequent small shocks benefits from a savings buffer and short-term inventory finance with flexible repayment, because rigid weekly instalments can be destabilising. A service enterprise with a clear equipment investment benefits from a longer-term loan with a grace period. Product match, not instrument category alone, determines outcomes.

4.1.4 Digitisation in Lusaka: Transaction Cost Reduction without Losing Trust

Urban enterprises in Lusaka increasingly rely on digital payments and mobile money for transactions with customers and suppliers. Evidence from Africa highlights that mobile phones can support economic activity by lowering information and transaction costs, although benefits depend on market structure and complementary services (Aker & Mbiti, 2010). Mobile money can also improve risk sharing by lowering the costs of transfers and enabling more responsive informal insurance (Jack & Suri, 2014).

For MFIs, digitisation can lower operational costs and extend service reach; Zambia-focused evidence documents both opportunities and practical implementation constraints (Wakunuma et al., 2019). However, digitisation can erode relational support if it reduces face-to-face engagement, advisory elements, and the social discipline that underpins repayment for some borrowers (Siwale, 2022). Service quality therefore becomes strategically consequential. Evidence from Zambia indicates that electronic service quality influences satisfaction in digital banking contexts, implying that reliability, responsiveness and transparency are critical design priorities for digital microfinance channels (Mwiya et al., 2022).

In Lusaka, digitisation also creates new data opportunities. Transaction histories from mobile money and digital payments can support alternative credit assessment, potentially reducing information frictions that underpin credit rationing. Yet the benefits depend on data governance, interoperability, and the ability of institutions to convert data into better underwriting rather than into faster debt expansion (Wakunuma et al., 2019). Digital inclusion is not automatically financial inclusion. Service fees, network reliability, and user-interface design can affect whether MSMEs use digital channels for core business operations or revert to cash. Evidence from Zambia suggests that e-service quality shapes satisfaction and, by implication, sustained use (Mwiya et al., 2022).

Finally, digitisation can amplify both positive and negative spillovers. Mobile money can improve risk sharing and reduce transaction costs (Jack & Suri, 2014), but rapid digital credit can also increase impulsive borrowing and over-indebtedness if safeguards are weak. Responsible design and client protection are therefore essential complements to technology (Siwale, 2022). Digital finance can reduce transaction costs and improve audit trails, but it must be implemented responsibly. Evidence suggests mobile phones can support development by lowering information and transaction costs (Aker & Mbiti, 2010) and that mobile money can improve risk sharing (Jack & Suri, 2014). Zambia-focused evidence documents how ICTs can support MFI operations and expand outreach, while also identifying implementation constraints related to infrastructure and organisational capability (Wakunuma et al., 2019).

Digitisation can, however, reduce relational support. Evidence cautions that microfinance digitisation can risk losing the ‘human touch’ that supports trust and borrower discipline (Siwale, 2022). Service quality is critical for sustained use. Evidence from Zambia suggests that electronic service quality influences satisfaction in digital banking contexts, underscoring the importance of reliability, transparency and responsiveness for digital microfinance channels (Mwiya et al., 2022).

4.1.5 Governance, Regulation, and Responsible Finance for MSMEs

Microfinance operates at the intersection of commercial sustainability and social outreach, making governance and regulation central. Cross-country evidence links governance and institutional quality to MFI outreach and financial performance, suggesting that weak governance can undermine both sustainability and client protection (Barry & Tacneng, 2014). Regulatory frameworks may expand breadth of outreach while creating compliance costs; their effects vary across institutional settings and supervisory capabilities (Nyanzu et al., 2019). Comparative research on Nigeria and Zambia underscores that effective governance is inseparable from regulation, particularly for maintaining social sustainability, transparency, and ethical conduct in microfinance operations (Okoye & Siwale, 2017; Siwale & Okoye, 2017).

For Lusaka's MSMEs, responsible finance implies more than interest rate debates: it requires clear disclosures, fair collections, grievance redress mechanisms, and credit information practices that reduce over-indebtedness while expanding access for viable firms. Governance also influences the practical ability to innovate responsibly. MFIs that invest in staff capability, risk analytics, and client service systems may be better positioned to deploy digital channels without sacrificing trust. In strategic terms, these organisational routines and learning processes are dynamic capabilities that help institutions adapt to technological and regulatory change (Tece et al., 1997). Responsible finance requires governance arrangements that align commercial sustainability with client protection. Cross-country evidence links governance and institutional quality to MFI outreach and performance (Barry & Tacneng, 2014) and shows that regulation can influence outreach and sustainability in context-dependent ways (Nyanzu et al., 2019).

