RESERVE BANK OF ZIMBABWE







WOMEN FINANCIAL INCLUSION

1. Introduction

1.1. Under the 2030 Agenda for Sustainable Development, Sustainable Development Goal (SDG) Number 5 speaks to "Achieving gender equality and empowering all women and girls".

1.2. Access to formal financial services by women is instrumental in helping to achieve gender equality and women empowerment. The goal is to ensure that women and women-led businesses have access to and are able to use multiple financial services as tools to develop their financial freedom and allow them to contribute meaningfully to economic growth.

1.3. The Reserve Bank of Zimbabwe is cognisant that women empowerment cannot be achieved without ensuring their access to and usage of appropriate financial products and services at affordable cost.

Role of Women in Economic Development

1.4. Women in Zimbabwe, like everywhere else in the world, play a critical role in the economy as producers, leaders, entrepreneurs and service providers.

1.5. There is a strong positive correlation between women's access to financial products and services and increased economic growth and development.

1.6. At the household level, women are the primary "financial managers", ensuring intra-house hold resource allocation to meet ongoing basic needs and additionally saving for future requirements.

1.7. In Zimbabwe, women are the majority constituting about 52% of the country's population, and their contribution is vital to the well-being of families, communities and the achievement of Sustainable Development Goals.

2. Status of Women Access to Financial Services

2.1. Despite the important role played by women in economic development, the financial inclusion gender gap between men and women has remained at 9% for developing economies since 2011.

2.2. According to the 2012 FinScope MSME Survey, 57% of the business owners in Zimbabwe were women and only 14% of MSMEs had bank accounts.

2.3. The in-depth gender deep dive analysis using FinScope Survey data of 2011 and 2014 revealed that the level of access to formal financial services for women adults increased from 35% in 2011 to 68% in 2014, due to increased access to non-bank financial services, mainly mobile financial services. Major drivers to uptake of mobile money were to receive money (72%), to send money (57%) and to withdraw money (32%).

2.4. The deep dive analysis also revealed that 72% of women adults in Zimbabwe did not use insurance products at all, whether formal or informal.

2.5. To bridge the gender gap and high levels of inequality, it is, therefore, critical for women to have access to the full range of financial products and services, which are essential to facilitate graduation of their income-generating activities from household survival to viable businesses.

3. Barriers and Constraints to Women Financial Inclusion

The major barriers and constraints to the financial inclusion of women include the following:

3.1. Lack of acceptable collateral: Studies have revealed that most women lack acceptable collateral security such as title deeds required by most financial institutions. Lack of collateral is further compounded by traditional property rights which are skewed against women particularly in rural areas. Lack of collateral and credit history negatively affect women's ability to secure formal and affordable credit.

3.2. Low levels of literacy and formal education: 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. These factors contribute to making such enterprises less attractive for credit.

3.3. Lack of information on financial products: Due to lack of information about availability of formal financial products, women will normally access funds from informal sources of finance such as usury lenders, loan sharks, rotating savings, friends, relatives, suppliers and shopkeepers which are usually costly. Generally there is limited awareness of investment products among women compared to men in Zimbabwe.

3.4. Low income levels: Women, especially in lower income groups, tend to be more cautious and risk averse about the amount of financing and business risk they are willing to take on. 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.

3.5. Female entrepreneurs might choose to enter less capital-intensive industries that require less debt. Additionally, as women-owned MSMEs tend to be smaller, banks may incur higher administrative costs relative to loan sizes, which reduces the chances of women accessing loans.

3.6. Lack of time because of unequal gender division of labour in unpaid productive and reproductive activities: Women tend to spent 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.

3.7. 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.

3.8. Lack of access to markets: lack of access to lucrative markets by women also remains a major challenge, which again hinders the growth of their businesses.

3.9. Financial Institutions' stringent KYC and borrowing requirements: Financial institutions have cumbersome and unfavourable conditions and procedures which most women are not able to provide namely: bankable business plans; audited financial statements; and cash flow projections.

