



Financial Inclusion of Micro, Small and Medium Enterprises in Zimbabwe

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Demographics

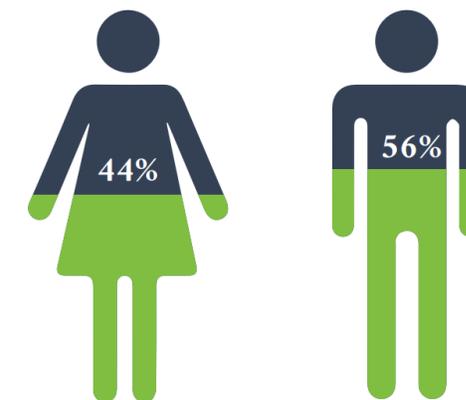
Our data shows that ownership of micro enterprises is evenly distributed between men and women with founders from each gender constituting 50%. However, the percentage of women's ownership decreases as the size of the enterprise grows suggesting that women entrepreneurs are more likely to own smaller enterprises compared to men

50% Micro enterprises owned by women
22% Medium enterprises owned by women

Figure 2 Changes in Gender of Owner Based on Size of Enterprise



Figure 1 Gender Distribution of Enterprise Owners Interviewed



44% MSMEs owned by women

Figure 5 Distribution of Responding Enterprises



~100 enterprises per province

52% of MSMEs located in urban areas

Figure 6 Rural and Urban Distribution of Responding Enterprises



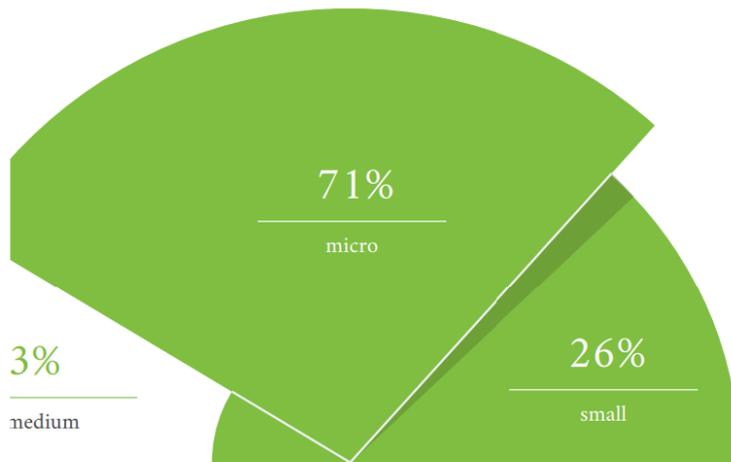
Enterprise Characteristics

Our data shows that micro enterprises are prominently involved in retail, vending and agriculture sectors.

Sectors such as tourism, logistics, manufacturing, textile, and apparel take up larger proportions of the medium enterprises

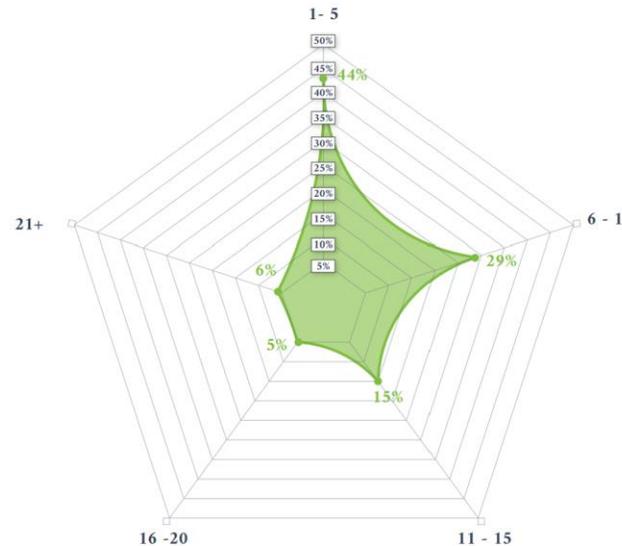
	Micro	Small	Medium
# Employees	1 - 5	6 - 30	30 - 75
Annual Turnover	< USD 30'000	< USD 500'000	< USD 1'000'000
Gross Assets	< USD 10'000	< USD 250'000	< USD 500'000