Comparative evidence on Nigeria and Zambia emphasises that regulation and governance jointly shape social sustainability, reinforcing the need for transparent practices and effective supervision (Okoye & Siwale, 2017; Siwale & Okoye, 2017).

4.1.6 A Managerial Playbook for MFIs and MSME Support Programmes in Lusaka

Based on the synthesis, a pragmatic playbook follows five steps. First, diagnose the binding constraint: is the firm constrained by working capital timing, by inability to accumulate a lump sum, by payment frictions, or by shock exposure? Second, default to savings-enabled products to build liquidity buffers, using commitment features and group-based models where appropriate (Dupas & Robinson, 2013; Karlan et al., 2017). Third, deploy credit selectively as an investment accelerant, with repayment schedules aligned to cash-flow cycles and with underwriting that anticipates realistic returns rather than assuming linear growth (Banerjee et al., 2015; Meager, 2019).

Fourth, integrate digital rails for payments and collections to reduce transaction costs and improve timeliness, while protecting trust through human support, transparency and dispute resolution (Siwale, 2022; Mwiya et al., 2022). Fifth, strengthen governance. Programme designers should require basic governance and client protection standards from participating MFIs and provide capacity-building support for compliance, data quality, and internal controls (Okoye & Siwale, 2017). For MSME support programmes operated by public agencies or development partners, the playbook implies a procurement principle: finance partners should be selected not only on outreach metrics but also on demonstrated client protection practices, governance standards, and service quality performance. This aligns programme incentives with responsible finance and reduces reputational and welfare risks.

Sector-specific tailoring can improve effectiveness. Market traders and informal retailers may require short-term inventory finance paired with disciplined savings, whereas service enterprises might benefit more from equipment finance with flexible repayment schedules. Zambia-focused evidence on marketers suggests that microfinance impacts are sensitive to the match between product design and the realities of market trading (Chibbonta & Chishimba, 2023). Operationally, MFIs can implement monitoring and support through low-cost digital nudges and periodic in-person check-ins, preserving relational support while reducing transaction costs. This hybrid 'digital-plus' approach is consistent with the Zambia-focused evidence that highlights both the promise of ICT support and the risk of losing the human touch (Wakunuma et al., 2019; Siwale, 2022).

A monitoring dashboard can include: client savings buffer expressed as days of operating costs, share of loans used for verified business investment, enterprise survival at 12 and 24 months, complaint resolution time, and repeat borrowing without savings growth as a warning signal for debt cycling. These indicators are feasible to track with basic digital systems and align tightly with the mechanisms in the evidence. For MSME support programmes, partner selection should incorporate governance and client protection standards, not only outreach counts. Programmes can co-finance fixed costs of record-keeping tools and payments integration, thereby improving the productivity of finance rather than subsidizing debt quantity alone. Zambia-focused evidence on urban marketers reinforces that product suitability matters: microfinance can influence livelihoods but can also create pressure when designs are misaligned with market realities (Chibbonta & Chishimba, 2023).

V. CONCLUSIONS & RECOMMENDATIONS

5.2 Conclusion

For Lusaka's MSMEs, the strategic choice is not 'credit or savings' but 'which instrument for which constraint'. The strongest evidence indicates that microcredit can support investment for a subset of borrowers, but its average effects are modest and heterogeneous. Microsavings and savings groups, by contrast, deliver more consistent benefits in resilience and investment readiness, particularly in volatile environments. A portfolio approach - savings as the foundation, credit as the accelerant, and digital finance as the transaction-cost reducer - offers the most evidence-consistent and practically implementable strategy for MFIs and MSME support programmes in Zambia. The evidence implies a clear managerial posture for Lusaka: treat savings as the foundation for resilience, deploy credit selectively as an investment accelerant, and use digital finance to reduce transaction costs while protecting trust. Managing microfinance as a resilience-and-investment system - rather than as a loan portfolio alone - is the most credible translation of the evidence into practice.

A Lusaka-focused inclusion strategy is strongest when it is portfolio-based and sequenced: microsavings and savings groups build resilience and discipline, microcredit accelerates clear investments, and digital finance reduces transaction costs while preserving trust. This approach is consistent with experimental evidence on microcredit heterogeneity. Policy-makers and programme designers can reinforce this approach by promoting interoperability in digital payments, strengthening governance and client protection standards for MFIs, and supporting evidence-based piloting of product designs in Lusaka's enterprise sectors. Over time, this learning-oriented approach can strengthen the microfinance ecosystem as a durable partner in urban enterprise development.

