The Impact of Financial Inclusion on Female-Owned Small to Medium Enterprises: The Case of Siyaso Market in Harare Urban, Zimbabwe

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ABSTRACT

This study sought to understand the impact of financial inclusion on female-owned small to medium enterprises in Harare urban of Zimbabwe. A mixed methodology was used for the study while a case study of Siyaso Market in Harare was utilized. A total of 60 participants were involved in the study. These participants were selected through purposive sampling. Data were collected using a survey and semi-structured interviews. The study findings indicated that there were a number of factors that lead to profitability for female-owned small to medium enterprises. These included having a bank account and access to mobile banking services. A number of challenges were also being faced by female-owned small to medium enterprises. These were low-income levels and lack of documents required when borrowing from financial institutions. There is a need to improve the financial products and delivery models and strengthen financial consumer protection mechanisms, especially for women.

KEYWORDS

Female-Owned Small to Medium Enterprises, Financial Inclusion, Harare, Reserve Bank of Zimbabwe, Siyaso Market, Zimbabwe

INTRODUCTION

The relationship between financial inclusion and profitability of female-owned Small to Medium Enterprises (SMEs) has attracted attention in the literature as policy-makers seek to understand the influence of financial inclusion on profitability. SMEs are an integral part of the economy in developing countries, and play a crucial role in economic development. SMEs contribute around 45% of total employment globally, and up to 33% of Gross Domestic Product (GDP) in emerging economies (Peer, Goland & Schiff, 2010). Therefore, monitoring their performance is important for policy formulation and economic growth. SMEs face higher operational and growth constraints than...
larger firms, severely inhibiting their performance. Among these constraints, financial inclusion has been identified as the major barrier.

It is estimated that the total unmet demand for credit by all formal and informal SMEs in developing economies stands at around $US2.1 to $US2.6 trillion while globally the figure was between $US 3.2 to $US 3.9 trillion. This reflects a sizeable 30 to 36% of the current outstanding SME credit (McKee, Stein, Nowinski, Stern, Daneshvar, Alvarez & Cantu, 2013). Overall, approximately 70% of all SMEs in emerging markets lack access to credit finance (Peer et al. 2010). There is evidence that these enterprises have been unable to scale and achieve their potential primarily because of poor access and non-use of the required financial products and services.

Wasihun & Paul (2010) also noted that micro-enterprises are important to women especially in African countries, as they provide opportunities for self-employment, which represents a chance to exploit their potential. Kalpana (2016) revealed that female-owned SMEs are steadily growing all over the world, and positively contributing to household income and growth of national economies. IFC& McKinsey (2011) estimated that female-owned SMEs represent approximately between 8 to 10 million formal SMEs in emerging markets, which is around 31 to 38%. Despite the increasing recognition of female-owned SMEs’ contribution to economic growth, financial inclusion remains a challenge for them. According to the Global Financial Inclusion (GFI) database of 2014, even women in the high-income Organization for Economic Cooperation and Development (OECD) countries had 20% less success in borrowing from a financial institution than their male counterparts. In Zimbabwe, the financial inclusion gender gap between men and women has remained subdued at 9% since 2011 (RBZ, 2019).

In Zimbabwe, SMEs contribute approximately 70% of the country’s GDP and are capable of uplifting the livelihoods of more than 70% of the population (RBZ, 2011). SMEs occupy around 75% to 80% of business space and this includes the informal sector, providing approximately 80% to 85% of jobs across all sectors of the economy. However, in Zimbabwe, although the financial inclusion gap, according to 2017 Global Financial Index data, has narrowed to 7 percentage points, it is still tilted to the disadvantage of women. At 52% in 2017, women-owned bank accounts lagged behind that of men, which was 59% in the same period.

It is vital to note that the opportunity cost of this gender gap is significant, given that women entrepreneurs’ economic impact has a multiplier effect. Thus, it can be noted that considerable output and productivity gains can be achieved if there is equal access to productive resources for both men and women. Furthermore, it is estimated that failure to achieve Sustainable Development Goal (SDG) target 5 on the promotion of gender equality and empowerment of women could reduce per capita income growth rates by approximately between 0.1 to 0.3 percentage points (Baliomoune-Lutz & McGillivray, 2017). In addition, closing the credit gap in emerging economies by 2021 would increase average per capita growth rates by 12% by 2030 (Stupnytska et al. 2014). Therefore, it is critical that this study sought to understand the link between financial inclusion and the profitability of female-owned SMEs in Zimbabwe.