Figure 9 Size of Enterprises Interviewed



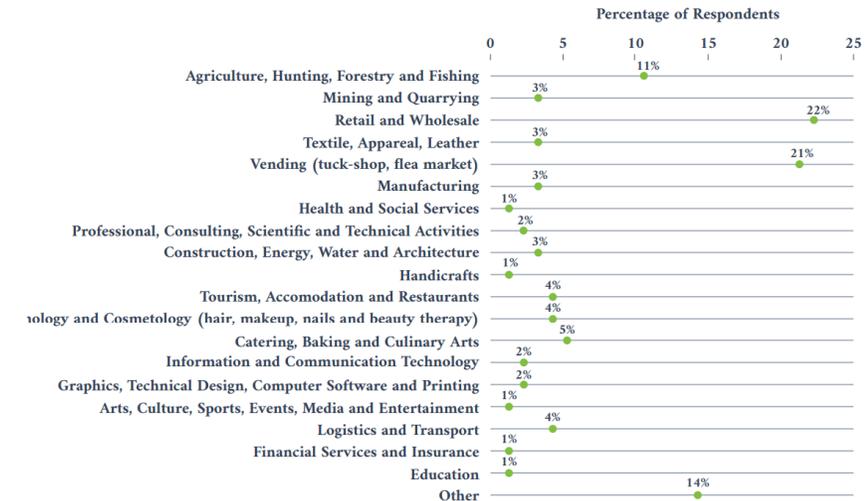
71% were micro enterprises

Figure 7 Age of Enterprises from Date of Establishment



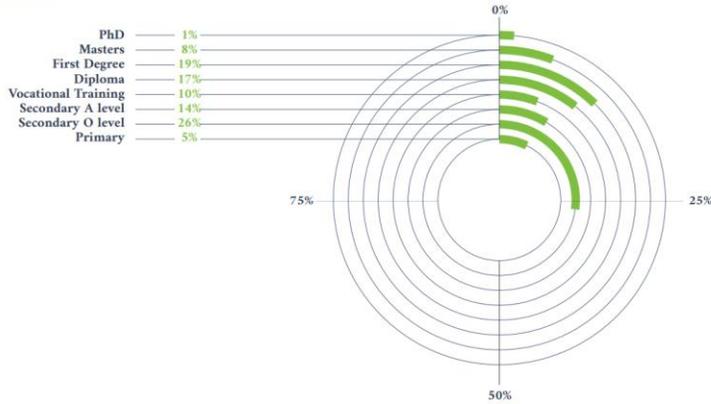
44% of enterprises were founded in the last 5 years (2017-2021)

Figure 10 Industries Represented by Respondent Enterprises



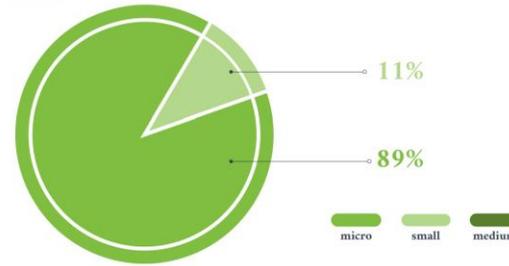
Compliance

Figure 17 Interaction of Education and Level of Compliance



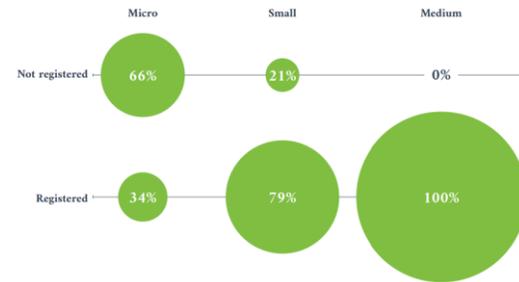
26% of compliant enterprises had a founder whose highest level of education was Secondary O Level

Figure 20 Restrictions Experienced During Attempts to Comply



89% of restrictions were faced by micro enterprises

Figure 18 Registration Status by Size



All medium enterprises were registered

The distribution of compliant and non-compliant enterprises is almost equal (~ 50%)

It is paramount to note that up to 89% of enterprises felt some form of restriction to compliance.

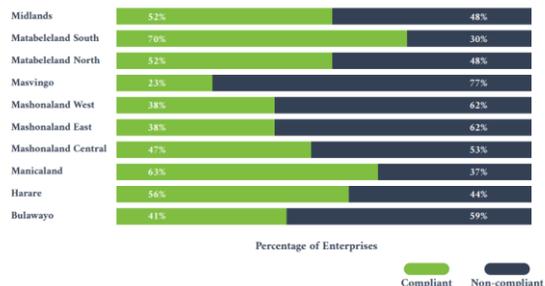
Micro enterprises restrictions

- 40% restricted by cost
- 19% do not know how to register

Small enterprises restrictions

- 33% restricted by cost
- 26% discouraged by lack of simplicity and accuracy in company registration law

Figure 16 Status of Compliance Across Provinces



52% of enterprises were not registered

Figure 15 Status of Company Registration



Banking

Only 36% of all enterprises interviewed have access to a bank account. The remaining 64% had different reasons for not having bank accounts. A substantial proportion of enterprises (31% of urban and 22% of rural) do NOT have bank accounts because the business is not legally registered

There are more enterprises with bank accounts in Matabeleland South (57%), followed by Harare (44%) and Mashonaland East (43%). The lowest access to bank accounts is evident in Masvingo (18%) followed by Midlands (25%), and Mashonaland Central with 27%