5.3 Recommendations

The study recommends that MSMEs should strengthen disclosure, responsible collections, and monitoring indicators (e.g., arrears ageing, repeat borrowing without savings growth) to safeguard clients and improve sustainability of MFIs and programmes. In addition, they also integrate digital rails for payments, reminders, and collections, but preserve human support, transparency, and grievance mechanisms to protect trust and service quality. In terms of saving, MSMEs should design savings products that offer low-cost, accessible savings with optional commitment features and support for group-based models where social discipline strengthens accumulation and resilience. Furthermore, they should use simple cash-flow diagnostics and align instalment schedules, grace periods, and loan tenors to enterprise cash cycles to reduce repayment stress and debt cycling. Finally, they need to build a minimum savings history before scaling credit limits; treat savings as the default foundation and credit as a selective investment accelerant.

REFERENCES

- Aker, J. C., & Mbiti, I. M. (2010). Mobile phones and economic development in Africa. *Journal of Economic Perspectives*, 24(3), 207–232.
- Angelucci, M., Karlan, D., & Zinman, J. (2015). Microcredit impacts: Evidence from a randomized microcredit program placement experiment by Compartamos Banco. *American Economic Journal: Applied Economics*, 7(1), 151–182.
- Augsburg, B., De Haas, R., Harmgart, H., & Meghir, C. (2015). The impacts of microcredit: Evidence from Bosnia and Herzegovina. *American Economic Journal: Applied Economics*, 7(1), 183–203.
- Banerjee, A., Duflo, E., Glennerster, R., & Kinnan, C. (2015). The miracle of microfinance? Evidence from a randomized evaluation. *American Economic Journal: Applied Economics*, 7(1), 22–53.
- Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99–120. <https://doi.org/10.1177/014920639101700108>
- Barry, T. A., & Tacneng, R. (2014). The impact of governance and institutional quality on MFI outreach and financial performance in Sub-Saharan Africa. *World Development*, 58, 1–20.
- Braun, V., & Clarke, V. (2006). Using thematic analysis in psychology. *Qualitative Research in Psychology*, 3(2), 77–101. <https://doi.org/10.1191/1478088706qp0630a>
- Brune, L., Giné, X., Goldberg, J., & Yang, D. (2016). Facilitating savings for agriculture: Field experimental evidence from Malawi. *Economic Development and Cultural Change*, 64(2), 187–220. <https://doi.org/10.1086/684014>
- Chibbonta, D., & Chishimba, H. (2023). Effects of microfinance services on the livelihoods of marketeers in Zambia: A case of Matero Market in Lusaka. *Cogent Social Sciences*, 9(2), 2266922. <https://doi.org/10.1080/23311886.2023.2266922>
- Coleman, J. S. (1988). Social capital in the creation of human capital. *American Journal of Sociology*, 94, S95–S120. <https://doi.org/10.1086/228943>