Location of Siyaso Market in Harare, Zimbabwe

Siyaso market was formed in Mbare suburb during the 1950s as a family industrial zone to promote self-employment. Siyaso has grown into a large commercial complex in the Mbare suburb of Harare. There are over 1000 entrepreneurs who are engaged in informal businesses in various industries such as welding, mechanical repairs, selling of building material, laundry, hairdressing, and catering among other activities. At Siyaso market there are more men than women due to the nature of the activities which are mainly heavy work and require technical skills and physical strength. Women are mainly involved in support services such as laundry, hairdressing, and catering. Zinyemba & Changamire (2014) noted that most of the SMEs at Siyaso market are unregistered and therefore informal. The goods manufactured at Siyaso market are relatively cheaper as compared to the formal sector.
LITERATURE REVIEW AND THEORETICAL FRAMEWORK

This section provides an in-depth analysis of the literature review and theoretical framework for the study. The study was guided by the public good theory and vulnerable theory of financial inclusion.

Public Good Theory

The Public Good Theory of Financial Inclusion argues that the delivery of formal financial services to the entire population should be treated as a public good for the benefit of all members of the population (Bhandari, 2018). The theory argues that there should be unrestricted access to finance for everyone. As a public good, individuals cannot be excluded from using formal financial services and individuals cannot be excluded from gaining access to financial services. All individuals should enjoy basic financial services without paying for them. Access to financial services to one individual does not reduce its availability to others. This means every member of the population can be brought into the formal financial sector and benefit (Mehrotra & Yetman, 2015). According to the theory, all members of the population are beneficiaries of financial inclusion and nobody should be left out. Any individual or small business that opens a formal bank account can be offered free debit cards and Automated Teller Machines (ATM) to perform transactions without being charged a transaction fee. In addition, the suppliers of financial services such as financial institutions will bear the cost of offering financial services as a sunk cost of doing banking business (Kim et al. 2018). The government may grant subsidies to financial institutions to help them cope with any resulting cost problems that may arise from offering free financial services.

According to the theory, female-owned SMEs are financially included. This positively affects the performance of their business (Bhandari, 2018). The merits of the theory are that everyone will benefit from financial inclusion and nobody will be left out, and the financial inclusion is achieved through public funding as the state takes responsibility for financial inclusion. On the other hand, the theory does not address the real cause of financial exclusion as it diverts public funding away from other important national projects. In addition, financial inclusion may become unsustainable when treated as a public good and may not be useful in explaining financial inclusion in developing and underdeveloped countries (Kim et al. 2018).

Vulnerable Group Theory

The Vulnerable Group Theory argues that financial inclusion activities or programs in a country should be targeted to the vulnerable members of society such as the poor, young, women, and the elderly people who suffer the most from economic hardship and crises (Ghosh & Vinod, 2017). Vulnerable people are often the most affected by financial crises and economic recession, therefore, it makes sense to bring these vulnerable people into the formal financial sector (Demirguc-Kunt et al. 2013). Female-owned SMEs have access to financial products produced by the financial sector and this positively influences the profitability of their business. The strengths of the theory are that it reduces the financial exclusion problem by targeting vulnerable groups such as women and the elderly (Swamy, 2014). In addition, it is cost-effective to target only the vulnerable members of the population. However, its weakness is that it does not prioritize financial inclusion for everybody in the population as it ignores non-vulnerable people outside the formal financial sector by assuming that women are a vulnerable group. This means that men are not considered a vulnerable group.

Definition of Financial Inclusion

There are a number of definitions that have been given by various scholars on financial inclusion. Chhikara & Kodan (2011) defined financial inclusion as the easy access of needy people to banking services available in appropriate forms. Nwanko & Nwanko (2014) defined financial inclusion as the process that ensures that all households and businesses, regardless of levels of income are able to
effectively access and use the appropriate financial services they need to improve their lives. Joseph & Varghese (2014) defined financial inclusion as an innovative concept, which helps to achieve sustainable development of an economy by making available financial services to the unreached people with the help of financial institutions. On the same note, Mataruka (2015) defined financial inclusion as the sustainable cost-effective provision of a wide range of financial services at an affordable cost to the majority of the population, enabling them to engage in income-generating activities, which improve their economic welfare.