Micro enterprise restrictions

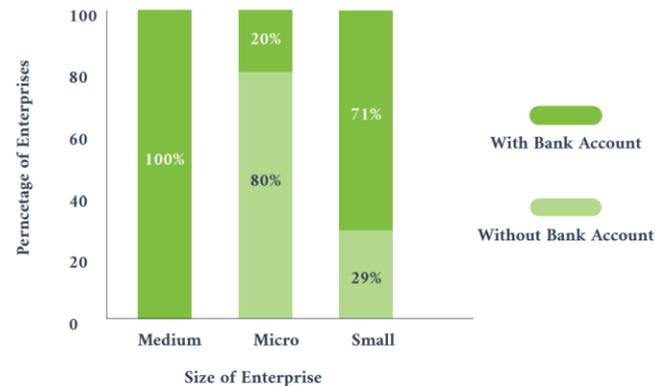
- 24% not legally registered
- 18% say charges are too high
- 14% do not trust the security protocols

Figure 25 Access to a Bank Account by Location



77% of rural MSMEs do not have a bank account

Figure 23 Correlation of Bank Account Access to Size of Enterprise



20% of micro enterprises have a bank account

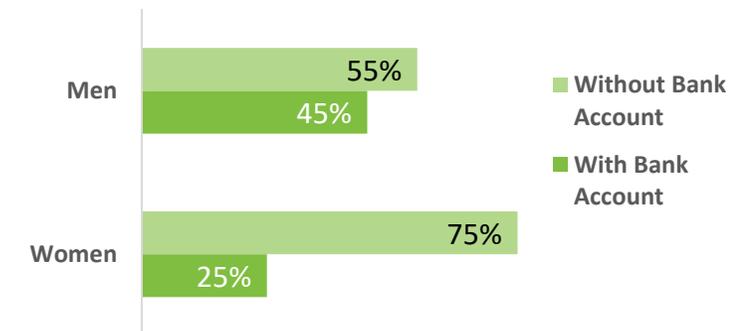
64% of MSMEs do not have a bank account

Figure 22 Percentage of Enterprises with Access to Bank Accounts



75% of MSMEs owned by women do not have a bank account

Access to a Bank Account by Gender



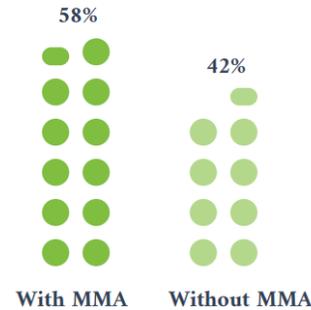
Mobile Money (MM)

- 97% of all MSMEs that use mobile money make use of Ecocash at some point, 30% use ZIPIT Smart and up to 19% will use One Money.
- Of the 58% of enterprises with a mobile money account, 73% use their accounts every day
- The provinces which demonstrate lower rates of mobile money access are Midlands, where only 17% have access, followed by Masvingo where only 37% have access

Reasons MSMEs do not have MM accounts

- 49% only do cash transactions
- 9.6% say charges are too high
- 8% do not trust security protocols

Figure 29 Level of MSME Access to Mobile Money Accounts



58% of enterprises have a mobile money account

66% of small enterprises have a mobile money account

Figure 30 Differences in Mobile Money Use Based on Size

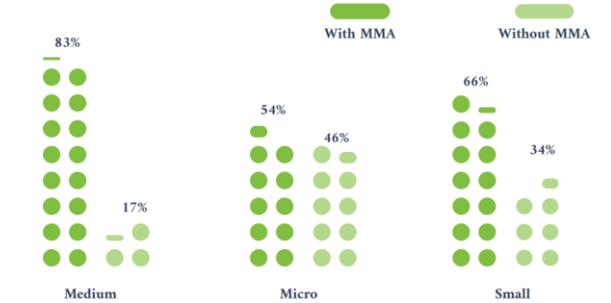
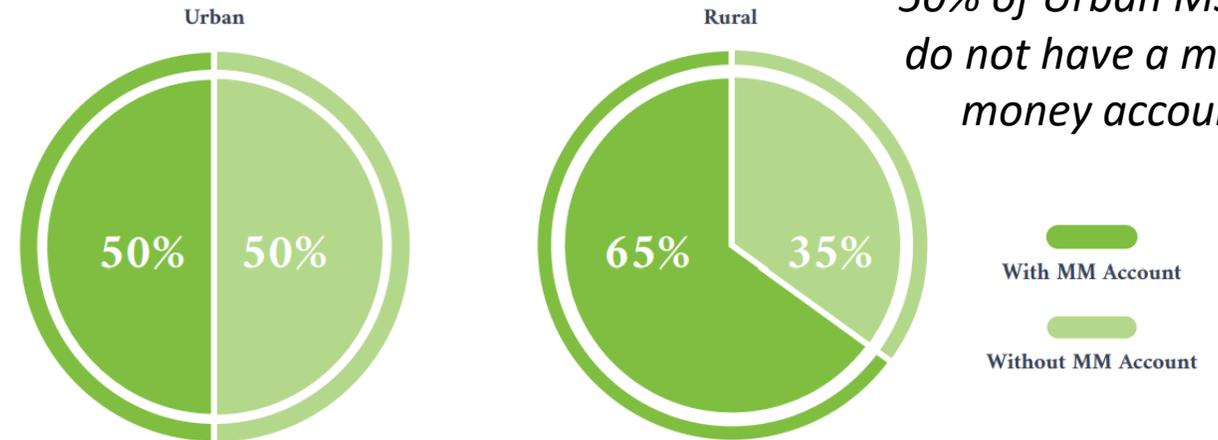


