



# INCREASING WOMEN'S FINANCIAL INCLUSION AND CLOSING THE WOMEN'S SME CREDIT GAP IN ZIMBABWE THROUGH ENABLING FINANCIAL POLICY AND REGULATION



# CONTENTS

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1	ZIMBABWE AT A GLANCE	3
2	INTRODUCTION	4
3	ENTREPRENEURSHIP IN ZIMBABWE	6
4	WOMEN'S INCLUSION IN THE ECONOMY OF ZIMBABWE AND THE CHALLENGES THEY FACE	8
5	ACCESS TO FINANCE FOR ZIMBABWEAN WOMEN	10
6	ZIMBABWE'S COMMITMENTS AND TARGETS TOWARDS WOMEN'S FINANCIAL INCLUSION	14
7	POLICY AND REGULATORY INTERVENTIONS FOR WOMEN'S FINANCIAL INCLUSION AND SUPPORT TO WSMES	15
8	FOSTERING FINANCIAL INCLUSION THROUGH WOMEN ENTREPRENEURSHIP	20
9	KEY SUCCESS FACTORS	22
10	THE WAY FORWARD	24
11	THE IMPACT OF COVID-19 ON WSMES IN ZIMBABWE	25
	ACRONYMS AND ABBREVIATIONS	26
	REFERENCES	26

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## 1. ZIMBABWE AT A GLANCE

1



**15.18 million**

Zimbabwe has a population of 15.18 million spread over 386,850 km<sup>2</sup>, 10 million of whom are rural, and 42 percent are below the age of 15.<sup>1</sup>

5



**5.3%**  
2020

**7.8%**  
2021

**4.6%**  
2021

Zimbabwe's GDP contracted to 5.3 percent in 2020 but grew by 7.8 percent in 2021. It is estimated to have slowed down to 4.6 percent in 2022.

2



**70%**

In 2019, 70 percent of Zimbabweans lived below the poverty line, with over six million living in food poverty.<sup>2</sup> As to religion, 87.4 percent of the population are practicing Christians.<sup>3</sup>

6



**280.4%**

Inflation increased from 5.8 percent in 2018 to 737 percent in 2020 due to increased monetary expansion, the depreciation of the Zimbabwe dollar, and COVID-19.<sup>6</sup> Inflation had reduced to 280.4 percent by September 2022.<sup>7</sup>

3



**51.1%**

In 2021, labor force participation for women stood at 51.1 percent<sup>4</sup>, but only 43 percent of the whole population is economically active.

7



**NDS1**

Zimbabwe has a National Development Strategy 2021-2025 (NDS 1) that aims to address economic challenges by strengthening gender mainstreaming across all sectors to promote women's active and equal participation in the country's economic development.

4



**19%**

**12%**

**11%**

The three biggest sectors contributing to gross domestic product (GDP) are wholesale and retail trade (19 percent), manufacturing (12 percent), and education (11 percent).<sup>5</sup>

1 World Bank. 2020. World Development Indicators.

2 UNDP. 2020. Human development summary capturing achievements in the HDI and complementary metrics that estimate gender gaps, inequality, planetary pressures and poverty.

3 Central Intelligence Agency. 2021. The World Factbook.

4 World Bank. 2022. Labor force, female (% of total labor force) - Zimbabwe

5 ZIMSTAT. 2019. Quarterly Digest of Statistics. Fourth Quarter 2019.

6 Making Access Possible. 2020. Zimbabwe Financial Inclusion Refresh.

7 Trading Economics. 2022. Zimbabwe Inflation Rate.

## 2. INTRODUCTION

This case study is part of a series of seven case studies developed to look at the many ways AFI member institutions in Africa are increasing women's financial inclusion and closing the women's SMEs (WSMEs) credit gap through financial policy and regulation.

Since its independence in 1980, the promotion of gender equality has been a priority for Zimbabwe. The Constitution of Zimbabwe (2013), Section 17, provides equal legal rights to women across all dimensions. Zimbabwe is a signatory to various regional and international conventions supporting gender equality and the economic empowerment of women, including the Convention on the Elimination of all forms of Discrimination Against Women (1991), the Southern African Development Community Protocol on Gender and Development (2008), the African Union Agenda 2063, and the United Nations Sustainable Development Goals (SDGs). As women's social, economic, and financial empowerment are mutually inclusive and interrelated, Zimbabwe has holistically pursued them with meaningful results.

In the United Nations Development Programme (UNDP) Human Development Report 2020, Zimbabwe scores 0.593 and ranks 146th out of 191 countries.<sup>8</sup> In the 2019 Africa Gender Index, Zimbabwe comes ahead (67.6 percent) of the African average of 48.6 percent. Still, the indicator for women's empowerment and representation, which includes women's parliamentary representation, ministerial representation, and land and house ownership, is low at 45 percent.<sup>9</sup> In 2020, only 31.9 percent of seats in the Parliament were held by women.<sup>10</sup>

Since 2004, several gender-responsive policies and programs have been implemented, as well as targeted measures to address women and women micro, small

and medium enterprise (WMSMEs) financial inclusion, such as the establishment of small and medium enterprise (SME) funds, Women Empowerment Fund, the Zimbabwe Women's Microfinance Bank (ZWMB) and the establishment of women's desks and SME Units in banking institutions. All have led to positive progress.

# 86.9%

The 2020 Doing Business report on women's economic inclusion established Zimbabwe's scores at 54.5<sup>11</sup> and 86.9 percent,<sup>12</sup> above the Sub-Saharan African countries' average of 51.8 and 69.9 percent.

The African Continental Free Trade Area (2018) treaty, to which Zimbabwe is a signatory, holds great promise for unlocking business opportunities for women entrepreneurs. In the first (2014-2018) and the second MSME Policy (2020-2024), the Government prioritized the development and growth of MSMEs in Zimbabwe. In the first phase of the National Financial Inclusion Strategy (NFIS I 2016-2020) and the second NFIS II (2022-2026), launched on 31 October 2022, youth and women are target groups for financial inclusion strategies. Other targets include MSMEs (60 percent of which are owned by women), rural communities, smallholder farms where the majority of women reside, pensioners, and the elderly.

However, gaps and challenges persist in some areas. Though parity is achieved at the primary level of education, the gender gap at the tertiary level stood at 16.9 percent.<sup>13</sup> A higher proportion of women have primary education and lower (38 percent) than men with primary education and lower (29 percent).<sup>14</sup>

8 UNDP. 2021. Human Development Report 2021-22.

9 AfDB. 2019. Africa Gender Index.

10 World Economic Forum. Global Gender Gap Report 2021.

11 World Bank. 2020. Doing Business 2020.

12 World Bank. 2020. Women, Business and Law 2020.

13 AfDB. 2019. Africa Gender Data Book.

14 FinScope. 2022. Consumer Survey.

TABLE 1: ZIMBABWE'S SCORES IN THE AFRICA GENDER INDEX 2019

AFRICA GENDER INDEX	ECONOMIC DIMENSION	SOCIAL DIMENSION	EMPOWERMENT AND REPRESENTATION
0.676	0.693	0.986	0.452

Source: AfDB. 2019. Africa Gender Index.

Similarly, HIV prevalence among women stands at 16.7 percent compared to 10.5 percent in men.<sup>15</sup> The maternal mortality rate is high at 525 deaths per 100,000 live births.<sup>16</sup> All this can significantly impact a woman's opportunity to be economically active.

This is exacerbated by weak macroeconomic conditions, decreased economic activity, and the COVID-19 pandemic. All are impeding the Government's efforts towards fulfilling the SDGs, especially SDG 1: No poverty and SDG 5: Achieving gender equality and empowering all women and girls. The informal sector, which accounts for 76 percent of total employment, was the most affected by the pandemic, resulting in high levels of poverty and unemployment.<sup>17</sup> People living in extreme poverty stood at 38.9 percent, primarily affecting women and youth, with 17.9 percent<sup>18</sup> of the female labor force unemployed and youth unemployment exceeding 80 percent.<sup>19</sup>

The country went through a recession in 2019 and 2020. Due to the negative effects of the harsh weather patterns characterized by droughts, floods, and the COVID-19 pandemic, GDP contracted by -6 percent and -4.1 percent, respectively. Although growth in 2022 is predicted at only 3 percent, the target is to grow the economy at an average of at least 5 percent per annum and attain middle-income status by 2030.<sup>20</sup>

Despite the progress made, socio-economic barriers coupled with supply-side and regulatory challenges still

exist, including increasing poverty levels, low income, a lack of collateral, low access to markets, high inflation, dilapidated infrastructure, and a high cost of financial service, all of which inhibit women's and WMSME's financial inclusion.

However, past experiences and learnings provide ample opportunities to address these challenges through enhanced collaboration and cooperation among stakeholders under the second NFIS. A renewed focus on developing a sex-disaggregated data (SDD) and measurement framework, enhanced digital literacy programs, the operationalization of the moveable collateral registry, the roll-out of women-centric financial services, the formalization of micro, small and medium enterprises (MSMEs), the strengthening of specialized institutions, and effective management of the twin responsibilities (financial stability and inclusion) would prove beneficial in narrowing the gender gap.