- Crépon, B., Devoto, F., Duflo, E., & Parienté, W. (2015). Estimating the impact of microcredit on those who take it up: Evidence from a randomized experiment in Morocco. *American Economic Journal: Applied Economics*, 7(1), 123–150. <https://doi.org/10.1257/app.20130535>
- Diamond, D. W. (1984). Financial intermediation and delegated monitoring. *Review of Economic Studies*, 51(3), 393–414. <https://doi.org/10.2307/2297430>
- Dupas, P., & Robinson, J. (2013). Savings constraints and microenterprise development: Evidence from a field experiment in Kenya. *American Economic Journal: Applied Economics*, 5(1), 163–192. <https://doi.org/10.1257/app.5.1.163>
- Jack, W., & Suri, T. (2014). Risk sharing and transaction costs: Evidence from Kenya's mobile money revolution. *American Economic Review*, 104(1), 183–223. <https://doi.org/10.1257/aer.104.1.183>
- Karlan, D., & Zinman, J. (2011). Microcredit in theory and practice: Using randomized credit scoring for impact evaluation. *Science*, 332(6035), 1278–1284. <https://doi.org/10.1126/science.1200138>
- Karlan, D., Savonitto, B., Thuysbaert, B., & Udry, C. (2017). Impact of savings groups on the lives of the poor. *Proceedings of the National Academy of Sciences*, 114(12), 3079–3084. <https://doi.org/10.1073/pnas.1611520114>
- Meager, R. (2019). Understanding the average impact of microcredit expansions: A Bayesian hierarchical analysis of seven randomized experiments. *American Economic Journal: Applied Economics*, 11(1), 57–91. <https://doi.org/10.1257/app.20170299>
- Moher, D., Liberati, A., Tetzlaff, J., Altman, D. G., & PRISMA Group. (2009). Preferred reporting items for systematic reviews and meta-analyses: The PRISMA statement. *PLOS Medicine*, 6(7), e1000097. <https://doi.org/10.1371/journal.pmed.1000097>
- Morduch, J. (1999). The microfinance promise. *Journal of Economic Literature*, 37(4), 1569–1614. <https://doi.org/10.1257/jel.37.4.1569>
- Mwalupaso, G. E., Geng, X., & Yasin, S. I. (2025). Financial inclusion for sustainable agriculture: Pathways among smallholder women farmers in rural Zambia. *PLOS ONE*, 20(7), e0326980. <https://doi.org/10.1371/journal.pone.0326980>
- Mwiya, B., Katai, M., Bwalya, J., Kayekesi, M., Kaonga, S., Kasanda, E., Munyonzwe, C., Kaulungombe, B., Sakala, E., Muyenga, A., & Mwenya, D. (2022). Examining the effects of electronic service quality on online banking customer satisfaction: Evidence from Zambia. *Cogent Business & Management*, 9(1), 2143017. <https://doi.org/10.1080/23311975.2022.2143017>
- Nyanzu, F., Peprah, J. A., & Ayayi, A. (2019). Regulation, outreach, and sustainability of microfinance institutions in Sub-Saharan Africa: A multilevel analysis. *Journal of Small Business Management*, 57(S2), 200–217. <https://doi.org/10.1111/jsbm.12467>
- Okoye, N., & Siwale, J. (2017). Microfinance regulation and effective corporate governance in Nigeria and Zambia. *International Journal of Law and Management*, 59(1), 102–121. <https://doi.org/10.1108/IJLMA-06-2016-0054>
- Page, M. J., McKenzie, J. E., Bossuyt, P. M., Boutron, I., Hoffmann, T. C., Mulrow, C. D., Shamseer, L., Tetzlaff, J. M., Akl, E. A., Brennan, S. E., Chou, R., Glanville, J., Grimshaw, J. M., Hróbjartsson, A., Lalu, M. M., Li, T., Loder, E. W., Mayo-Wilson, E., McDonald, S., McGuinness, L. A., ... Moher, D. (2021). The PRISMA 2020 statement: An updated guideline for reporting systematic reviews. *BMJ*, 372, n71. <https://doi.org/10.1136/bmj.n71>
- Pitt, M. M., & Khandker, S. R. (1998). The impact of group-based credit programs on poor households in Bangladesh: Does the gender of participants matter? *Journal of Political Economy*, 106(5), 958–996. <https://doi.org/10.1086/250037>
- Rousseau, D. M., Manning, J., & Denyer, D. (2008). Evidence in management and organizational science: Assembling the field's full weight of scientific knowledge through syntheses. *Academy of Management Annals*, 2(1), 475–515. <https://doi.org/10.5465/19416520802211651>
- Siwale, J. (2022). Digitising microfinance: On the route to losing the 'human touch'? *Review of African Political Economy*, 49(171), 123–141. <https://doi.org/10.1080/13600818.2021.1998409>
- Siwale, J., & Okoye, N. (2017). Microfinance regulation and social sustainability of microfinance institutions: The case of Nigeria and Zambia. *Annals of Public and Cooperative Economics*, 88(4), 611–632. <https://doi.org/10.1111/apce.12165>
- Snyder, H. (2019). Literature review as a research methodology: An overview and guidelines. *Journal of Business Research*, 104, 333–339. <https://doi.org/10.1016/j.jbusres.2019.07.039>
- Stiglitz, J. E., & Weiss, A. (1981). Credit rationing in markets with imperfect information. *American Economic Review*, 71(3), 393–410.
- Teece, D. J., Pisano, G., & Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal*, 18(7), 509–533. [https://doi.org/10.1002/\(SICI\)1097-0266\(199708\)18:7<509::AID-SMJ882>3.0.CO;2-Z](https://doi.org/10.1002/(SICI)1097-0266(199708)18:7<509::AID-SMJ882>3.0.CO;2-Z)



- Torraco, R. J. (2005). Writing integrative literature reviews: Guidelines and examples. *Human Resource Development Review*, 4(3), 356–367. <https://doi.org/10.1177/1534484305278283>
- Tranfield, D., Denyer, D., & Smart, P. (2003). Towards a methodology for developing evidence-informed management knowledge by means of systematic review. *British Journal of Management*, 14(3), 207–222. <https://doi.org/10.1111/1467-8551.00375>
- Wakunuma, K., Siwale, J., & Beck, R. (2019). Computing for social good: Supporting microfinance institutions in Zambia. *Electronic Journal of Information Systems in Developing Countries*, 85(3), e12090. <https://doi.org/10.1002/isd2.12090>
- Whittemore, R., & Knafl, K. (2005). The integrative review: Updated methodology. *Journal of Advanced Nursing*, 52(5), 546–553. <https://doi.org/10.1111/j.1365-2648.2005.03621.x>