Figure 32 Differences in Mobile Money Use Across Provinces



50% of Urban MSMEs do not have a mobile money account

Sources of funding for business operations

Funding to start business

- 80% of founders used their personal savings to start their businesses. Informal relationships are more significant for enterprise development in Zimbabwe than relationships with financial institutions. For instance, 11% of the respondents secured funds from family and friends to finance their start-ups whilst another 11% secured funding from income savings and lending groups. A tenth of the sample (10%) secured funding from fellow business colleagues

Funding for on-going business

- Founders relied on their own savings and own initiatives to keep their businesses afloat (see Figure 37 below). This of course makes them more susceptible to economic shifts making it easier for their enterprises to fail. Founders also rely on networks such as savings and lending groups (8%), family and friends (8%), remittances (6%) and fellow business colleagues (7%).

Figure 14 Sources of Funds for Business Establishment

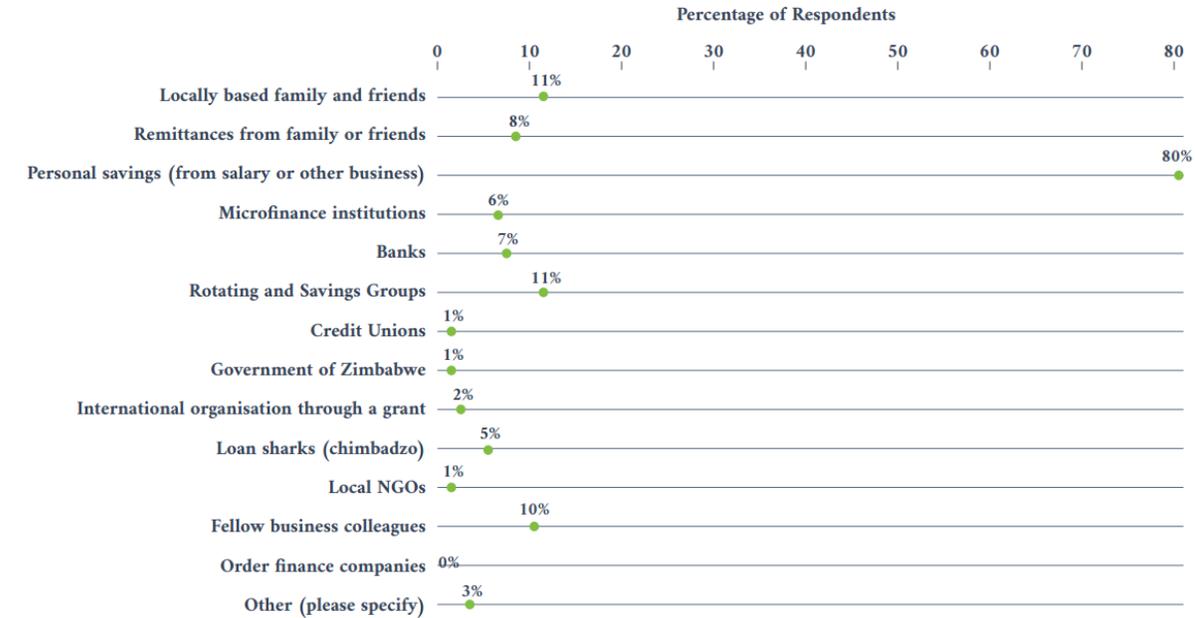


Figure 37 Key Funding Sources for On-going Business Operations



Loan applications

- Only 14% of small enterprises in Zimbabwe make loan applications to formal entities like banks or microfinance institutions with the hope of receiving funding as they attempt to get into business

Reasons for not applying for loan

- 36% cannot access loans at their bank
- 11% had insufficient documentation

Reasons for loan rejection

- 30% did not have strong enough cash flow
- 25% did not meet collateral requirements
- 16% had incomplete paperwork