15 ZIMSTAT and ICF International. 2016. Zimbabwe Demographic and Health Survey 2015.

16 ZIMSTAT. 2017. Inter-Censal Demographic Survey.

17 UN. 2020. Immediate socio-economic response to COVID-19 in Zimbabwe.

18 World Bank. 2019. World Bank country data.

19 UN. 2020. Immediate socio-economic response to COVID-19 in Zimbabwe.

20 AfDB. 2021. African Economic Outlook.




Female market garden owner. (THEGIFT777 /iStock)

### 3. ENTREPRENEURSHIP IN ZIMBABWE

The MSMEs are the key driver of economic growth in Zimbabwe, contributing over 50 percent of the GDP and over 60 percent of the productive workforce.<sup>21</sup> They employ about 5.7 million people, of which the majority are women.<sup>22</sup>

The data on SMEs was updated through a FinScope survey in 2022. It has shown that:

**60%**  1.6 million MSME owners are operating 1.9 million businesses: 86 percent informal, 60 percent women-owned, and 71 percent rural.

**1.7M** These businesses employ 1.7 million people and have an estimated turnover of USD14.2B, contributing USD8.6B to the country's GDP.

**39.2%** The main sectors in which MSMEs operate are agriculture (39.2 percent) and wholesale/retail (37.3).

**<5%** All other sectors account for less than 5 percent of the total, and 84 percent of MSMEs are in the informal sector.<sup>23</sup>

A national definition of SMEs gives different weight to the various sectors, but no national definition of a woman-owned or -led SME exists.

Zimbabwe ranks 167th and 169th out of 190 countries in the World Bank Doing Business report,<sup>24</sup> with regard to starting a business and enforcing contracts, respectively. This could partly explain the high level of informality in the MSME sector.

In rural areas, about 95 percent of MSMEs owners operate micro-business as opposed to only 5 percent of those who operate SMEs. This is a strong case to prioritize rural entrepreneurship development and

support MSME access to credit. MSMEs with bank accounts increased by 213 percent (from 71,730 to 224,837), while total loan values increased by 25,734 percent (from ZWD131.69M to ZWD34.02B).

Despite this progress, MSME loans to total bank loans are still low at 5.54 percent, meaning access to finance for MSMEs is still a challenge, especially for WSMEs.

The Government of Zimbabwe has adopted an integrated approach to facilitating MSMEs to effectively contribute towards developing an inclusive and sustainable economy. Policies and initiatives include the Transitional Stabilisation Program (2018-2022), the Zimbabwe National Industrial Development Policy (2019-2023), the National Development Strategy (2021-2025), and the Comprehensive Agriculture Policy Framework (2012-2025).

<sup>21</sup> Research Council of Zimbabwe. 2019. Report on the National Research and Development Survey on SMEs and Cooperatives.

<sup>22</sup> FinMark Trust. 2012. FinScope MSME Survey Zimbabwe.

<sup>23</sup> FinMark Trust. 2022. FinScope Micro, Small and Medium Enterprises Survey Zimbabwe.

<sup>24</sup> World Bank. 2020. Doing Business 2020.

## 7

INCREASING WOMEN'S FINANCIAL INCLUSION AND CLOSING THE WOMEN-OWNED SMALL AND MEDIUM ENTERPRISE CREDIT GAP IN ZIMBABWE THROUGH ENABLING FINANCIAL POLICY AND REGULATION

TABLE 2: SME CLASSIFICATIONS IN ZIMBABWE

ENTERPRISE	MICRO	SMALL	MEDIUM
... WHOSE TOTAL INVESTMENT, EXCLUDING FIXED ASSETS, SHALL BE	up to 10,000	up to 250,000, except those in mining (up to 1,000,000), construction (up to 1,000,000), and manufacturing (500,000)	up to 500,000 except those in mining (up to 2,000,000), construction (up to 2,000,000), and manufacturing (1,500,000)
... WHOSE ANNUAL TURNOVER SHALL BE (USD)	up to 30,000	up to 500,000 except those in mining (up to 1,500,000) and construction (up to 1,000,000)	up to 1,000,000 except those in mining (up to 3,000,000) and construction (up to 2,000,000)
... EMPLOYING (PERSONS)	up to five	between six and 30 in all sectors but between six and 40 in manufacturing, mining, construction, energy, and transport	between 31-41, depending on the sector, and up to 75

Source: The Government of Zimbabwe. 2011. Small And Medium Enterprises Act. (Acts 16/1983, 17/1988, 24/1990, 3/1997, 22/2001 (s. 4), 6/2011).

TABLE 3: MSME FINANCIAL INCLUSION INDICATORS (DECEMBER 2016-MARCH 2021)

INDICATOR	DEC-16	DEC-17	DEC-18	DEC-19	MAR-20	JUN-20	SEP-20	DEC-20	DEC-21	JUN-22
VALUE OF LOANS TO MSMES (ZWD, MILLION)	131.69	146.22	169.96	462.98	1457.47	132134	2032.41	3013.85	10,280.92	34,021.15
AVERAGE LOANS TO MSMES AS % OF TOTAL BANK LOANS	3.57	3.75	3.94	3.92	4.66	3.49	3.57	3.66	3.9	5.54
NUMBER OF MSMES WITH BANK ACCOUNTS	71,730	76,524	111,498	116,467	121,945	121,872	145,237	139,902	168,917	224,837

Source: RBZ. 2021. Bank Supervision Division Microfinance Quarterly Industry Report.



Female street vendor. (poco\_bw/iStock)

## 4. WOMEN'S INCLUSION IN THE ECONOMY OF ZIMBABWE AND THE CHALLENGES THEY FACE

Women constitute 52 percent of the population and 50.9 percent of the labor force in Zimbabwe, respectively.

Agriculture contributes around 20 percent to the country's GDP and provides livelihood to 70 percent of Zimbabweans.<sup>25</sup> Eighty-six percent of the women's population depend on agriculture for their livelihoods. In this regard, increasing the participation of women in all spheres of life is critical for the country's economic growth and development.

The latest figures from the Reserve Bank of Zimbabwe (RBZ) show that women-owned bank accounts increased by 258 percent from 2016 to 2021, which is why they were not reflected in the 2017 Findex data.

Over the same period, loans to women increased nearly nineteen-fold, from ZWD277.3M to ZWD5.03B. However, the share of women's loans to total loans contracted by 2.7 percentage points, showing how difficult it is for women to get finance.

# 204%

Between 2016 and 2022, women opening bank accounts increased by 204 percent. RBZ

Despite the progress made so far, much remains to be done. Some of the challenges women face include the following.

**Low economic growth** - The Government and the RBZ have prioritized monetary and economic policy interventions under NDS 1 to revamp the depressed economy. However, it will take time before the economy can recover. As a result, it could constrain the optimum implementation of financial inclusion initiatives, such as the formalization of the informal sector, the capitalization of specialized institutions, and agricultural industrialization. Besides, persistent hyperinflation coupled with an unstable ZWD could erode microfinance institutions' (MFIs) capital, increase operational costs, lead to low profits and limit MFIs ability to serve women and WMSMEs.

**Low-income levels** - Zimbabwe's economy has been challenged by many financial, economic, and environmental problems that had a major effect on the agriculture sector, where most women are employed. Low production levels have reduced income due to persistent hyperinflation, negatively affecting women's income. Additionally, lack of time—resulting from long hours spent in unpaid work averaging 17 hours per week—restricts WSMEs from expanding their businesses, thus stagnating their growth and access to markets. The COVID-19 lockdown measures have further worsened women's ability to work and earn, translating to low incomes, reduced savings, and increased borrowing.

25 FAO. 2017. National Gender Profile of Agriculture and Rural Livelihoods- Zimbabwe: Country Gender Assessment Series.

TABLE 4: MSME FINANCIAL INCLUSION INDICATORS (DECEMBER 2016-JUNE 2022)

INDICATOR	DEC-16	DEC-17	DEC-18	DEC-19	MAR-20	JUN-20	SEP-20	DEC-20	DEC-21	JUN-22
NUMBER OF WOMEN WITH BANK ACCOUNTS	769,883	935,994	1736,285	2,152,185	2,251,300	2,536,558	2,506,671	2,570,835	2,391,136	2,338,815
VALUE OF LOANS TO WOMEN (ZWD, MILLION)	277.3	310.78	432.36	586.74	841.19	1183.16	245056	3280.61	14,666.06	42,972.89
AVERAGE LOANS TO WOMEN AS A % OF TOTAL BANK LOANS	7.52	7.96	10.57	15.59	4.25	2.93	4.31	3.98	5.57	7.00

Source: RBZ. 2021. Bank Supervision Division Microfinance Quarterly Industry Report.



**Social and cultural norms** - Zimbabwe is a patriarchal society. Women are considered minors even though their equal rights are guaranteed in the Constitution. The customary law gives men the right to sell jointly owned assets, such as land. However, a woman cannot inherit her husband's land as his family's claim takes precedence. Women and their children are often evicted from their homes when widowed. Men still customarily pay lobola (a dowry) and believe they have some ownership over their wives, expecting her to obey them.<sup>26</sup> Women are generally constrained to low-paid work or work in the home without pay. The USAID's program Indoda Emadodeni (A Man Among Men) is working to overcome some barriers and increase joint decision-making and childcare.<sup>27</sup>

**Difficulty in processing national identity document** - One of the primary requirements under the Know-Your-Customer (KYC) requirements to open a bank account or a mobile money account is the biometric national identity document (NID), a key challenge for women, especially single mothers. A birth certificate and the applicant's father's NID are mandatory to process a NID. According to Making Access Possible (2020), 17 percent of women in Zimbabwe lack a NID, thus restricting their ability to access and use formal financial services. To apply for a bank loan, MSMEs have to provide a minimum of seven documents, which take much time to collect and complete. This is not always possible with women's lower levels of financial education.