Promoting financial inclusion in a global perspective widens economic inclusion, improves the financial condition of the population, and uplifts the standard of living of the SMEs who are financially excluded (Khan, 2011). Financial inclusiveness encourages the sustainability of SMEs through enhancing their access to cheaper sources of finance which would be vital in supporting their growth (Batance et al. 2018). Under-utilizing capital is one of the causes of growth constraints among SMEs. SMEs are very important in the investment and expansion strategy (Aldaba, 2011). SMEs are financially constrained and the relaxation of credit constraints or accessibility to finance among the SMEs compared to larger firms may lead to employment creation and increased labor productivity, therefore, contributing to economic growth and development (Ayyagari et al. 2016). The establishment and growth of SMEs may lead to employment and labor productivity across the country which leads to access to formal finance. The World Bank (2018) noted that the gains from the implementation of policy reforms geared towards boosting the growth of SMEs through the establishment of credit bureaus across the country may improve the financial inclusiveness of the citizens. Beck & Cull (2014) observed that financial inclusiveness is important for the growth of SMEs in Africa. There are various factors that affect the level of a country’s financial inclusiveness and financial development. These include the quality of the formal financial institutions, availability of relevant information, income per capita, governance, and the regulatory framework (Park & Mercado, 2015).

In most cases, SMEs in Africa do not even attempt to apply for a bank loan due to the challenges of complicated collateral requirements, high-interest rates, and complicated documentation. UNIDO (2015) indicated that the cost associated with a capital transaction is always too high which greatly affects the performance of SMEs. The World Bank (2016) established that high concentration, weak competition, and the prevalence of public ownership in financial intuitions are among key constraints in financing SMEs. Financial inclusiveness supports the principle of financial stability which provides strong risk management and financial facilities. It would also close the financial inclusion gap within the SMEs and these can bring a great gain in growth. However, a very low financial inclusion in the region suggests an important untapped potential for the growth of increased access to finance by SMEs.

Popov & Rocholl (2016) argued that increased constraints to financing during the recession have put more pressure on employment by SMEs than by large organizations. Kazimoto (2014) observed that governments and other stakeholders should therefore provide financial facilities and access to finance at a reasonable interest rate and use up-to-date information and communication technology in business and marketing through improved network and training. Legas (2015) noted that SMEs in Africa face a lot of challenges that affect their growth. These challenges include financial inclusion, non-favorable laws, regulations, and poor infrastructure, which affect the growth of SMEs. African governments should provide SMEs with a favorable environment for their growth and development, seeking international and local opportunities for SMEs, developing fair and encouraging policies so that SMEs are able to access financial facilities at a fair and affordable rate (Fariza, 2012).

Financial Inclusion in Zimbabwe

In 2016 the Ministry of Finance and Economic Development launched the National Financial Inclusion Strategy (NFIS). The Reserve Bank of Zimbabwe (RBZ) identified SMEs as a special group. This was after the realization that female-owned SMEs were financially excluded. As a five (5) year strategy covering 2016 to 2020, the NFIS sought to increase the overall level of access to formal financial services in Zimbabwe from 69% in 2014 to at least 90% by 2020 and to increase
the proportion of banked adults to at least 60% in 2020. Since the launch of the NFIS, the number of MSMEs with bank accounts has increased drastically by 62.34% from 71,730 in 2016 to 116,467 in 2019 (RBZ, 2019). Similarly, the number of women with bank accounts increased dramatically from 769,883 in 2016 to 2,152,185 in 2019, representing an astounding 179.55% increase. This indicated an improvement in the financial inclusion of SMEs in Zimbabwe. Nunoo & Andoh (2011) indicated that through financial inclusion, entrepreneurial financial literacy enhances access to utilization of financial services, which facilitates enterprises to invent and exploit growth opportunities to improve their profitability.

From 2016 to 2019, the value of loans to SMEs increased by 251.57% from $131.69 million in 2016 to $462.98 million in 2019 as shown in Figure 2. Similarly, SMEs loans as a percentage of total loans increased from 2016 to 2018 and registered a marginal decline in 2019. Despite the improvement of financial inclusion of SMEs over the years, it can be noted that loans to female-owned SMEs amounted to $26.77 million, which is 18.82% of the total loans disbursed to SMEs in 2017. This shows that there is a financial inclusion gender gap in Zimbabwe in favor of men, which could be negatively affecting the performance of female-owned SMEs. Barte (2012) noted that financial inclusion plays an important role in determining the performance of SMEs.

From 2016 to 2019, the value of loans to women increased by 111.59% from $277.3 in 2016 to $586.74 in 2019. The loans to women as a percentage of total loans increased to 15.59% in 2019 from 7.52% in 2016. This could be attributed to the RBZ’s various measures, policies, and support mechanisms that it continually implemented to elevate the status of women over the 4 years. Although it is commendable that the value of loans to women and loans to women as a percentage of total loans improved over the years, it can be noted that the percentage increase in loans to women reflects the financial inclusion gender gap in favor of men. For instance, in 2019, the 15.19% of loans to women as a percentage of total loans, reflected that 84.81% of the total loans were disbursed to men. This shows a huge gap between men and women in terms of credit allocation.