3.10. Weak consumer protection laws: Financial Institutions may fail to act responsibly, e.g. 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 challenge for policymakers in developing markets is to balance consumer protection and fair treatment with the expansion and development of inclusive financial markets.

3.11. Poor infrastructure particularly in the rural areas; Lack of basic infrastructure roads, electricity and access to transport services makes it difficult for marginalized groups to access markets and financial services.

4. Zimbabwe National Financial Inclusion Strategy

4.1 The National Financial Inclusion Strategy (2016-2020), seeks to increase financial inclusion levels in the country through interventions targeted at minimizing the barriers to financial inclusion for identified priority segments that include women, MSMEs, youth, and rural and smallholder farmers.

4.2 As part of the implementation of the National Financial Inclusion Strategy (NFIS), the Women and Finance Development thematic working group was constituted with a core mandate to promote and develop innovative financial products for women and facilitate capacity building programs for women to complement access to financial services

4.3 Below is an outline of interventions aimed at addressing some of the barriers to women financial inclusion:

INITIATIVE	ISSUES TO BE ADRESSED
Establishment of a Women's Bank.	The opening of the Zimbabwe Women's Microfinance Bank in 2018 has enhanced the landscape of financial services and products targeted at women
Financial Inclusion Empowerment Funds	The Reserve Bank established the $15 million Women Empowerment Fund in 2017 to enhance access to funding for women owned businesses. Various other targeted facilities were also established to enhance access to funding for marginalized groups in the country. The funds are accessible through banking and microfinance institutions at concessional interest rates.
Credit Guarantee Scheme	The Reserve Bank re-established the Credit Guarantee Scheme in the Export Credit Guarantee Company in 2017 to facilitate productive lending to the marginalized groups with inadequate collateral, especially women, in order to stimulate economic growth and development.
Establishment of women's desks and SME units	Banking institutions have been encouraged to establish women's desks and SME units to facilitate the development of tailored products and services for women and SMEs. Thirteen (13) banks have established SME units, and 11 banks have established women's desks.
Credit Registry	The credit registry which was established in the central bank, commenced operations in January 2017. The improvement in credit information sharing is expected to enhance the scope of access to finance for borrowers with good credit history.

INITIATIVE	ISSUES TO BE ADRESSED
Collateral Registry	Government is in the process of establishing a collateral registry in the central bank which is expected to boost access to finance for small businesses on the back of moveable assets collateral. This will go a long way in addressing collateral constraints for women owned businesses.
Collateral Substitutes	The Reserve is collaborating with key stakeholders in rolling out financial literacy / education in the country. Financial literacy facilitates effective implementation of and attainment of financial inclusion objectives. In this regard, financial literacy is one of the four pillars of the National Financial Inclusion Strategy.
Value Chain Finance	The Reserve Bank has partnered with financial institutions and development partners and is operationalising the ***value chain financing*** model through a US$10 million Business Linkages Finance Facility targeted at agricultural production. Women are expected to benefit as they account for 86% of the rural population.
Group or Cluster Financing	Banks and microfinance institutions have adjusted their lending methodologies to enable them to adequately serve the various segments of the population including women.
Opening of low cost accounts	Anti-money laundering regulations were simplified for low income groups where the majority are women. The risk-based KYC requirements have enabled the opening of ***low-cost bank accounts*** for previously financially underserved low income groups who by nature carry low money laundering risk.
Consumer Protection Guideline	Guideline was developed to promote transparency and minimize information asymmetry between financial services consumers and providers of financial services.
Warehouse Receipt System	Stakeholders leading the implementation of the National Financial Inclusion Strategy, in partnership with development partners (World Bank), are championing the development of a robust warehouse receipt system in Zimbabwe which will help to address marketing and funding constraints for smallholder farmers and other commodity producers. Approximately 68% of Zimbabwe's population lives in rural areas, the majority being women engaged in farming activities.

5. CONCLUSION

5.1 The initiatives being instituted by the Reserve Bank and other financial inclusion stake holders are expected to promote financial inclusion of women and other marginalized groups, promote financial literacy and consumer protection to enable women to contribute to economic growth and development.


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