**Lack of access to education** - Early years education is free in Zimbabwe. However, there are still over 400,000 primary school-aged children out of school.<sup>28</sup> Less than 15 percent of girls complete their upper secondary education, and this falls to only one percent of children from the poorest households.<sup>29</sup> A lack of education also establishes language barriers. Most financial documents are provided in English, which is not necessarily the language best understood by most women, particularly those operating businesses in rural areas. A lack of education impacts girls' opportunities throughout their lives, increases their domestic burdens, and increases the risk of adverse life outcomes.

**Child marriage and early pregnancy** - One in three girls is married before 18 in Zimbabwe. Customary marriages still take place, especially in the indigenous apostolic churches.<sup>30</sup> There is no minimum age for civil or customary marriage.<sup>31</sup> However, a draft Marriages Bill (2019) is awaiting approval from the Senate. The Bill will raise the legal age of marriage to 18 years and criminalize child marriage, which is already outlawed in the Constitution. There is a National Action Plan

and Communication Strategy on Ending Child Marriage (2019-2021), but its impact is unknown. The adolescent fertility rate in Zimbabwe is 80.36 per 1,000 women compared to 39 per 1,000 women in Rwanda.<sup>32</sup> Early pregnancy causes girls to drop out of school, be more at risk of early marriage, have fewer economic choices, be more reliant on others for their income, and be more at risk of gender-based violence (GBV).

**GBV** - This is a far too common occurrence for women in Zimbabwe, and the economic conditions and COVID-19 pandemic only add more pressure. There has not been an update to the national-level survey data since 2015, which showed that 20 percent of married women had been beaten by their partner in the previous 12 months.<sup>33</sup> The COVID-19 pandemic added more pressure. The National Gender-Based Violence hotline recorded a 40 percent increase in calls during 2020. Fifteen percent of those calls were related directly to economic violence.<sup>34</sup> The Domestic Violence Act (2006) is supported by an Anti-Domestic Violence Council (2009), but it lacks the resources to be fully effective. The Spotlight Initiative is a USD30,000,000 four-year national program that looks at the socio-economic cost of GBV as its second outcome.<sup>35</sup> It supports GBV survivors through a range of initiatives. One of these is the economic empowerment of 618 women in two districts who were given support to start their businesses, and 70 percent went on to do so.

**Absence of a national definition of women entrepreneurs** - The Small and Medium Enterprises Act 2011 provides for the sectoral classification of MSME businesses based on the number of employees only. However, there is no definition of WSMEs. Similarly, MSME data collected by the RBZ lacks granularity regarding sector, ownership, and gender. All could pose challenges in detecting the SME financing gap, understanding its underlying reasons, and crafting policies to address it.

26 FAO. Gender and Lands rights Database.

27 Borgen Project. Zimbabwe challenges cultural gender normalities.

28 World Bank. 2021. Children out of school, primary - Zimbabwe.

29 CAMFED. CAMFED Zimbabwe.

30 Human Rights Watch. 2021. Ensure Justice for Zimbabwe's Child Brides.

31 Reuters. 2021. U.N. condemns Zimbabwe child marriages as girl dies after giving birth.

32 World Bank. 2019. Adolescent fertility rate (births per 1,000 women ages 15-19) - Zimbabwe.

33 Government of Zimbabwe. 2015. Demographic health survey, final report.

34 UNOCHA. 2021. ZIMBABWE Cluster Status: Protection (GBV).

35 Multi-Partner Trust Fund Office. 2021. Zimbabwe Spotlight Country Program.

## 5. ACCESS TO FINANCE FOR ZIMBABWEAN WOMEN

Zimbabwe has made commendable progress in advancing women's financial inclusion, increasing access rates from 29 percent in 2014 to 52 percent in 2017,<sup>36</sup> mainly driven by mobile money.

The FinScope Survey 2022 shows that the gender gap has narrowed from 24 to 12 percent. Since 2014, women's account ownership has increased from 27 to 43 percent in 2022, and men's account ownership has increased from 33 to 50 percent in 2022. Since 2017, women-owned bank accounts have increased by 175 percent to 2.6 million, while loans to women increased tenfold, reaching ZWD3.28B by the end of 2020.<sup>37</sup> NDS 1 prioritizes increasing access to finance for women entrepreneurs through targeted funding for women empowerment initiatives and capitalization of ZWMB.<sup>38</sup> The NDS 1 also aims to have 90 percent of the population financially included by 2025.

### FINANCIAL INCLUSION IN ZIMBABWE USING FINSCOPE AND INDEX DATA

Zimbabwe uses both the FinScope and the Findex data for financial inclusion policymaking. The first NFIS was primarily based on 2014 FinScope data, except for gender gap comparisons from 2017 Findex data. Overall, although there are differences in the data, both surveys show progress in financial inclusion. The 2014 FinScope shows formal financial inclusion at 69 percent, while the 2014 Findex shows it at 32 percent. Similarly, women's access to formal financial services stands at 68 percent in FinScope and 29 percent in Findex. In 2017, the women's financial inclusion rate increased to 52 percent as per Findex data, which is still six percentage points below 2014 FinScope data. By 2021 it had risen to 54 percent according to Findex data. No demand side-survey has been conducted since 2014. It is imperative to monitor and measure financial inclusion progress effectively and to inform the second NFIS, which is currently under formulation.

Source: World Bank Findex 2014, World Bank Findex 2017, World Bank Findex 2021, FinMark Trust FinScope Consumer Survey 2014

Despite progress, access to finance remains a challenge for women and WSMEs. The use of business support services is low, with only 10 percent of all SMEs using support organizations. In 2022, significant progress can

be seen in the number of WSMEs using banks and other formal non-bank services.<sup>39</sup> There has been a substantial decrease, from 42 percent to only 5 percent, in those excluded WSMEs.<sup>40</sup>

However, there has been a large decrease in the number of SMEs (all gender) who save, from 28 percent who did not save in 2012 to 60 percent who did not save in 2022. There has also been a smaller decrease in those who save at banks but an increase in those who save informally.<sup>41</sup>

The use of credit was slightly different, with more SMEs (all genders) accessing credit across various platforms. There was a large decrease, from 85 percent to 59 percent, in the number of SMEs who did not borrow at all and a large increase, from 4 percent to 39 percent, in those using informal credit mechanisms.<sup>42</sup>

A number of barriers impede women from fully accessing and using financial services, including a limited supply of appropriate funding to suit their specific needs. Despite the revolving funds made available by the RBZ under the NFIS, a huge financing gap still exists.

To understand how confined women are in the informal sector, consider the ZWD5.43B (USD1.81B) demand for financing, which is over 1.5 times that of formal micro and SMEs combined.<sup>43</sup>

### BANKS

Banking institutions have played a major role in fostering women's financial inclusion by establishing "women desks" and SME units, which are popular among women and MSME clients. Banks also provide literacy programs to women to build their financial capability in accessing and using financial services. Between 2010 and 2017, banks reduced interest rates from 30 percent to a low of six percent for productive lending targeting businesswomen. Bank loans to women increased tenfold from 2017 to 2020. Banks have also partnered with mobile network operators to provide digital financial

36 Demircug-Kunt, Asli et al. 2018. Global Findex Database 2017: Measuring Financial Inclusion and the FinTech Revolution. Washington, DC: World Bank.

37 RBZ. 2020. Financial Inclusion Indicators.

38 Government of Zimbabwe. 2020. National Development Strategy 1.

39 Services are provided by regulated non-bank formal financial institutions (insurance companies, MFIs, mobile money).

40 FinMark Trust. 2022. Micro, small, and medium enterprises survey highlight: Zimbabwe.

41 FinMark Trust. 2022. Micro, small, and medium enterprises survey highlight: Zimbabwe.

42 Ibid.

43 IFC. 2017. MSME finance gap report.

**TABLE 5: THE TYPE OF FINANCIAL SERVICE PROVIDER USED BY SMES IN ZIMBABWE - 2012 AND 2022**

	BANKED	BANKED	OTHER FORMAL (NON-BANK)	INFORMAL ONLY	EXCLUDED
2012	11%	11%	3%	44%	42%
2022	30%	30%	63%	2%	5%

**TABLE 6: THE TYPE OF SAVINGS MODALITY USED BY SMES IN ZIMBABWE 2012-2022**

	SAVE IN THE BANK	SAVE IN OTHER FORMAL (NON-BANK)	SAVE INFORMALLY	SAVE WITH FAMILY OR FRIENDS	DO NOT SAVE
2012	13%	1%	35%	24%	28%
2022	0%	1%	39%	0%	60%

**TABLE 7: THE TYPE OF CREDIT USED BY SMES IN ZIMBABWE 2012-2022**

	CREDIT AT BANK	CREDIT AT OTHER FORMAL NON-BANK	INFORMAL SOURCE OF CREDIT	CREDIT FROM FAMILY OR FRIENDS	DO NOT BORROW
2012	2%	2%	4%	7%	85%
2022	1%	0%	39%	1%	59%

**TABLE 8: MSME UNMET DEMAND FOR CREDIT IN ZIMBABWE**

FULLY CONSTRAINED WMSME (%)	PARTLY CONSTRAINED WMSME (%)	UNCONSTRAINED WMSME (%)
23%	44%	34%

Source: IFC. 2017. MSME finance gap report.