Figure 38

Percentage of Enterprises Making Loan Applications to Start Their Businesses



Figure 39

Restrictions Experienced In Loan Applications

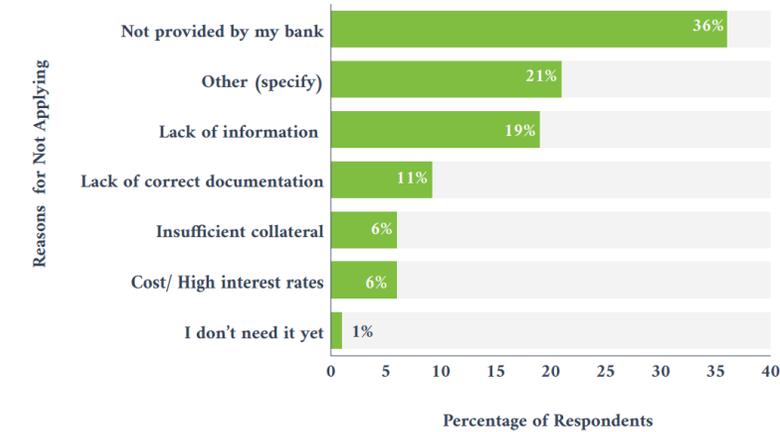
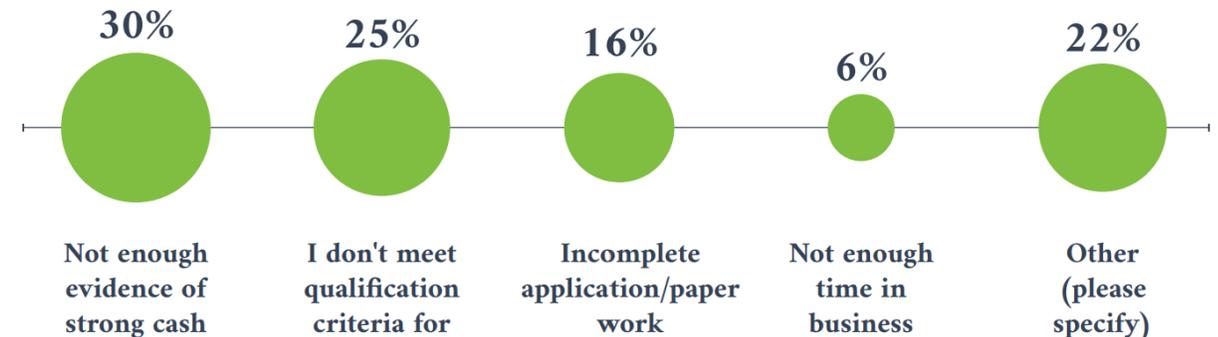


Figure 40

Reasons for Rejection When Attempting to Access Loans



Insurance and Pensions

- 81% of enterprises **did not** have access to insurance products and services. The most common type of insurance accessed by MSMEs is vehicle insurance.

Reasons for not having insurance

- Lack of awareness (21%)
- Not seeing the value (13%)
- High cost (10.8%) and inflation (10%)

- Only 7% of enterprises have accessed pension schemes for their workers. The distribution based on location displays that there is a higher likelihood of urban enterprises (12%) making pension schemes available to their workers as compared to rural-based entities (8%)

Figure 41 Access to Insurance

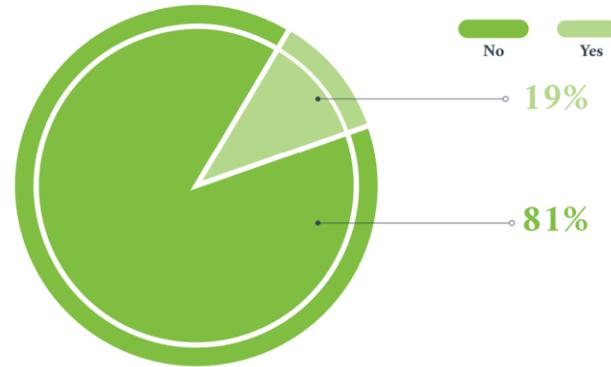
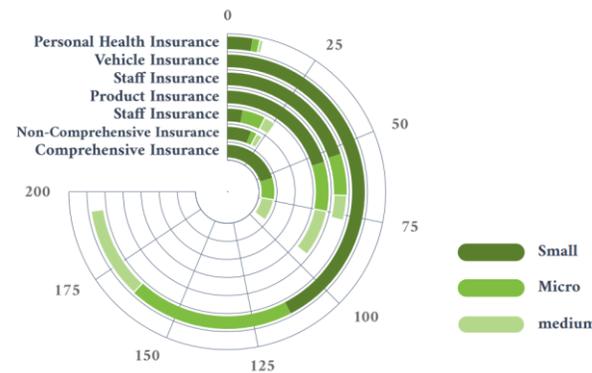


Figure 46 Changes in Insurance Preference Based on Enterprise Size



Size	Personal Health Insurance	Vehicle Insurance	Staff Insurance	Product Insurance	Staff Insurance	Non-Comprehensive Insurance	Comprehensive Insurance
Medium	1	29	9	20	6	4	20
Micro	2	52	15	21	12	4	20
Small	7	113	53	54	8	16	54

