

Improving Access to Finance for MSMEs: Experiences, Challenges, Opportunities, and Potential Solutions to Enhance MSME Resilience

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Background

- Micro, Small, and Medium Enterprises (MSMEs) play a vital role in Zimbabwe's economy, contributing significantly to employment, income generation, and economic growth..
- The 2022 FinScope MSME Survey in Zimbabwe shows that approximately 76% of adults work in informal employment or income-generating activities (1,639,807 owners employing 1,704,454). This sector is comprised of the following:

Size	Number of business owners	% of MSME Sector
Individual entrepreneur	1,334,200	81.4
Micro-enterprise (1 to 5 employees)	243,356	14.8
Small enterprise (6 to 30 employees)	56,201	3.4
Medium enterprise (31 to 75 employees)	6,050	0.4
Total	1,639,807	100

Challenges faced by MSMEs in Zimbabwe

Despite their importance, MSMEs face numerous challenges, including:

- **Limited access to finance**
- MSMEs face a supply gap in accessing financial resources. This gap is primarily caused by the unavailability of financing options and the higher costs associated with securing funds,
- Strict collateral requirements imposed by banks and lenders can be a major obstacle for small businesses seeking financing. This hurdle stems from the fact that small and medium-sized enterprises (SMEs) often lack the physical assets needed to secure loans, leading to credit rationing.
- Financial institutions often perceive small businesses and microenterprises as high-risk borrowers due to their limited asset base, insufficient or nonexistent credit history, unproven track record of repayment

Other Challenges faced by MSMEs in Zimbabwe

- Regulatory Environment
- Economic Instability
- Infrastructure Deficiencies
- Skills and Capacity
- Market Access and Competition
- COVID-19 Pandemic



Intervention by the government of Zimbabwe

- To tackle the long-standing access to finance challenges faced by (SMEs), the Government of Zimbabwe has implemented various initiatives and established specialized institutions over the years, including:
- Small Medium Enterprises Development Corporation (SMEDCO)
- Agriculture Finance Corporation (AFC)
- Zimbabwe Women's Microfinance Bank (ZWMB) for Women
- Empower Bank for Youth
- A women and youth desk in Commercial banks, some now have a Microfinance division

These entities play a vital role in improving access to finance for MSMEs, driving economic development and job creation.

Microfinance as a Solution for Access to Finance



- Microfinance involves providing financial services to low-income individuals or groups with limited access to traditional banking. These services include microloans, savings accounts, insurance, and fund transfers, models are designed to promote financial inclusion, help alleviate poverty and empower underserved communities.

Key Microfinance Models include

- Grameen Model: Group lending to promote accountability and repayment.
- Self-Help Groups (SHG): Common in India, these groups pool resources for lending.
- Village Banking: Founded by FINCA International, focuses on community support.
- Digital Microfinance: Uses technology for lending and saving, enhancing accessibility.

Improving access to finance by ZWMB



- The Zimbabwe Women's Microfinance Bank Limited (ZWMB), is a registered deposit-taking microfinance institution, having been licensed and authorized by the Reserve Bank of Zimbabwe to conduct deposit-taking microfinance business from 29 May 2018.
- ZWMB is mandated to empower all women economically and socially by providing access to affordable and innovative women-centred financial products and services as individuals, or in groups/clubs/cooperatives or as micro, small and medium enterprises.

Non-Financial services

- The social arm of the mandate requires that the bank looks at the well being of a woman and follow a referral path where there are issues of domestic violence and health issues
- Financial Literacy trainings are mandatory before a customer is onboarded for banking to enable informed financial decisions.
- Entrepreneurship trainings are part of the advisory services offered by the bank. The curriculum ranges from Business Idea generation, Planning, Budgeting, Record keeping, Access to finance and more.