**TABLE 9: PERC. AND NO. OF CONSTRAINED WSMES IN ZIMBABWE**

MICRO: POTENTIAL DEMAND (ZWD)	SME: POTENTIAL DEMAND (ZWD)	INFORMAL POTENTIAL DEMAND (ZWD)
599,117,294	2,631,303,759	5,430,225,202

Source: IFC. 2017. MSME finance gap report.

services (DFS) (mobile, card, and internet banking) facilitated by a wide network of access points. Steward Bank, the largest bank in terms of customers, provides an instant account opening facility and an online credit program called Kashagi to help women manage their consumption and liquidity problems.<sup>44</sup>

### MOBILE MONEY OPERATORS

Zimbabwe has a mature mobile money market with 4.13 million mobile money subscribers.<sup>45</sup> Seventy-five percent of MSMEs use mobile money, 79 percent transact, and 63 percent use some form of DFS.<sup>46</sup> Three leading mobile network operators provide DFS: EcoCash, Telecash, and One Money.<sup>47</sup> EcoCash, owned by Econet Wireless, leads the market with 92 percent of the active mobile money subscriptions, with equal dominance in the number (98.31 percent) and value (95.92 percent) of mobile money transactions (SDD are not available).<sup>48</sup> Through their partnership with Ecosure, EcoCash provides a microinsurance product bundled with EcoCash savings accounts targeting women-led burial societies.<sup>49</sup> These products have benefitted 3,840 women's groups: they get insurance coverage to meet the funeral expenses of their loved ones, and Ecosure and EcoCash benefit from increased revenues.

Despite being the primary driver of financial inclusion, the RBZ placed mobile money operators under regulatory restrictions in 2020 due to the abuse of mobile money platforms for money laundering and currency speculation purposes. This changed the payment system landscape considerably (Table 10).

These new restrictions now allow only one mobile wallet per person with a daily transaction limit of ZWD5,000 (USD50) and prohibit mobile money agent operations. This has negatively affected SMEs, rural clients, and women. It is unclear how bad the impact has been for these groups without a good SDD. There has also been a two percent intermediated money transfer tax introduced in 2018 that discourages the use of DFS. It led to an increased demand for cash in a cash-strapped economy.

### MICROFINANCE INSTITUTIONS

There are two types of MFIs in Zimbabwe: the 191 credit-only MFIs and the eight deposit-taking MFIs. They are both regulated by the RBZ.<sup>50</sup> They are serving the credit portfolio detailed below.

Microfinance catalyzes financial inclusion, given its ability to reach, nurture and connect women and informal businesses to the formal economy- thereby

promoting inclusive economic growth. MFIs cater effectively to women and WSMEs and are vital to driving rural entrepreneurship. For example, the ZWMB trained women leaders and agents to help illiterate women open accounts and make deposits. For credit, joint liability groups are encouraged for marginalized women where women guarantee each other, addressing their collateral pain point and ensuring timely repayments of loans. The ZWMB supports women entrepreneurs in livestock production by adopting value-chain financing, enabling them to expand and sustain their businesses. The MFI sector has experienced impressive growth since 2016, driven by specialized MFIs, increased demand for micro-credit, increased technology adoption, and effective policy interventions<sup>51</sup>.

### SAVINGS AND CREDIT COOPERATIVE SOCIETIES

Savings and Credit Cooperative Societies (SACCOs) are membership-owned bodies regulated by the Ministry of SME under the Cooperatives Societies Act (2021) that provide deposit and credit facilities to their members. Most loans do not require collateral and are instant, addressing the time and security pain points that women often experience. In 2019,<sup>52</sup> there were 87 SACCOs, with 250,000 members having ZWD6.7M (USD6.7M) in savings and ZWD6.1M (USD6.1M) in loans.<sup>53</sup> SACCOs also promote rural women's entrepreneurship through a community-led model that helps women start, scale, and sustain their businesses. One example is the Kupfuma Ishungu SACCO in Murehwa District, which increased its goat-production business under the UN-Women and SNV Zimbabwe Making Markets Work For Women project. The project facilitated the commercialization of a goat business with better access to the market and enhanced livestock production skills, including two hectares of land for goat grazing, which benefitted 20 women and their families. Another project supported influential male community champions who advance women's rights. Its success enabled it to be rolled out to a further 15 wards.<sup>54</sup>

44 FSD Africa. 2020. Zimbabwe FinTech ecosystem study.

45 RBZ. 2022. MONETARY POLICY STATEMENT - STAY THE COURSE 7 FEBRUARY 2022.

46 FinMark Trust. 2022. FinScope Micro, Small and Medium Enterprises Survey Zimbabwe.

47 Postal and Telecommunication Regulatory Authority of Zimbabwe March 2020 report.

48 Ibid.

49 Global System for Mobile Communications. 2019. Econet's EcoSure Solution: Driving Women's Financial Inclusion in Zimbabwe.

50 RBZ. 2021. Microfinance Quarterly Industry Report as at 30 June 2022.

51 RBZ. 2019. Microfinance Annual Report.

52 World Council of Credit Unions. 2019. Statistical Report.

53 RBZ. 2019. Exchange rates, December 2019.

54 SNV, UN Women. Stepping Up Women's Economic empowerment.

**TABLE 10: ZIMBABWE PAYMENT SYSTEMS ACCESS POINTS AND DEVICES**

	QUARTER ENDING DEC-19	QUARTER ENDING SEP-20	QUARTER ENDING DEC-20	QUARTER ENDING SEP-21
MOBILE BANKING AGENTS	59,219	52,065	0	0
ATMS	542	527	532	410
POINT OF SALE	121,413	128,896	125,277	136,669
DEBIT CARDS	5,625,031	5,989,282	5,675,458	6,323,462
CREDIT CARDS	18,089	16,595	17,093	15,227
PREPAID CARDS	99,278	112,154	124,210	142,157
MOBILE BANKING SUBSCRIBERS	6,543,758	4,261,048	5,201,677	4,052,994
INTERNET BANKING SUBSCRIBERS	415,901	427,993	447,033	480,926

Source: RBZ. 2021. National Payment Systems Third Quarter Endings 30 September 2021.

**TABLE 11: ZIMBABWE PAYMENT SYSTEMS ACCESS POINTS AND DEVICES**

NUMBER OF ACTIVE LOAN CLIENTS	NUMBER OF FEMALE BORROWERS	PERCENTAGE OF FEMALE BORROWERS	LOANS TO FEMALE BORROWERS (UNITED STATES DOLLAR)	NUMBER OF BRANCHES
280,172	121,569	44.36	25,300.79	974

Source: RBZ. 2022. Microfinance Quarterly Industry Report as at 30 June 2022.



Village meeting adjacent to the Great Zimbabwe National Monument. (Goddard\_Photography/iStock)

## 6. ZIMBABWE'S COMMITMENTS AND TARGETS TOWARDS WOMEN'S FINANCIAL INCLUSION



As an AFI member, RBZ has made 24 commitments to the Maya Declaration under 12 thematic areas.<sup>55</sup>

Four of them pertain to women and SME Finance:

- (i) improve the mechanism for monitoring women's financial inclusion through the implementation of SDD
- (ii) collect and maintain disaggregated financial inclusion data
- (iii) establish a platform for listing SME
- (iv) online purchase of shares.

As of December 2020, four targets have been completed.<sup>56</sup> Three of them will positively impact women's financial inclusion:

1. **The Centralized Credit Registry (CCR), established in 2017**, collects data from lenders to provide loans based on clients' data. This has helped women and WSME build credit histories where they would not have been able to otherwise. According to the Ministry of Finance and Economic Development Budget Report, CCR had 201 subscribers, 1.2 million credit records, and 771,482 credit inquiries as of March 2020. This has resulted in increased MSME financing. Loans to MSMEs increased, rising from ZWD146.22M in 2017 to ZWD3,013.85M in 2020.
2. **The launch of the C-TRADE trading platform in 2018 by the Escrow Group** enabled individuals and SMEs to buy and sell shares online. This could help SMEs address their liquidity and financing needs.
3. **The launch of the Pfuma Inotho SME funding and listing platform**, which not only facilitates payments data-driven listing of SMEs but also enables them to raise funds directly from the capital market for their business.

The RBZ is also a member of AFI's Gender Inclusive Finance Committee, which provides strategic leadership in advancing women's financial inclusion in the AFI network.

<sup>55</sup> Financial education and financial literacy, DFS, financial inclusion of youth, inclusive green finance, SME finance, gender inclusive finance, e-money, microinsurance, national goals, financial inclusion data, consumer protection, and credit information system.

<sup>56</sup> AFI Portal.



Female using digital technology. (NickyLloyd/iStock)

## 7. POLICY AND REGULATORY INTERVENTIONS FOR WOMEN'S FINANCIAL INCLUSION AND SUPPORT TO WSMES

### POLICY INITIATIVES BY THE GOVERNMENT OF ZIMBABWE

Various regulators, policymakers, government institutions, and the private sector have been making concerted efforts to promote entrepreneurship development, particularly focusing on WSMSEs. The Government has implemented various initiatives that directly or indirectly promote women's financial inclusion and meet the broader objectives of gender equality and women's economic empowerment.