Female-Owned SMEs

Female-owned SMEs are female-owned businesses that employ between 5-40 people with annual turnover and assets from as low as $50,000 to $2 million (ZIMRA, 2018). The Zimbabwe Policy Framework (2004) defined female-owned SMEs as any business owned by women with less than 100 employees. The importance of SMEs in national economies is well documented. Despite their importance to national economies, female-owned SMEs face challenges that need to be addressed. These include informality, low productivity, and limited access to finance. There are two main aspects that are frequently interlinked. The first one is access to finance and financial inclusion. The second one is the empowerment of women. Since SMEs are often the most vulnerable link in national economies, financial inclusion should be at the center of any SMEs policy.

There has been a growing stock of literature investigating the influence of financial inclusion on the profitability of SMEs in developing countries. For instance, Chauvet & Jacolin (2015) investigated the impact of financial inclusion and financial development on the performance of firms (sales, size, and growth). The study found that financial inclusion (measured by access to credit) improves firm performance while financial development has an insignificant effect. The findings also revealed that in countries where financial inclusion was low, financial development created a crowding-out effect. Riwayati (2017) analyzed the impact of financial inclusion SME success in Indonesia. The study found that financial inclusion determines the success of SMEs. Rasheed et al. (2019) focused on one component of financial inclusion (access to credit) on the performance of SMEs. Chauvet & Jacolin (2015) and Rasheed et al. (2019) only focused on examining one component of financial inclusion (access to credit) on the performance of SMEs. The scholars left out other components such as access to bank accounts and mobile banking which are essential in analysis. In addition, the scholars did not assess the phenomena on the performance of female-owned SMEs.
In the case of Kenya, Otiato (2016) investigated the determinants of financial inclusion and performance of SMEs in Nairobi City County. The study found that financial inclusion had a positive impact on the performance of SMEs. The results revealed that the determinants of financial inclusion were access, quality, and usage of various financial services. The study findings also revealed that technology that encompassed mobile money transfers, Automated Teller Machines (ATMs), and agency banking eased and ensured financial inclusion. On the other hand, the findings revealed that the factors that influenced the performance of SMEs included product/service costs, volume levels traded, profit margins, human resources, and efficiency levels. Technological innovations such as MPESA, Mshwari, and Agency banking were found to be vital as they played a crucial part in improving their business. Samuel & Mbugua (2019) sought to determine how the financial inclusion initiatives influence the women-owned SMEs in Nairobi County. The study found that financial inclusion initiatives that include training, lending requirements, access to financial resources, and licensing had a positive influence on the performance of SMEs. The study concluded that affordable access to financial resources and start-up capital had a great influence on the performance of women-owned SMEs.

RESEARCH METHODOLOGY

The study relied on the mixed methodology approach. The mixed methodology approach combines both quantitative and qualitative methods to provide insights into the research. By combining both qualitative and quantitative methods it allows these methods to complement each other by canceling biases and limitations of each other (Caruth, 2013). The selection of the mixed methods approach was based on the objectives of the research which required that the two methods are combined as both objective and subjective data was needed to effectively address all the research objectives.

Sampling Methods

Simple random sampling and purposive sampling methods were used. Simple random sampling was chosen for this study because it allowed for the selection of a sample suited for the findings to be generalizable to the population of small to medium enterprises. The use of purposive sampling was based on the research questions and guided by theoretical principles aimed at maximum variation which captured the diversity of the population and strengthen the exploratory power of the study (Lincoln & Guba, 2015:32; Bryman & Burgess, 2017: 20). In this study, the sample was continuously refined until it was seen to provide an adequate understanding of financial inclusion and female-owned SMEs.

Using Cochran’s formula for sample size determination, the scientifically required sample for a population of 600 at a 5% precision level is 30 households. However, Mugenda & Mugenda (2012) postulate that for a sample to be representative enough, it should be at least 10% of the target population. 1 in every 6 respondents will be picked since everyone has an equal chance of being selected. The sample size for this study consists of 60 female-owned SMEs operating at Siyaso. This proposition is based on the central limit theorem. The central limit theorem postulates that if the population is not normal, the sampling distribution of sample means will be normally provided the sample size is sufficiently large. Thus the sample size must be 30 or more before the sampling distribution of the mean becomes a normal distribution (Filmus, 2010).