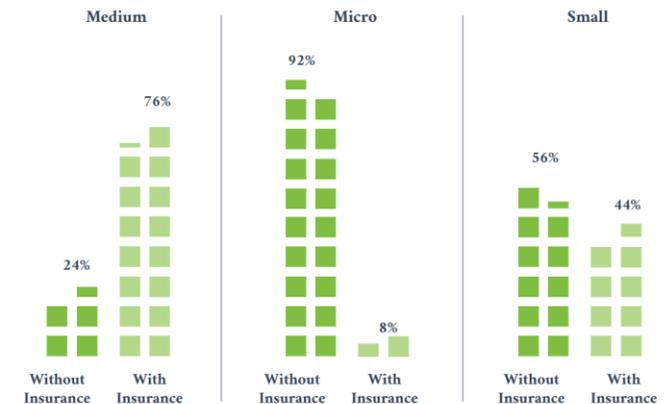
113 small enterprises did not have vehicle insurance

Figure 48 Changes in Pension Access Based on Enterprise Size



97% of micro enterprises do not have pension policies
92% of micro enterprises did not have business insurance

Figure 42 Differences in Insurance Access Based On Size of Enterprise



Savings, Investments and Capital Markets

60% of small enterprises have a savings facility whilst only 44% of micro enterprises have a savings facility. Despite the challenging and unstable economic circumstances, 51% of enterprises with savings indicated they still prefer to keep their savings through a bank, whilst 26% prefer to buy foreign currency, 14% will invest in other businesses and only 4% will use the stock market to purchase shares

Only 35% of enterprises have access to some form of business investment. MSMEs prefer to purchase fixed assets (61%) or use a bank and bank products (21%), make investments using an informal group/ISAL (Informal Savings and Lending) (13%)

Investment challenges for small enterprises

- challenges with partnership (45%)
- challenges with cash flows (39%)

Figure 58 Propensity of MSMEs to Save Based on Enterprise Size

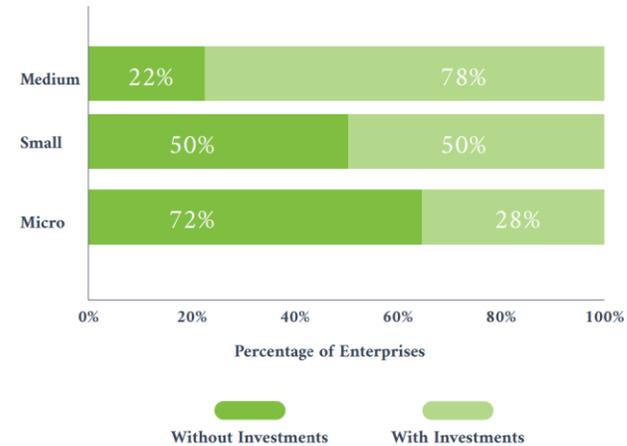


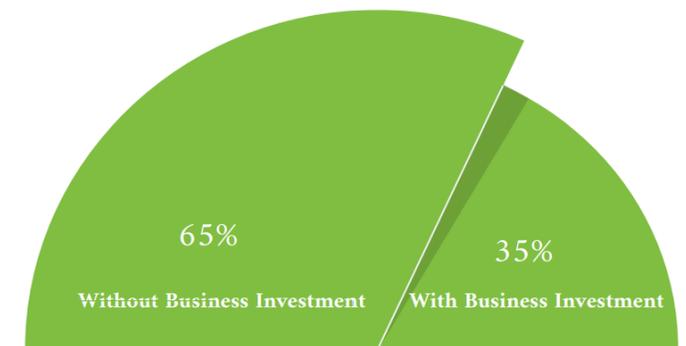
Figure 54 Propensity to Save Based on Enterprise Size



Figure 50 Presence of A Savings Facility In Enterprises



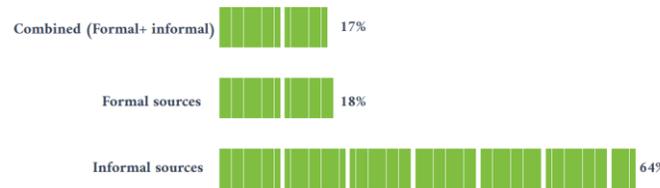
Figure 55 Presence of Investments in Enterprises



Access to Information

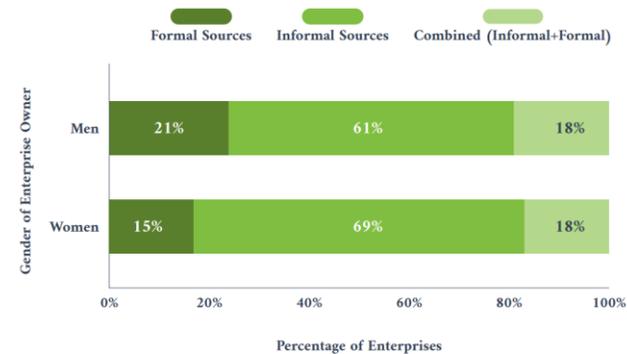
- The majority (64%) comprised mainly of micro enterprises, and they use informal sources of information, whilst 18% use formal sources of information and 17% use a combination of formal and informal sources of information
- Informal sources were mostly noted in business owners with secondary school qualifications at Ordinary Level (78%), at Advanced Level (75%) and at Primary School Level (74%).