The Ministry of Women Affairs, Community, Small and Medium Enterprises Development (MWACSMED) is the lead agency promoting WSMSEs in Zimbabwe. The Ministry has implemented several, such as the Broad-Based Women's Economic Empowerment Framework (2011), the Gender-Responsive Economic Policy Management Initiative, and Mid-Term Plan (MTP 2011-2015), to enhance and support women's equal economic participation in all sectors of the economy. The results from these programs appear to be mixed so far and require further analysis. The Second National Gender Policy 2013-2017 identified "Gender and Economic Empowerment" as one of the eight priority areas to promote women's equal access to economic opportunities and benefits from the country's development.

The Government of Zimbabwe prioritized women's financial inclusion under the Zimbabwe Agenda for Sustainable Socio-Economic Transformation through the recapitalization of the Small Enterprise Development Corporation to fund indigenous business projects owned by women and youth. The Ministry of Finance and Economic Development, the MWACSMED, the Ministry of Industry and Commerce, and the Ministry of Education and Tertiary Education have supported promoting women's financial inclusion. The Ministry of Education and Tertiary Education and the Ministry of Industry and Commerce conduct training programs to strengthen the entrepreneurial skills of WSMSEs for increased productivity, higher growth, and easy access

to markets. The Ministry of Finance and Economic Development and the MWACSMED facilitate access to finance for MSMEs and are responsible for the following initiatives:

- > establishment of SME fund
- > issuing an MSME Financing Policy
- > formalizing 85 percent of MSMEs
- > developing policies and a regulatory framework for SACCOs.

Other government-driven initiatives that have been implemented include the following:

- > Implementation of the Transitional Stabilisation Programme (2018-2020) focused on promoting the MSME sector through business linkages, market access, cluster development, business incubation and support services.
- > Implementation of the Zimbabwe National Industrial Development Policy (2019-2023) to promote broad-based economic empowerment, inclusive economic growth, and employment creation through innovative industrialization with an explicit focus on supporting and nurturing SMEs through the promotion of linkages between SME clusters and industries.
- > The National Development Strategy (NDS 1, 2021-2025) has specific targets to increase SMEs in the manufacturing sector by 15,000 and those in rural areas by 5,000 by 2025.
- > The Comprehensive Agriculture Policy Framework (2012-2025) aims to increase access to finance for agricultural MSMEs.
- > The launch of Vision 2030 in 2018 has renewed focus on mainstreaming MSMEs, gender equality, and women's empowerment in promoting inclusive economic growth.
- > Issuance of the Infrastructure Investment Plan (2019) to build a modern, affordable, and reliable infrastructure to promote and sustain inclusive growth supporting women's financial inclusion.
- > Establishment of nearly one hundred provincial Community Information Centers, jointly with the Ministry of Information Communications and Technology and the Universal Postal Union, to facilitate the provision of financial services and products.

## POLICY INITIATIVES BY THE RESERVE BANK OF ZIMBABWE

The NFIS I was launched in March 2016. It is aligned with Zimbabwe's Maya Declaration commitments, the Denarau Action Plan, and AFI members' commitment to reducing the financial inclusion gender gap by 50 percent by 2021. The NFIS I has two goals: (i) increase access to formal financial services from 69 percent in 2014 to at least 90 percent in 2020 and (ii) increase the proportion of banked adults from 30 percent in 2014 to 60 percent in 2020.<sup>57</sup> Table 9 provides an overview of the key strategic measures for women and MSME under NFIS 1.

Since the launch of NFIS I, numerous other initiatives have also been implemented. As their overview shows, they include those that target WMSMEs, but there are no available impact assessments on their effectiveness. While women's overall access to financial services is increasing, it is less clear which of these initiatives has the most significant impact. Appropriate research would be beneficial.

“

Financial inclusion can cover many things, but in Zimbabwe, we decided to focus on marginalized sections of society, including women.

”

Key informant, RBZ

**NFIS Working Groups** - Eight thematic groups, including two focusing on women's financing and development and MSME financing and development, were established to ensure the systematic acceleration of progress in line with the NFIS. The working groups focus on initiatives by stakeholders to enhance WSMEs financial inclusion.

**CCR** - Strengthening financial infrastructure through establishing the CCR in 2017 enables lenders to provide loans based on clients' data. This has helped women and MSME build credit history. Generally, women borrow responsibly, as the majority use loans for the intended

57 Reserve Bank of Zimbabwe. 2016. National Financial Inclusion Strategy

TABLE 12: KEY STRATEGIC MEASURES FOR WOMEN'S FINANCIAL INCLUSION AND MSME

STRATEGIC MEASURES	TARGET DATE	PROGRESS	STATUS
RAISE AWARENESS OF FINANCIAL PRODUCTS AND FINANCIAL SERVICES AMONG WOMEN	Ongoing	3.5m+	Achieved
BANKING INSTITUTIONS TO ESTABLISH SEPARATE WOMEN'S DESKS AND MSME BUSINESS UNITS	30 June 2016	13 and 17 established, respectively	Achieved
ASSIST WSMES IN SECURING MARKETS FOR THEIR PRODUCTS	Ongoing	Data not available	In progress
PROVIDE INCENTIVES AND SPECIFIC GOALS FOR THE INCREASED PROCUREMENT OF GOODS AND SERVICES FROM WSMES BY THE GOVERNMENT	December 2017	Data not available	In progress
BUILD THE CAPACITY OF FINANCIAL INSTITUTIONS TO SERVE WOMEN ENTREPRENEURS BETTER	Ongoing	Data not available	In progress
FORMALLY REGISTER 85% OF THE MSMES IN THE COMPANIES REGISTRY	December 2020	Data not available	In progress
IMPROVE THE PROPORTION OF FINANCIALLY INCLUDED MSMES TO 80%	December 2020	Data not available	In progress
AT LEAST 80% OF THE MSMES HAVE A FORMAL BANK ACCOUNT IN THEIR BUSINESS NAME	December 2020	Data not available 40% banked (FinScope MSME Survey 2022)	In progress
ESTABLISH USD10M SME FUND FOR EXPORTERS	December 2020	ZWD70M Export Finance Facility established	In progress

Source: RBZ. 2020. Interview on Gender Financial inclusion.



purpose and service their loans very well. As of March 2020, the CCR had 201 subscribers, 1.7 million credit records, and 771,482 credit inquiries, increasing MSME financing to 494,00 active loan accounts.<sup>58</sup> Loans to MSMEs increased, rising from ZWD146.22 million in 2017 to ZWD3,013.85 million in 2020.

**Movable Collateral Registry** - The RBZ finalized and launched the Movable Collateral Registry (MCR) on 18 November 2022. The Collateral Registry system will enable WMSMEs to pledge movable property, such as agricultural equipment, vehicles, livestock and crops, inventory and raw materials, and durable consumer goods as collateral. This development will enhance access to funding from formal banking institutions.

**Women Empowerment Fund** - In 2017, RBZ established the ZWD15M (USD15M) Women Empowerment Fund. These funds are channeled through banks and MFIs to women-owned businesses in the agro-farming sector at subsidized interest rates.<sup>59</sup>

“

**Empowerment funds build confidence in financial institutions to lend to marginalized segments of society, especially women.**

”

Key informant, RBZ

**MSME Empowerment Fund** - Establishment of seven MSME empowerment funds amounting to ZWD472.51M (USD472.51M) to promote the MSME sector through increased access to finance, linkages to supply chains, and capacity enhancement programs.<sup>60</sup>

**Agency Banking Standards** - The RBZ approved the adoption of Prudential Standards No. 01-2016/BSD: Agency Banking (2016) to support bank agent banking models to increase the proximity of financial products and services to clients. This was particularly the case in the currently underserved rural areas where most WSMEs reside. Agent banking reduced the cost of banking for women, who no longer needed to travel long distances to access banking services.

**Tiered KYC requirements** - The RBZ has developed tiered KYC requirements to enable low-risk customers, including women in the informal sector, to open low-cost bank accounts that are less stringent and give them better access to lease trading spaces or offices.<sup>61</sup> According to RBZ, low-cost accounts increased by 388

percent from 1.2M in 2016 to 5.85M in 2020.<sup>62</sup>

**Banking products and services designed for women's needs** - The ZWMB and Empower Bank were established to facilitate access to finance by WMSMEs. This has also enabled access to markets for their products (cotton, sesame seeds, sorghum) through creating value chains and partnerships with entities such as the Oil Seeds Association of Zimbabwe, Life Brand, and Delta Beverages, among others. Through such initiatives, the ZWMB has enabled around 10,000 rural women to acquire farm inputs, promoting rural entrepreneurship. One of its unique products is a mobile-based loan, KaTsaona. It is popular with women because it helps them meet financial emergencies. It also provides agriculture and livestock loans in partnerships with business entities, leading to increased income and employment among women.

**Women's desks and SME units** - As of September 2020, 13 of 19 banking institutions have established women's desks and 17 banks have SME units. These desks and units facilitate the provision of financial services, such as the opening of bank and loan accounts, financial literacy, identifying potential MSMEs, and then leading to increased access and usage of financial services. While overall policy initiatives have impacted women's financial inclusion, women's desks and SME units as the primary touch points have accelerated women's and SMEs' interest and uptake in formal financial services.

**MSME Credit Guarantee Scheme** - In 2017, the RBW re-introduced the MSMEs Credit Guarantee Scheme under the Export Credit Guarantee Company to facilitate credit to MSMEs by providing a partial guarantee (up to 75 percent) to the banking institution against the MSME loan.