The sample size for this study consisted of 60 female-owned SMEs operating at Siyaso market. This proposition is based on the central limit theorem. The central limit theorem postulates that if the population is not normal, the sampling distribution of sample means will be normally provided the sample size is sufficiently large. Thus the sample size must be 30 or more before the sampling distribution of the mean becomes a normal distribution (Filmus, 2010). In addition, Steyn (2012) confirms that 65 is a sufficient sample size.
Data Collection Methods

The study used key informant interviews, survey questionnaires, and documentary searches. Key informant interviews are qualitative in-depth interviews with people who know what is going on in the community. The purpose of key informant interviews was to collect information from a wide range of people including community leaders, professionals, or residents who have firsthand knowledge about the community. The key informants for this study were women (owners) of SMEs. The research interviewed the key informants on the challenges they face to access bank loans and to know the impact of their financial inclusion on the profitability of their businesses. The research conducted a cross-sectional survey with sixty women. This survey research method is implemented in various sectors such as retail, education, healthcare, and SME businesses. The cross-sectional survey was quick and it helped the researcher to collect information in a brief period. The research targeted women participants in SMEs.

Data from past research were used to inform the research as well as inform the interpretation of results. This study gathered secondary data through the review of books, book chapters, online journal articles focusing on women and SMEs and the challenges they face in accessing credit. RBZ documents were also reviewed in order to inform the research on existing policies and provisions. Secondary data was used to validate as well for comparison with the data gathered using the primary data collection methods.

Data Presentation and Analysis

Data were presented using tables and key themes emerging from the study. On the other hand, data analysis is the process of systematically applying statistical and/or logical techniques to describe and illustrate, condense and recap, and evaluate data. In that regard, the study used frequency distributions tables to present the data. Data analysis according to Taylor & Cihon (2004) data analysis is a process used by researchers for reducing data to a story and interpreting it to derive insights. The data analysis process helps in reducing a large chunk of data into smaller fragments, which makes sense. In terms of data analysis, the study used statistical computing software Statistical Package for Social Sciences (SPSS) version 20. Demographic variables were analyzed using SPSS.

DISCUSSION OF FINDINGS

This section presented and analyzed data that was collected from the primary data. The biographical data for the participants included age, highest educational level attained, years of business, and number of employees.

Age

The findings of the study showed that 8% of the participants were aged between 18-25 years while 16% were between the ages of 26 to 34 years. 18% of the participants were aged 35 to 44 and 24% were between the ages of 45 to 54 years. The percentage of 54-60 years was 22% and those aged 65 years and above constituted 12%.

Level of Education

The findings of the study indicated that the highest number of participants 40% had secondary education, 30% had primary education, followed by 24% with tertiary education while the least number of participants 6% had no schooling. The results showed that the majority of the female owners of SMEs at Siyaso Mbare, Harare had attained secondary school as their highest educational level. According to Ralph (2016), the level of education of participants affects the way in which they participate in a study.
Marital Status

The highest number of participants (36%) was widowed, 32% were divorced and 22% were single. Only 10% of the participants were married.

Age of Business

The highest number of participants 34% had been in operation for 16-20 years, 30% of the participants noted that the age of their business was 20 years and above, 26% of the female-owned SMEs had been in business for 11-15 years while 6% of the participants had been in business for 6-10 years and only 4% of the participants had been in the SMEs business for 0-5 years.

Number of Employees

The research results showed that 50% of women who owned SMEs at Siyaso market had 2-5 employees, 26% had 6-10 employees, while 18% of the participants had 11-15 employees, 4% of the participants had 16-20 employees and 2% participants had more than 21 employees (see Table 1).

The findings of the study indicated that 38% of the participants agreed that opening a bank account improves the profitability of their business. While 36% of the participants were neutral, 10% of the participants disagreed, only 8% of the participants strongly disagreed and 8% strongly agreed.

The findings of the study indicated that (36%) agreed that access to a bank loan improves the profitability of the business, 30% of participants strongly agreed, 26% were neutral while 8% of the participants disagreed, 2% of the participants strongly disagreed that access to a bank loan improves the profitability of a business. External financing for small and medium-sized businesses is critical for the growth of new businesses.