Figure 62 Key Sources of Financial Information for MSMEs



64% of MSMEs use informal sources for business information

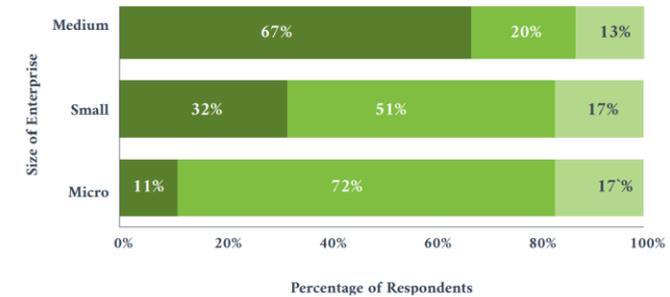
Figure 65 Changes in Information Access Based on Gender



21% of men owned enterprises use formal sources for business information

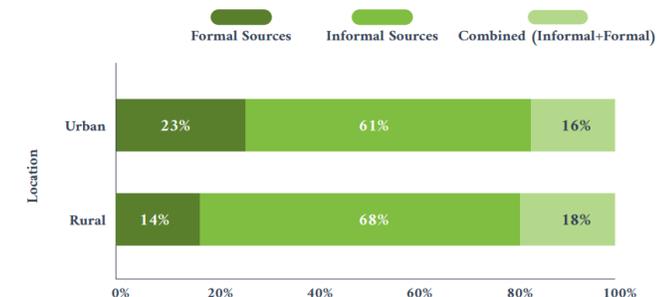
72% of micro enterprises use informal sources of information

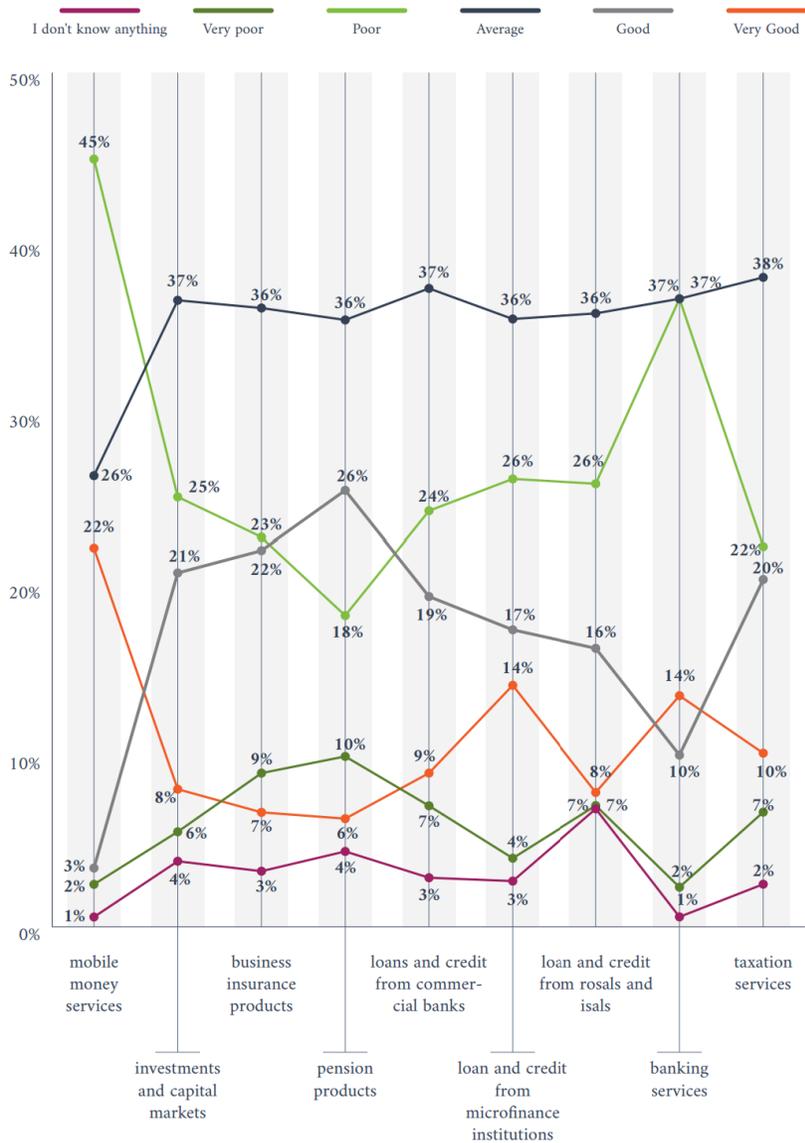
Figure 63 Differences in Information Access Based on Size of Enterprise