**Guidelines and regulation for MFIs** - There are Operational Guidelines for Deposit-taking Microfinance Institutions (2016) and the Microfinance Act No. 6 (2019), amended by the Government of Zimbabwe, to support the growth and stability of the MFI sector, which mainly serves women and MSMEs.

58 Ministry of Finance and Economic Development. 2020. The 2020 Mid-Term Budget and Economic Review.

59 The Sunday Mail. 12 March 2017. <https://www.sundaymail.co.zw/rbz-sets-aside-us15m-women-fund>.

60 RBZ. December 2020. Financial Inclusion Indicators.

61 RBZ. 2020. Zimbabwe National Financial Inclusion Journey 2016-2020.

62 RBZ. December 2020. Financial Inclusion Indicators.

**Zimbabwe national switch** - Operationalization of Zimswitch in 2020, which provides interoperability between mobile money operators and banks, enabling WMSMEs to transact in the comfort of their enterprises.

**Online share trading platform** - The launch of the C-TRADE trading platform in 2018 by the Escrow Group enabled individuals and SMEs to buy and sell shares online. This could help SMEs address their liquidity and financing needs.

**Access to capital markets** - The launch of the Pfuma Inotho, an SME funding and listing platform by the Financial Securities Exchange, not only facilitates payments data-driven listing of SMEs but also enables them to raise funds directly from the capital market for their business.

**Mobile Money regulation** - The 2020 Mobile Money Interoperability Regulations will allow for the seamless transfer of money between all mobile and bank accounts.

**Consumer Protection Framework** - The Consumer Protection Framework (2017) sets out the rights and obligations of consumers and regulated entities and customer complaint handling procedures. Its key objectives include "fostering consumer confidence and trust in the banking sector" and ensuring fair business

practices. These are particularly important for women with lower levels of financial literacy and more at risk of exploitation.

These actions led to a positive upward trend in not only the number of women with the bank and low-cost bank accounts but also the active use of these accounts, from over 1,000,000 women in 2016 to nearly 9,000,000 in 2020 (Figure 1).

However, this increase has not yet translated into the same rate of progress for MSMEs (Figure 2).

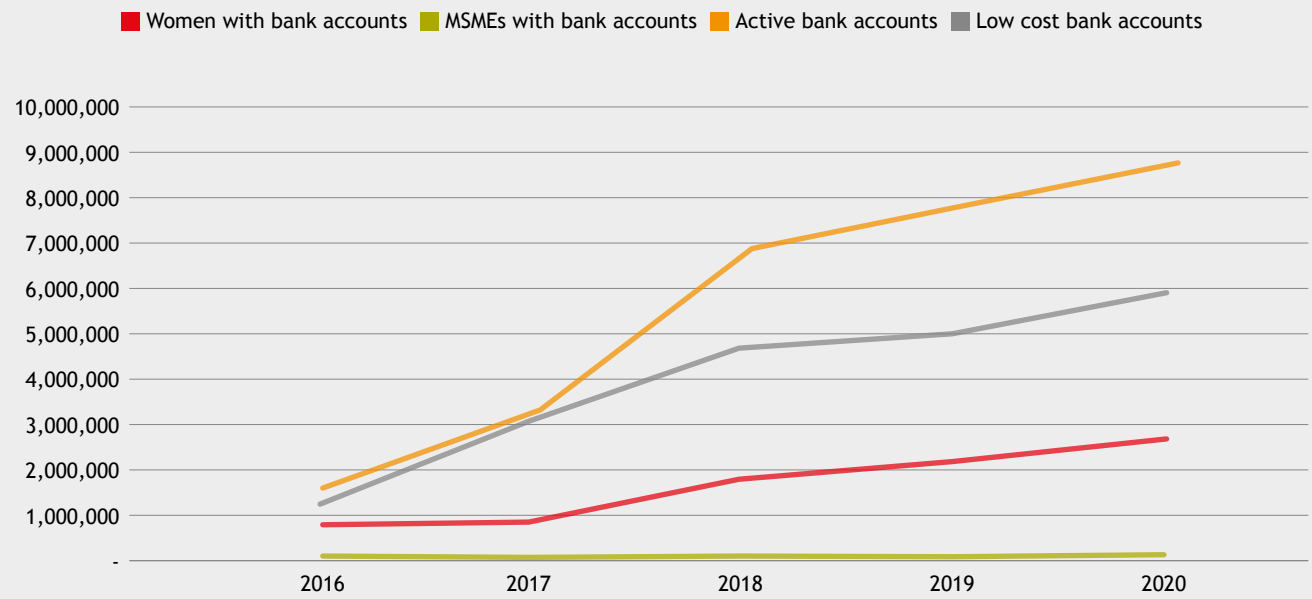
This increase in access and usage is particularly positive to see in the case of women, the youth, and MSMEs. However, MSME account access has not gone up at a significant rate since 2019. Those with accounts access to credit at a greater value/frequency than previously.

The policy initiatives under the RBZ and the 2016-2020 NFIS I have proved effective in advancing women's financial inclusion in Zimbabwe. These efforts are supplemented by the Securities and Exchange Commission of Zimbabwe and the Insurance and Pensions Commission to advance financial inclusion in the insurance and securities sectors. The latter facilitated the rollout of various microinsurance products for MSMEs under the Micro-Insurance Policy Framework 2017, primarily benefiting women.



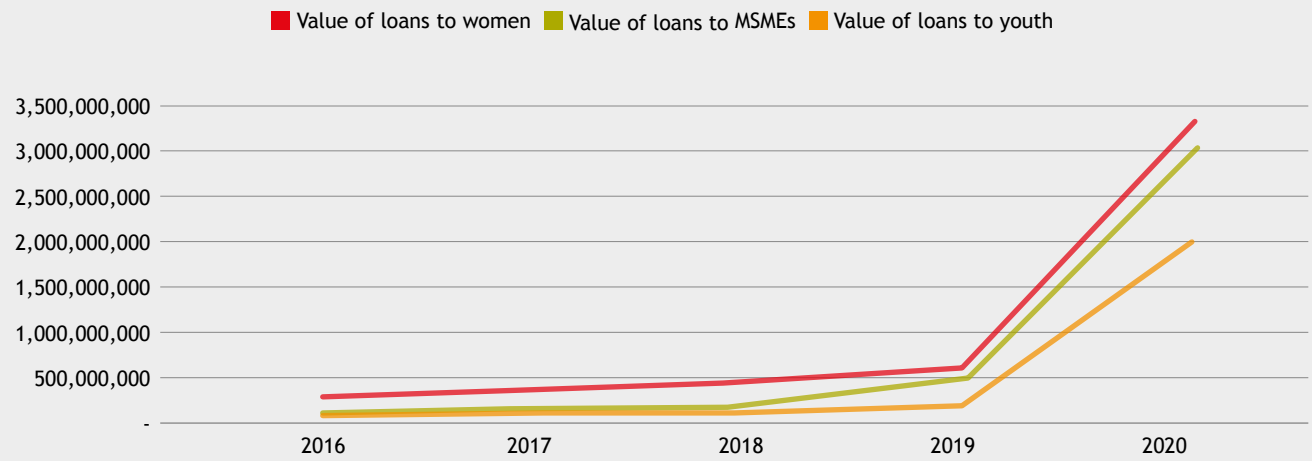
Female coworkers sharing knowledge using digital tablet. (julief514/iStock)

FIGURE 1: FINANCIAL INCLUSION ACCESS TRENDS IN ZIMBABWE (2016-2020)



Source: RBZ

FIGURE 2: FINANCIAL INCLUSION USAGE TRENDS IN ZIMBABWE (2016-2020)



Source: RBZ

## 8. FOSTERING FINANCIAL INCLUSION THROUGH WOMEN ENTREPRENEURSHIP

In relation to its entire economy, Zimbabwe has the second largest informal economy in the world, after Bolivia.<sup>63</sup> Table XXX shows that less than 20 percent of WSME and just over 30 percent of WMSMEs are formal.

Even with high levels of informality, policymakers and regulators in Zimbabwe acknowledge that empowering women to run and then formalize their businesses successfully can lead to greater economic stability, faster economic growth, and empower social change. This, in turn, positively affects the well-being of a country's society. Further, economically empowered women improve the livelihoods of their counterparts, as they tend to employ the most vulnerable groups of society. They are considered critical for poverty reduction as their location in home-type industries, backyards of high-density suburbs, and other peri-urban and rural localities enable them to identify easily with poor communities, from which labor synergies and other win-win arrangements are structured. Working from home can save on high commercial rental costs, but it can also mean the business lacks space, and the line between home life and business life becomes blurred.

Firms in Zimbabwe fare well in terms of female participation in ownership and the workforce.

# 14%

Women are the majority owners of about 14 percent of the total number of firms in Zimbabwe, where a third of full-time permanent employees are female (30 percent).

However, women are substantially underrepresented in large firms, particularly in top management and among owners (Figure 3).<sup>64</sup>

The COVID-19 pandemic has negatively impacted the informal sector in Zimbabwe, resulting in high levels of poverty and unemployment. However, there are several programs and initiatives that support women entrepreneurs across Zimbabwe. The UNDP supported Government efforts to improve women's economic

empowerment, with a focus on entrepreneurship and access to finance, through the 2016-2020 Zimbabwe United Nations Development Assistance Framework. It also supports the NDS 1 in its COVID-19 economic recovery process through the Immediate Socio-Economic Response to COVID-19 in Zimbabwe. Development agencies like FinMark Trust, the World Bank, and the United Nations Capital Development Fund have provided support with financial inclusion studies and the strengthening of credit infrastructure. These efforts are complemented by initiatives undertaken by women's groups whose activities crosscut across all sectors and dimensions.