The findings of the study indicated that the majority, 36% of the participants, agreed that access to mobile banking affects profitability while 28% of the participants strongly agreed and 16% were neutral. 12% of the participants disagreed and 8% of participants strongly disagreed that access to mobile banking affects the profitability of your business. The findings of the study indicated that 42% agreed that access to mobile banking improves the profitability of my bank account, 26% strongly agreed while 16% were neutral.10% of the participants disagreed and 6% of participants strongly disagreed that access to mobile banking improves the profitability of my banking account. Most of the participants alluded to the fact that they understood the effects of financial inclusion on the profitability of female-owned SMEs. The findings revealed that when financial inclusion was low, it affects the profitability of the SMEs. One participant indicated that:

Table 1. Impact of financial inclusion on profitability

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening a bank account improves profitability of your business.</td>
<td>8%</td>
<td>10%</td>
<td>36%</td>
<td>38%</td>
<td>8%</td>
</tr>
<tr>
<td>access to bank loan improves the profit of your organization</td>
<td>2%</td>
<td>8%</td>
<td>24%</td>
<td>36%</td>
<td>30%</td>
</tr>
<tr>
<td>Access to mobile banking affects your business</td>
<td>8%</td>
<td>12%</td>
<td>16%</td>
<td>36%</td>
<td>28%</td>
</tr>
<tr>
<td>Access to mobile banking improves profit of your bank</td>
<td>6%</td>
<td>10%</td>
<td>16%</td>
<td>42%</td>
<td>26%</td>
</tr>
</tbody>
</table>
Having limited access to bank loans and bank accounts hinders the profitability of my business due to a lack of funds. Sometimes, my relatives and my close friends would chip in when my business is low. Only if I could access the financial backup from the banks, my business would have been grown huge by now.

The participant clearly stated that having low financial inclusion affected the profitability of the female-owned SMEs business in Siyaso, Mbare. The study also posits that access and usage of financial services by women is low hence attaining profits in the business would be affected. The study implies that most participants (38%) agreed that opening a bank account improves the profitability of the business. Nunoo & Andoh (2011) indicated that through financial inclusion, entrepreneurial financial literacy enhances access to utilization of financial services, which facilitates enterprises to invent and exploit growth opportunities to improve their profitability. Furthermore, without external financing, small and medium-sized businesses are unlikely to be able to compete in an international market, expand their operations, or form business alliances with large corporations. Furthermore, access to finance is the most significant barrier to the expansion of businesses and start-ups mentioned by existing SMEs and potential operators (Olomi & Urassa, 2008).

The research results showed that most participants indicated that access to mobile banking affects the profitability of the business. Mobile banking, banking services, and banking penetration have positive and significant influences on SMEs’ growth and development. In that regard, the government should provide capacity-building efforts that lead to well-managed and sustainably financed SMEs (Adebayo et al. 2015). The results implied that most (42%) of the participants believed that access to mobile banking improves the profitability of the business. Bala (2018) indicated that ATMs, mobile money, savings, and credit facilities have a significant effect on the performance of SMEs.

Challenges Faced by SMEs in Financial Inclusion

A number of challenges were identified as affecting female owned SMEs (see Table 2).

These are discussed below. These included lack of acceptable collateral (100%); low levels of literacy and formal education (96.6%); lack of information on financial products (93.3%); low-income levels (91.6%); lack of time due to gender division of labor (90%).

Lack of Acceptable Collateral

The findings of the study showed that the majority of the participants 100% indicated that lack of acceptable collateral was the major challenge faced by female-owned SMEs. One of the female participants stated that:

As a woman, it’s a challenge to have collateral. We do have the properties to use as collateral and therefore it’s a big challenge.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of acceptable collateral</td>
<td>60</td>
<td>100</td>
</tr>
<tr>
<td>Low levels of literacy and formal education</td>
<td>58</td>
<td>96.6</td>
</tr>
<tr>
<td>Lack of information on financial products</td>
<td>56</td>
<td>93.3</td>
</tr>
<tr>
<td>Low income levels</td>
<td>55</td>
<td>91.6</td>
</tr>
<tr>
<td>Lack of time</td>
<td>54</td>
<td>90</td>
</tr>
</tbody>
</table>

Table 2. Challenges faced by female owned SMEs
Another female participant supported the above sentiments by mentioning that:

*I am a widow and when my husband died I was left with nothing. The informal sector is not paying much and therefore I don’t have any collateral to use at the bank to get a loan. It’s a challenge.*

Previous studies have shown that most women lack acceptable collateral security such as title deeds required by most financial institutions (Chauvet & Jacolin, 2015). The RBZ (2019) noted that traditional property rights, which are skewed against women, compound the lack of collateral. Lack of collateral and credit history negatively affects women’s ability to secure formal and affordable credit. Women face problems in securing adequate finance since they are deemed to lack collateral security and banks are not interested to fund their business activities. There is also a huge shortage of infrastructures such as land, buildings, machinery, and equipment to effectively carry out their business activities, as some banks require these for them to grant one with financial support.