14% of rural enterprises use formal sources for business information

Figure 64 Changes in Information Access Based on Location of MSMEs





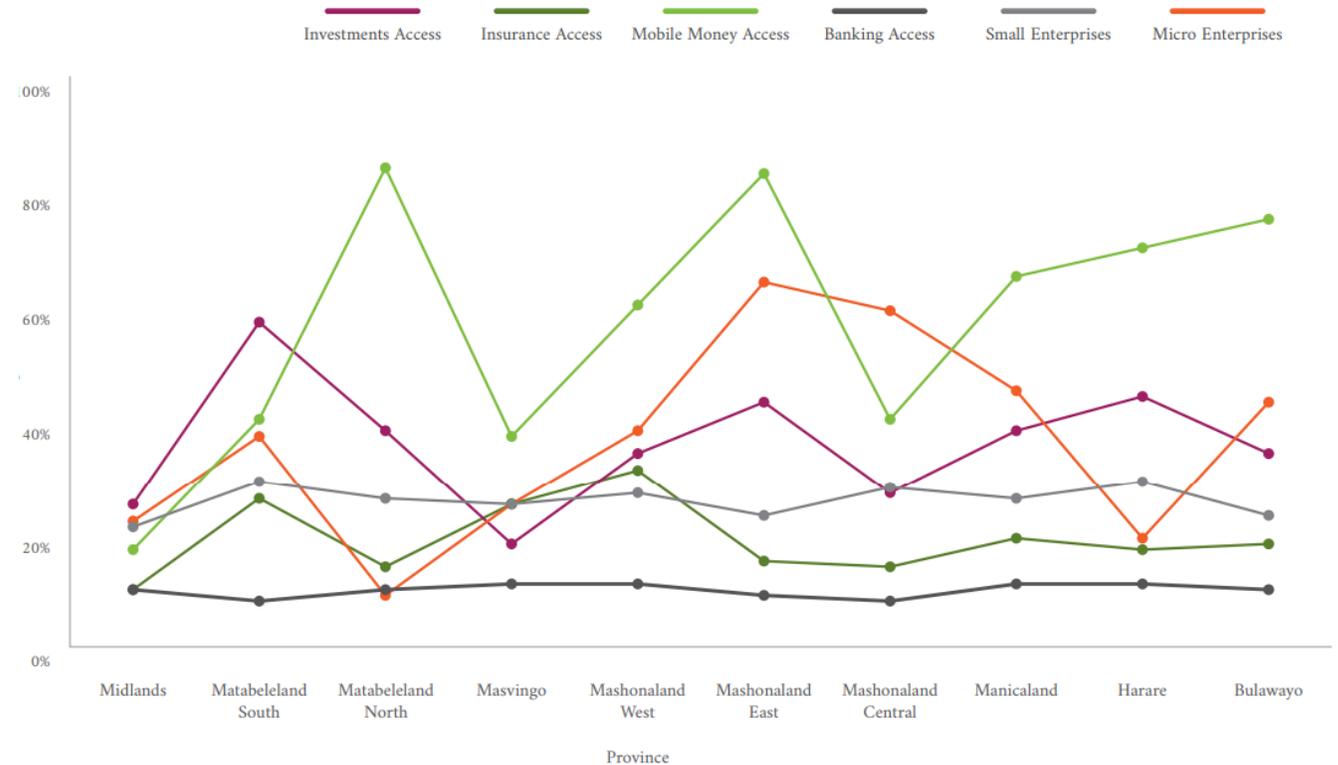
Level of Knowledge of Financial Products and Services

- ‘nonexistent’, ‘poor’, or ‘very poor’
 - Pensions
 - loans from commercial banks and ISAs
 - investments and capital markets
 - business insurance products
- ‘average’, ‘good’, or ‘very good’
 - Banking services
 - Mobile money services

Summary

The study investigated the level of financial inclusion of Micro, Small and Medium Enterprises in Zimbabwe. We determined that the key factors that affect access to ‘formal financial products and services’ are not evenly distributed in Zimbabwe’s ten provinces. We noted that the barriers to inclusion for small enterprises can be summed up as a lack of flexible and affordable financing, harsh compliance laws and lack of information on the best fit for using and sourcing financial products and services. Addressing these three concerns for targeted groups such as youth, women and founders in marginalised areas will create more inclusive systems that promote access amongst MSMEs.

Figure 68 Comparison of Selected Inclusion Indicators Across Zimbabwe



Conclusion

Promoting products and services alone is not sufficient to promote inclusion. The products and services must be innovative in form and function to address the needs of key groups. Alongside innovative financial services, information access for all groups will widen the options available for MSMEs and promote innovation and risk-taking by local enterprise founders.

Read the Full Report: [Financial Inclusion of Micro, Small and Medium Enterprises in Zimbabwe](#) (May 2022)