The AfDB supports women entrepreneurs through the Sustainable Enterprise Development for Women and Youth Project, particularly focusing on dairy farming, horticulture, and small-scale mining. The project has two main outcomes:

- i. it created employment opportunities for at least 5,000 women and youth (60 percent for women (35+yrs) and youth in the target districts: Beitbridge, Marondera and Lupane, Guruve, Mutasa, and Mutoko)
- ii. it achieved a 50 percent increase in the incomes of the targeted youth and women enterprises and producers.

This is an ongoing program, so results are not yet available.

The Zimbabwe Women's Bureau is a membership organization that supports women in improving their economic stability and food security. It has more than 25,000 members, mostly women, and provides support with improving financial literacy, business development and skills training, community-saving, and mentoring and coaching. During the pandemic, the Pagungano 2021 program was launched to support WSMEs in gaining digital skills and taking their businesses online.<sup>65</sup>

63 Medina, L., and Schneider, F. 2018. International Monetary Fund. Shadow economies around the world: what did we learn over the last 20 years?

64 World Bank. 2016. Enterprise Survey 2016, Zimbabwe 2016-2017.

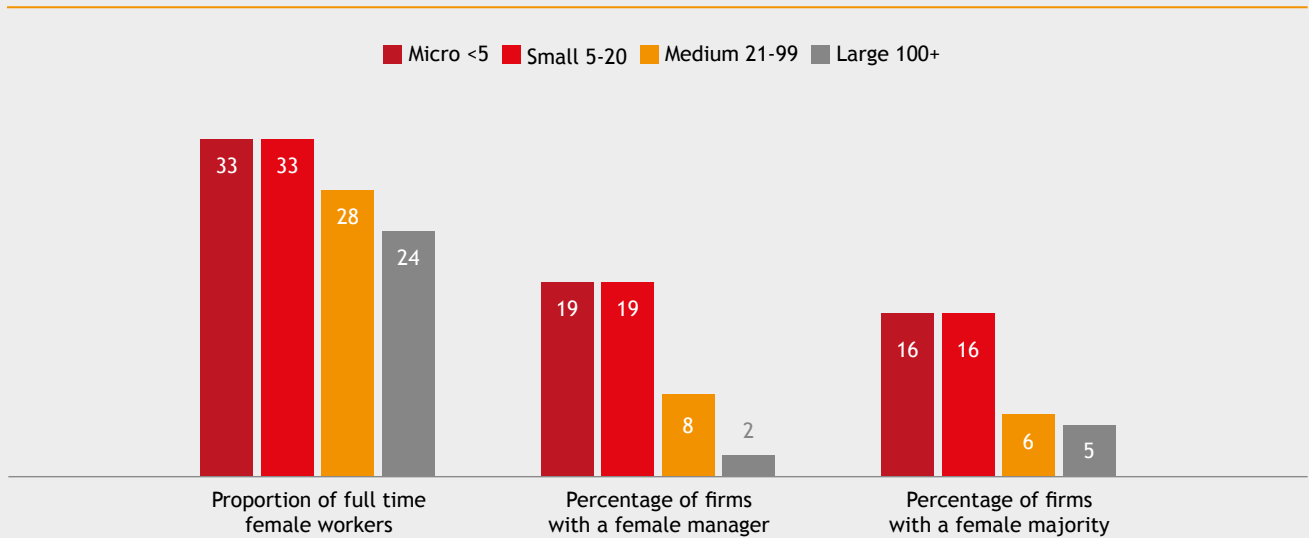
65 Zimbabwe Women's Bureau. 9 February 2021. Zimbabwe Women's Bureau Launches Pagungano 2021.

TABLE 13: THE NUMBER OF FORMAL MSMES AND WMSMES IN ZIMBABWE IN 2018

MSMES	FORMAL MSME	FORMAL SME
72,410	53,923	18,487
<b>WMSME</b>		
19,863 (27%)	16,298 - (30.23%)	3,566 - (19.29%)

Source: SME Finance Forum. 2019. MSME Finance Gap Database. (Updated Oct 2018)

FIGURE 3: WOMEN'S REPRESENTATION IN FIRMS IN ZIMBABWE



Source: RBZ

“ Information technology is curbing issues of GBV and harassment of women informal traders by peddlers and corrupt duty-bearers.

”  
Nomhle Nyoni, Vice Chairperson, ZWB

The Kunzwana Women’s Association focuses on women’s economic empowerment programs. About 10,000 women are affiliates. The Association provides digital training focusing on adding value to a business. It has a skills training center offering practical skills, including carpentry, handicrafts, and sewing. They offer self-paced training, including financial literacy, and host an online shop where affiliated women can sell their products. They have improved the livelihood of over 28,000 people across 17 districts and have a gender-balanced leadership team.

## 9. KEY SUCCESS FACTORS

Despite the ongoing national challenges in Zimbabwe, there is very positive progress in women's financial inclusion.

This is due to a range of intersections factors, the most significant of which include:

### **Institutional coordination and political commitment**

- To ensure stakeholder engagement and commitment, the RBZ collaborated closely with various stakeholders, including Government ministries and departments, tertiary institutions, development partners and NGOs, financial sector regulators and other players, private sector players, industry bodies, entrepreneurs, and communities in the development and implementation of all the strategies to support WMSMEs.

### **Supportive policy and regulatory framework -**

Successful implementation of the NFIS requires enabling policy, legal, and regulatory framework to facilitate effective participation by all players. In this regard, various regulatory changes were made, including amendments to the Banking Act (Chapter 24:20) to facilitate improved financial consumer protection for vulnerable segments.

**Appropriate infrastructure** - Adequate and appropriate physical infrastructure (road infrastructure and internet connectivity) and financial infrastructure (credit registry, collateral registry, credit guarantee scheme) continue to work towards reducing the barriers to doing business and promoting access to finance for WMSMEs.

**Effective use of the available data** - Although Zimbabwe is still conducting demand-side surveys (the last demand-side survey was done in 2014, while the last MSME survey was done in 2012), the RBZ has been leveraging supply-side data to make evidence-based policies. However, it is expected that demand-side and MSME surveys with gender considerations will be conducted in 2022 with the support of AFI and the World Bank.

**Zimbabwe Women Microfinance Bank** - The establishment of the ZWMB by the MWACSMED in 2012 is a key success story. The ZWMB is mandated to serve women and WMSMEs primarily in rural areas. The bank is entirely owned by the Government. It led the MFI sector deposits by 65 percent in 2019. It specializes in joint liability group loans, which have exceeded

ZWD100M (USD1.2M) as of 2020.<sup>66</sup> One of its unique products is a mobile-based loan called Katsaona. It is popular with women because it helps them meet financial emergencies. It also provides agriculture and livestock loans in partnerships with business entities, leading to increased income and employment among women. In line with its vision, the bank handholds clients to become financially, economically, and socially empowered.<sup>67</sup>

The bank incurs huge operational costs, so it plans to adopt digital products, services, and channels, such as POS terminals, mobile banking, and Zimswitch-connected ATMs.

“

To serve women, one has to first listen to their stories.

”