**Levels of Literacy and Formal Education**

Low levels of literacy and formal education were ranked second with 96.6% of the participants indicating that it affected them as female SMEs. One female participant was of the view that:

*Most of us are not educated. So it’s very difficult to understand some of the requirements by banks or other financial institutions. There is a need for favorable terms for us women that take into consideration our literacy level.*

Another female SME operator stated that:

*Education is very important for women. If you are not educated it is not easy. You miss on a number of issues that are critical for you’re the survival of your business. Some of us cannot even read and write.*

Women may have lower financial literacy rates, which can make it harder for them to navigate the loan market due to limited or no credit history, incomplete or missing financial statements, limited savings, and lower and unreliable profit records (Riwayati, 2017). These factors contribute to making such enterprises less attractive for credit. The female SME sector in Zimbabwe is, furthermore, experiencing problems such as a lack of appropriate management skills to run their business entities. Lack of formal management training in the management of the SMEs is a weakness inherent in these forms of businesses and automatically becomes a critical factor limiting the growth and expansion of such businesses (Yan, 2010).

**Lack of Information on Financial Products**

The female participants mentioned a lack of information on financial products (93.3%) as very critical in the informal sector. A study participant argued that:

*As women, we miss a lot of information, especially information that is passed through radio and newspapers. We are not aware of the financial products offered by financial institutions.*

The above sentiments were echoed by another female participant who stated that:

*There are a number of financial products that are offered by financial institutions but we lack access as women. It is important that these financial institutions should also visit us here at Siyaso and market their products for our benefit.*
Another participant mentioned that:

*Lack of information on the availability of formal funds from the banks is another challenge we face as female owners of SMEs. Normally as me, I get access to funds from informal moneylenders who would want their money back with exorbitant interest, loan sharks, rotating money savings, borrowing from friends and relatives when my business is low.*

It was further noted also by another participant that:

*It is difficult to meet some of the requirements of banks. Some banks require one to produce a business plan and audited financial statements. I cannot afford to produce those requirements because my business is still small and I cannot employ or pay someone to do financial audits.*

According to the RBZ (2019), the lack of information about the availability of formal financial products was a challenge. Women normally access funds from informal sources such as income savings and lending clubs, loan sharks, friends, relatives, suppliers, and shopkeepers, which are usually costly. In Zimbabwe, there is generally limited awareness of investment products among women compared to men (Ndlovu, 2004:19). Rasheed et al. (2019) indicated that financial Institutions may fail to act responsibly, for example by offering products and services that are too costly, resulting in the large potential customer base at the bottom of the pyramid losing the ability and the trust needed to engage with the formal financial sector. The RBZ (2019) noted that the challenge for policymakers in developing markets is to balance consumer protection and fair treatment with the expansion and development of inclusive financial markets.

**Low-Income Levels**

The challenge of low-income levels was ranked fourth (91.6%) by the study participants. One participant in the study mentioned that:

*The money we get from our business is very low and sometimes we do not want to spread the risk by borrowing as we do not have the capacity to pay it back.*

The above sentiments were supported by another female SMEs owner who stated that:

*My business does not require a lot of money so in most cases when I need to stock I borrow from my friends or family members. These do not charge interest so it’s cheaper to borrow from them.*

Otiato (2016) indicated that women, especially in lower-income groups, tend to be more cautious and risk-averse about the amount of financing and the business risk they are willing to take down. They are much more inclined to weigh these risks against potential impacts on the household should they be unable to repay loans. This tends to limit their business opportunities to less risk and quick return business such as hair salons, commodity broking, and vending (RBZ, 2019). Female entrepreneurs might choose to enter less capital-intensive industries that require less debt. In addition, as women-owned SMEs tend to be smaller, banks may incur higher administrative costs relative to loan sizes, which reduce the chances of women accessing loans (Samuel & Mbugua (2019).

**Lack of Time**

A total of 90% of study participants mentioned lack of time as an important challenge they face in their business. This is because women spend more time in unpaid reproductive, productive, and community managerial roles. A study participant stated that:
As women, we spend most of our doing unpaid work. This means we need to care for the family and perform other duties which may mean we spend less time on our businesses.

The above sentiments were supported by another participant who stated that:

It’s very difficult to balance between reproductive roles and business. It means you have to look for someone to look for your family while you are away attending to your business and you have to pay for the service.