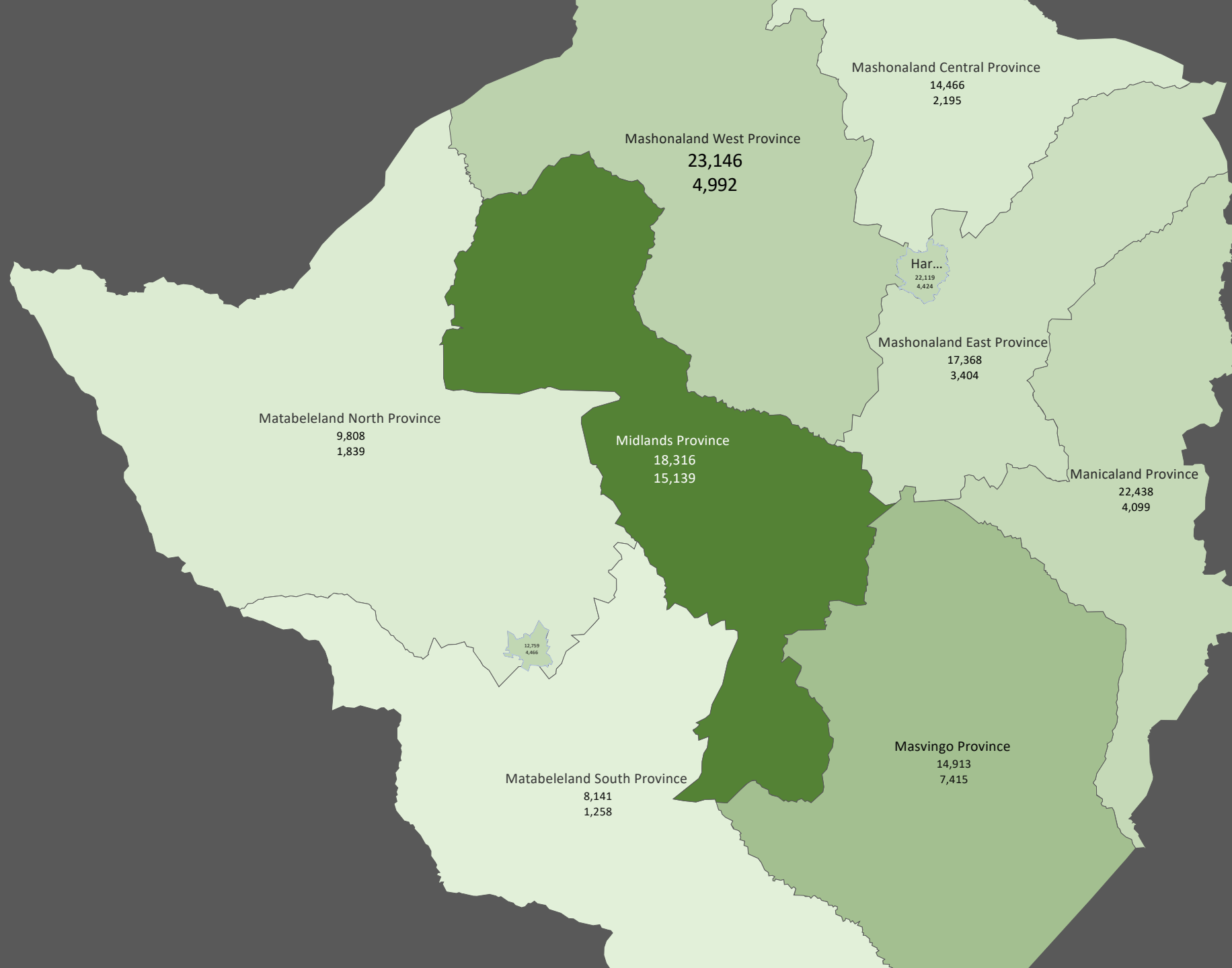
Financial services



- The bank has adopted Microfinance models outline above and tailor made them to suite the needs of the customers and be able to achieve depth and breath
- Depth refers to the level of financial services penetration among the poorest and most vulnerable populations indicated by the loan size, rural outreach , poverty focus and income level
- Breath refers to the number of clients served and the geographic coverage, product diversity and market share

ZWMB ACHIEVEMENTS

	CUMMULATIVE BENEFICIARIES			CUMMULATIVE SOCIAL IMPACT		Cummulative number of savings accounts opened
Province	Total Clients	Female	Male	Jobs Created	Jobs Sustained	Number
BULAWAYO	4,466	3,859	607	6,399	9,682	12,759
HARARE	4,424	3,563	861	5,970	9,183	22,119
MANICALAND	4,100	3,395	705	5,843	9,085	22,438
MASH CENTRAL	2,195	1,813	382	2,413	4,120	14,466
MASH EAST	3,404	2,805	599	3,764	5,828	17,368
MASH WEST	4,992	4,401	591	7,258	11,132	23,146
MASVINGO	7,414	6,259	1,156	9,135	13,992	14,913
MAT NORTH	1,839	1,571	268	2,140	3,297	9,808
MAT SOUTH	1,258	1,098	160	1,550	2,413	8,141
MIDLANDS	15,139	12,312	2,827	23,855	37,507	18,316
TOTAL	49,231	41,076	8,155	68,328	106,239	163,474
KATSAONA	70,235	48,458	21,778	70,235	70,235	-
GRAND TOTAL	119,466	89,533	29,933	138,563	176,474	163,474



ZWMB Models

Community banking
Village Banking
Agricultural value chain

SACCOS ISALS
Solidarity Groups
Asset Loans

Micro Business
Sole traders

Community banking

- Community banking: allows the bank to work with large groups of people up to 200 women in their communities mostly targeting Agricultural value chain finance. Loans are given in the form of inputs, which are seed, fertilizers, and chemicals. An off-take stop order agreement is put in place to manage side marketing risk.
- At this level collateral is social that means all women interested in the scheme are included, mobilization is done through various partners who take the responsibility of monitoring.