Key informant, ZWM

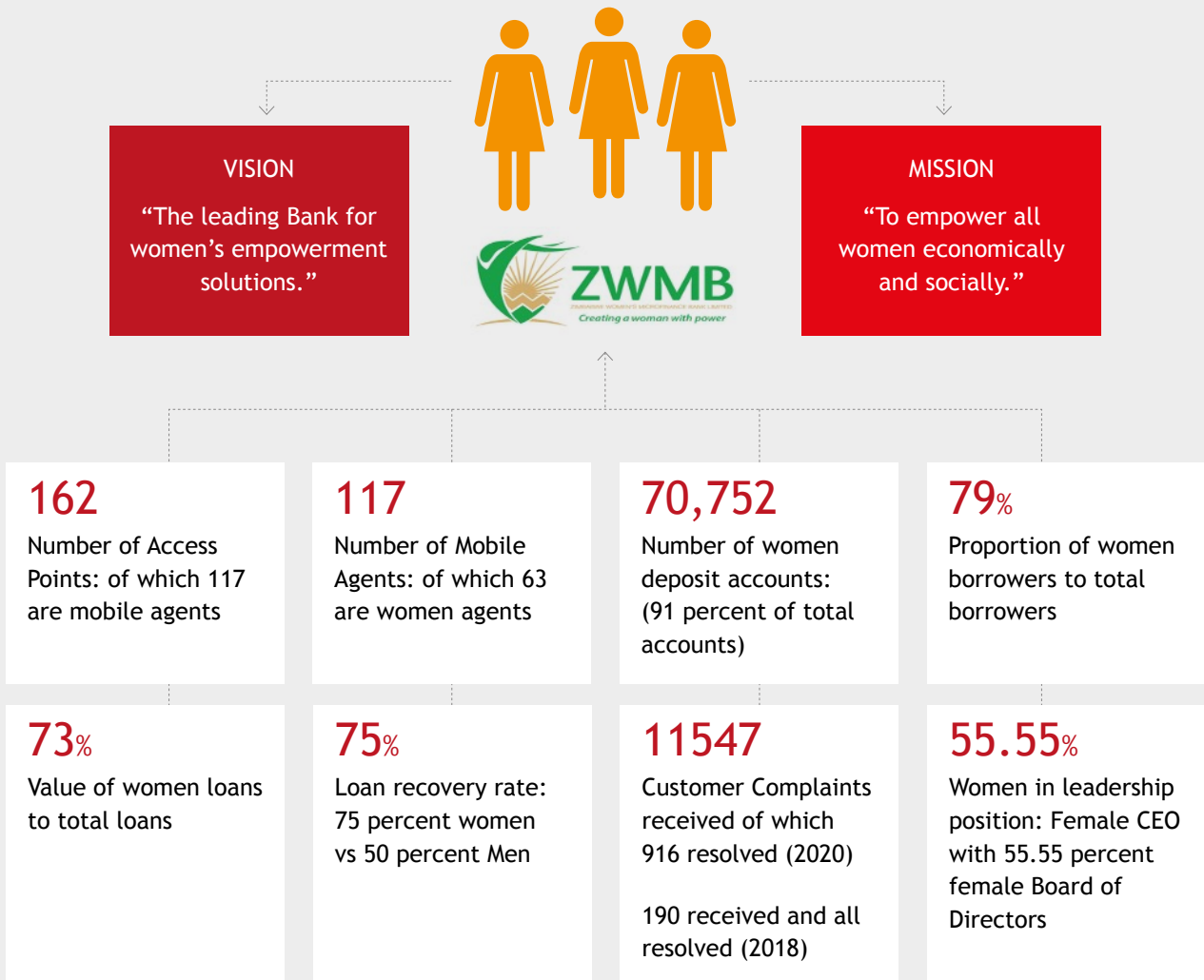
**RBZ's empowerment facilities** - Since these funds have significant capital, they can make a positive impact. They also have a particular focus for each fund to ensure they are highly targeted and reach the sectors where they will have the most impact. The subsidized interest rates overcome a significant cost factor women typically face when accessing formal financial services. The national data shows a significant increase in WSMES accessing credit since the funds were adopted.

**Women's desks and SME units** - One key achievement is the establishment of women's desks and SME units. As of September 2020, 13 of 19 banking institutions have established women's desks, while 17 banks have SME units. This has been supported by institutional capacity building and has resulted in many financial service providers (FSPs) now developing products and services aimed at the different segments of the women's market.

<sup>66</sup> RBZ. 2020. Exchange rates, 31 December 2020.

<sup>67</sup> Dr. Mandas Marikanda, CEO, ZWMB. Summary of interview on gender financial inclusion, 2021.

FIGURE 4: ZIMBABWE WOMEN'S MICROFINANCE BANK OVERVIEW



Source: Interview with ZWMB.



Female street vendor. (poco\_bw/iStock)

## 10. THE WAY FORWARD

### In moving forward, the government of Zimbabwe will focus on women and MSME policies to promote gender equality and women's empowerment under the NDS 1.

The RBZ will continue to prioritize women's financial inclusion under NFIS 2 (2021-2025) with support from stakeholders to ensure its holistic development and effective implementation. Several areas can be focused on, including:

**Promote MSME development** - To promote MSMEs, initiatives such as the provision of vendor marts and workplaces, specialized training, the establishment of rural innovation hubs, the implementation of the "one village, one product" concept, and enhanced participation in public procurement will be prioritized to achieve the target of 15,000 rural SMEs in manufacturing by 2025.

**Strengthen the operations of specialized institutions targeting WMSMEs** - The Small Enterprise Development Corporation will be recapitalized along with an enhanced corporate governance framework to promote and develop the MSME sector effectively. To enhance access to affordable agriculture financing, the Agribank will be restructured into a Land Bank supplemented by Government incentives to banks to increase agriculture lending, all of which will benefit WMSMEs, especially if they could use alternative forms of collateral to raise agri-finance.

**Promote the use of movable collateral to enhance MSME finance** - The MCR will be operationalized by RBZ, facilitating the use of movable assets such as equipment, inventories, farm and agricultural products, and household items for lending purposes. In doing so, WMSMEs that lacked collateral and could not get loans in the past will benefit from the MCR. The MCR will complement the CCR by strengthening the financial infrastructure required to support the growth and development of MSMEs.

**Encourage women- and MSME-centric financial services** - New financing models based on credit scoring and long-term savings supported by a palatable pricing policy should be developed to increase the uptake of loans by MSMEs. FSPs will be encouraged by the RBZ to leverage technology to reach the last mile of financial inclusion in a simple, fast, and cheap manner through

partnerships with mobile money operators and MFIs, leveraging on the latter's vast network in rural areas. This initiative aligns with NDS 1's plans to increase internet and mobile penetration levels to 75.42 percent and 100 percent, respectively, by 2025.

**SDD collection and analysis** - Developing the templates and the reporting mechanisms, similar to those in the AFI Guideline Note on Sex-Disaggregated Data Report Templates, will support the RBZ and all the FSPs in the ecosystem to fully understand the position of women's financial inclusion, WSME access to credit, and the existing gaps and success stories.

**Update national level data** - The existing FinScope data is outdated and needs to be updated with a fresh MSME and consumer survey to enhance the policymaking decisions that will go into the next iteration of the NFIS.

**Undertake impact assessments of existing legislation** - As the NFIS I has recently ended, there is great benefit in undertaking an end-of-term review to understand what lessons can be learned, what was successful, and what still needs to be addressed. There is also great benefit in undertaking mid- and end-of-term reviews of all the other national-level policies and strategies so that progress can be well coordinated, and any course changes can be made in good time.



## 11. THE IMPACT OF COVID-19 ON WMSMEs IN ZIMBABWE

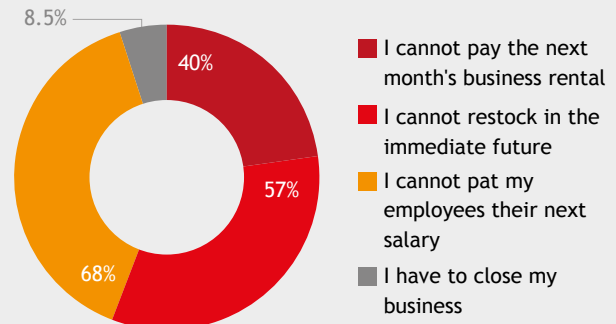
Just like most countries in the world, Zimbabwe was not spared from the effects of the COVID-19 pandemic.

Due to lockdowns, travel restrictions, and other COVID-19 preventative protocols, demand for domestic products and services significantly plummeted. In addition, access to imported raw materials became a major challenge as borders were closed. The pandemic threatened to reverse the gains registered by the country in driving the financial inclusion agenda.

A study conducted on the impact of the COVID-19 pandemic on MSMEs in Zimbabwe by the SIVI Institute revealed the depth of the problems MSMEs face (businesses have difficulties paying their staff, restocking, affording their rent, and some even closing).<sup>68</sup>

As a mitigation strategy to manage the impact of the pandemic on MSMEs in Zimbabwe, the RBZ made available a ZWD3B (USD52.3M) medium-term bank accommodation facility at a concessional interest rate of 10 percent per annum, against the normal rate of 15 percent. Banks can access the facility for on-lending to MSMEs.

FIGURE 5: THE IMPLICATIONS OF LOST REVENUE ON BUSINESS OPERATIONS IN ZIMBABWE, %



Source: Sivi Institute. 2020. Impact of COVID-19 Lockdown on Micro, Small and Medium Scale enterprises in Zimbabwe.

There was also a ZWD18B (approximately USD720M or nine percent of GDP) targeted economic package to stimulate the most affected economic sectors, including mining, tourism, manufacturing, agriculture, and MSMEs. Vulnerable groups, including women, were supported with direct income support.<sup>69</sup>

68 Sivi Institute. 2020. Impact of COVID-19 Lockdown on Micro, Small and Medium Scale enterprises in Zimbabwe.

69 UN. 2020. Immediate socio-economic response to COVID-19 in Zimbabwe.



Zimbabwean ladies wearing coronavirus face masks working in a textile factory. (Magnifical Productions/iStock)

## ACRONYMS AND ABBREVIATIONS

<b>AfDB</b>	African Development Bank
<b>CCR</b>	Centralized Credit Registry
<b>DFS</b>	digital financial services
<b>FSP</b>	financial services provider
<b>GBV</b>	gender-based violence
<b>GDP</b>	gross domestic product
<b>KYC</b>	Know-Your-Customer
<b>MCR</b>	Movable Collateral Registry
<b>MFI</b>	microfinance institution
<b>MSME</b>	micro, small and medium enterprise
<b>MWACSMED</b>	Ministry of Women Affairs, Community, Small and Medium Enterprises Development
<b>NDS 1</b>	National Development Strategy
<b>NFIS</b>	National Financial Inclusion Strategy
<b>NID</b>	national identity document
<b>RBZ</b>	Reserve Bank of Zimbabwe
<b>SACCOs</b>	Savings and Credit Cooperative Societies
<b>SDD</b>	sex-disaggregated data
<b>SDG</b>	Sustainable Development Goals
<b>SME</b>	small and medium enterprise
<b>UNDP</b>	United Nations Development Programme
<b>WSME</b>	Women-owned or women-led small medium enterprise
<b>ZWMB</b>	Zimbabwe Women Microfinance Bank

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