According to the RBZ (2019), women spend more time doing household chores and fending for the family leaving very little time to devote to the business, which further curtails their potential to grow the business out of the subsistence level. Even when women are able to start and develop a successful and profitable business, they are more inclined to invest profits back into the family, thus leaving less capital available for reinvestment in their businesses (Samuel & Mbugua, 2019).

**IMPLICATIONS OF THE STUDY**

The findings of the study indicated that there is a need for bold and concerted action on the part of the government and other stakeholders in the financial sector to address the many challenges that keep women financially excluded despite their energy, talent, and resourcefulness. Financial institutions should review their investment mandates in light of their failure to adequately penetrate the SME market. This also shows that there is a need for more innovative funding models that are adaptable to where women are instead of where banks expect them to be.

The provision of more funding for women in the SME sector should be a priority of the government, financial institutions, and commercial banks. This will lead to stronger, more sustainable businesses, provided they also receive the necessary training and business development support to make them more ‘bankable’. The financial inclusion of women is dependent upon the creation of a more gender-inclusive financial system that addresses the specific demand and supply-side barriers faced by women. Providers of financial services are critical to achieving this and the future of women’s financial inclusion depends on how profitable SMEs can be.

**CONCLUSION**

Women face barriers to accessing productive and economic resources because of the entrenched biases in financial, market, agricultural and legal systems. For example, women engage with formal financial institutions less and represent more of the world’s unbanked population. Women in the SME sector face unique barriers to securing capital or resources, often relegating them to smaller, home-based enterprises in low-growth sectors. The study showed that discrimination in law or policy can make it harder for women to own land or property, sign a contract, open a bank account or formally register a business.

Being financially included can have transformative effects for women. When women actively participate in the financial system, they can better manage risk, smooth consumption in the face of shocks, or fund household expenditures like education (Dupas & Robinson, 2013). Providing low-income women with the right financial tools to save and borrow money, make and receive payments, and manage risk is important for women’s empowerment, but also for poverty reduction, especially since women disproportionately experience poverty (Holloway, Niazi, & Rouse, 2017).

The study concluded that a number of factors are important in increasing profitability for female-owned SMEs. These include opening a bank account, having a bank account access to bank loans, and access to mobile banking. However, this is not the case with the female-owned SMEs at
the Siyaso market in Mbare, Harare. The financial inclusion of female-owned SMEs is low hence contributing heavily to the declining profitability of female-owned SMEs businesses. They face a challenge in accessing bank loans, opening bank accounts, and mobile banking. The study also found out that female-owned SMEs are facing a number of challenges such as low-income levels, lack of documents required when borrowing from the financial institutions, lack of acceptable collateral, low levels of literacy and formal education, and lack of information on financial products. There is a need to improve the financial products and delivery models, as well as strengthen financial consumer protection. Gender-based barriers in the business world should be reduced. One way to accomplish this is to encourage financial institutions to adopt gender-sensitive policies and practices, such as those governing product design, monitoring, marketing, and delivery channels.

**RECOMMENDATIONS**

The recommendations are based on key findings of the study and are directed to different key stakeholders in the field of financial inclusion and SMEs.

**The Ministry of Finance and Economic Development (MoFED)**

The Ministry of Finance and Economic Development (MoFED) should be able to get an understanding of the relationship that exists between financial inclusion and profitability of female-owned MSMEs in Zimbabwe. This must go a long way to ensure that the policy framework on financial inclusion bodes well with the profitability of SMEs.

**The Reserve Bank of Zimbabwe**

The study should ensure that the Reserve Bank of Zimbabwe’s efforts of financial inclusion is beneficial to female-owned SMEs in their business operations. This must go a long way to ensure that the constraints faced by women in financial inclusion are addressed.

**Ministry of Women’s Affairs, Small and Medium Enterprises and Cooperative Development**

The study should ensure that the Ministry is well aware of the importance of financial inclusion on the profitability of SMEs. This ensures that the concerns of the entrepreneurs are addressed and they meaningfully contribute towards economic development.

**Small to Medium Enterprises Association of Zimbabwe (SMEAZ)**

The study should ensure that the Small to Medium Enterprises Association of Zimbabwe (SMEAZ) understands the challenges women face to access the services of financial institutions. The association should develop programs and policies that benefit female-owned SMEs in Zimbabwe. The female-owned SMEs should benefit from having updated knowledge on the importance of financial inclusion on the performance of their business. They should also benefit from having improved access to financial services offered by the banking sector.

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