SACCO/ISALS

- The bank is encouraging these groups to do their financial activities within the bank and use their savings as security for bigger loans either as a group or as individual within the group. Cases of fraud are on the increase when the treasurer keeps money at home. Banking leaves a digital footprint which assist the credit grating process
- Collateral is social backed by household goods and other items of value to the clients and the bank. The associations gives another layer of security, every woman can have access to funds under this model as long as they belong to a SACCO

Joint Liability groups

- In a JLG, each member guarantees the repayment of loans taken by other group members, creating a shared responsibility for the entire group. This structure is particularly beneficial for those who may not have sufficient collateral or formal credit history to secure loans individually. It allows for start-ups to be mentored in a group of experienced members. Groups should be in existence for other purposes like clubs and other social activities to ensure cohesion and trust.

Micro Business or Sole traders

- A sole trader is a type of business structure where an individual owns and operates the business on their own. Sole traders are common for small businesses, freelancers, and self-employed individuals. Default rate is higher because the group monitoring is removed
- The bank works with flexible security ranging from goats, cattle, farm implements, vehicles, and any asset of value which can easily be sold. Reserve bank of Zimbabwe introduced collateral registry which is used to register pledged movable assets. The bank also works with Export Credit Guarantee Corporation (ECGC) to secure some of the loans. The government is also introducing a guarantee for women loans. As long as the project is viable MSMEs should have access to finance.

Asset Lease finance

- For value addition the bank encourages purchase of assets through lease finance. Productive assets like grinding meals, welding machines, peanut butter machines, sewing machines, solar drying systems, have enabled women to add value to their produce.
- The bank has disbursed 270 Tractors in the last 15 months to MSMES for improved farming
- The story of having no collateral will soon come to an end, as the asset itself forms part of the security, even for future loans.

SME Products



- These are bigger loans guided by project viability they take the form of:
- Working capital
- Order finance
- Bridging finance
- Debt factoring
- Invoice discounting .

Security is also Flexible depending on the loan size

Investment products

- The culture of banking and investing improves access to finance as it creates a relationship of trust. In the process digital foot print is available to make the assessment process faster
- The bank has investment products which starts from a balance as low as \$50 to earn a positive interest. Other products try to mimic the informal savings structures (Mukando savings)

Bancassurance Products



- MSMEs stand to benefit from taking up insurance products to protect their business. Listed below are some of the insurance products available through ZWMB
- Medical aid
- Funeral cover
- Homeowner
- Motor vehicle
- Crop cover
- Livestock cover
- Credit cover

Insurance products are underwritten by partners

Leveraging Digital Technology for Improved Financial Access

- Digital technology enhances microfinance by enabling MSMEs to access funds, make payments, and receive training through mobile banking apps, alternative credit scoring, and micro-insurance products.
- ZWMB has developed digital solutions like the Katsaona mobile loan for bridging small financial gaps, popular among MSMEs. Product is in partnership with a Mobile Network Operator.

Agency Banking

- Agency banking extends reach by allowing MSMEs to access financial services through local agents, reducing operational costs and expanding accessibility. Agents support customers with loan applications, repayments, and digital transactions, making banking more approachable.

The bank operate through

- Fixed Agents who are mostly grocery shops at growth centres and business centres
- Mobile Agents who are individuals free lancing.
- Partnerships who are Associations, Churches, Various Ministries, Developmental organisations

Additional Solutions to Improve Financial Access

A group of diverse women of various ages and ethnicities are shown in a semi-circle, smiling and engaged in conversation. The image is slightly faded to serve as a background for the text.

- **Strengthen Regulatory Frameworks:** Supportive regulations that encourage transparency and customer protection.
- **Promote Public-Private Partnerships:** Collaborations to provide guarantees, subsidies, and funding for MSMEs.
- **Foster Digital Financial Inclusion:** Improved digital infrastructure and policies for data security.
- **Develop Crisis-Specific Financial Products:** Emergency loans and micro-insurance to support business continuity.
- **Enhance Training Programs:** Resilience-building programs focused on crisis management and financial planning.
- **Expand Financial Resources:** Funding through grants, revolving funds, or loans to meet MSME needs.



**END OF PRESENTATIONS
THANK YOU**