



W-SME Survey Report

Access to Finance and Capacity Building of Women-led Small and Medium Enterprises in Zambia

March 2021



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List of Abbreviations

AfDB	African Development Bank
AFAWA	Affirmative Finance Action for Women in Africa
AFI	Alliance for Financial Inclusion
BDS	Business Development Services
BOZ	Bank of Zambia
DFS	Digital Financial Services
FI	Financial Institution
FMO	Entrepreneurial Development Bank of the Netherlands
FSDZ	Financial Sector Deepening Zambia
FSP	Financial Service Provider
GBA	Global Banking Alliance
IFC	International Finance Corporation
ILO	International Labour Organization
KYC	Know Your Customer
MFI	Microfinance Institution
MNO	Mobile Network Operator
NFS	Non-Financial Services
NPL	Non-Performing Loan
PACRA	Patent and Companies Registration Agency
USD*	United States Dollar
Zanaco	Zambia National Commercial Bank
ZFAWB	Zambia Federation of Associations of Women in Business
ZMW*	Zambia kwacha
ZRA	Zambia Revenue Authority
WBG	World Bank Group
We-Fi	Women Entrepreneurs Finance Initiative
W-SMEs	Women-Owned and Led Small and Medium Enterprises

*Unless otherwise stated, all currency conversions from Zambian Kwacha (ZMW) to United States Dollar use the official exchange rate for the year 2019 of 12.889 Kwacha per USD, as reported by the World Bank.

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About We-Fi

The Women Entrepreneurs Finance Initiative (We-Fi), housed in the World Bank Group, is a groundbreaking partnership that aims to unlock financing for women-led businesses in developing countries. We-Fi's partners include 14 donor governments, six multilateral development banks as implementing partners, and numerous other stakeholders in the public and private sector around the world. We-Fi takes an ecosystem approach to removing barriers to women's economic empowerment, addressing constraints and opportunities related to finance, market access, capacity and the enabling environment. <https://we-fi.org/>

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Executive Summary

Women entrepreneurs play a critical role in the Zambian economy but remain disadvantaged in starting and growing their businesses. Women in Zambia make up 48% of the labor force¹ and own an estimated 42% of micro enterprises and 36% of small and medium enterprises (SMEs) in the country.² Zambia has made significant gains in closing gender gaps and was ranked 45 of 153 countries according to the Global Gender Gap 2020, indicating the country is making strides toward gender parity on many aspects.³ Yet, women entrepreneurs still face distinct challenges that restrict the growth potential of their businesses, including more limited access to finance, infrastructure, and technology. With the growing recognition of the importance of women entrepreneurs, this research aims to better understand the potential opportunities for supporting and unlocking growth among the women owned/led SME (W-SME) segment in Zambia. This project also provides data on W-SMEs to support dialogue between key stakeholders in implementing and supporting W-SME initiatives.

This report presents the findings from a strategic market analysis of women-led SMEs⁴ conducted in Zambia. The objective of this report is to increase the understanding of both the demand-side and the supply-side characteristics and constraints across the firm life cycle (start up and growth), as well as the availability of new technologies that can alleviate constraints for women-owned businesses. This research is a part of the Zambia Women Entrepreneurs Finance Initiative (We-Fi) project, which is focused on supporting the growth of women-owned/led SMEs by improving access to finance and capacity building for women entrepreneurs. Specifically, this report is meant to contribute to the design of more effective interventions by analyzing barriers to finance that affect women-owned/led enterprises more than men-owned/led enterprises.

Quantitative and qualitative data were collected on the demand side through interviews with women and men-led SMEs and on the supply side through interviews with financial service providers (FSPs) and non-governmental organizations (NGOs) providing support to SMEs. On the demand side, a quantitative survey consisting of 621 businesses was conducted to assess the financial and non-financial constraints faced by women-owned and led SMEs. In addition to W-SMEs, a sample of men-led SMEs was surveyed to assess potential gender differences. Qualitative data were also collected on the demand side through in-depth W-SME interviews and a customer journey mapping exercise. These interviews provided an in-depth assessment of the specific challenges women-led SMEs face in terms of accessing finance. On the supply-side, semi-structured interviews were conducted with the main FSPs serving the W-SME segment in Zambia to understand challenges in serving W-SMEs, their strategy for gender-focused lending, and their outlook on the future. Finally, interviews were conducted with NGOs that provide business

¹ World Bank World Development Indicators

² SME Finance Forum (2019) MSME Finance Gap Zambia.

³ World Economic Forum (2020). Global Gender Gap Report 2020.

⁴ For the purposes of this study, the We-Fi definition of Women-led SMEs is used. A women-owned/led business is defined as either more than 50% owned by a woman/women; or at least 20% owned by a woman/women, and has at least 1 woman as CEO/COO (President/Vice-President); and at least 30% of the board of directors comprised of women, where a board exists.

development and capacity building support to SMEs to understand the current support provided to the W-SME segment, as well as future needs.

Business Challenges and Barriers

Findings from the study indicate that socio-cultural norms continue to limit the ability of women to start and grow their businesses. Women in Zambia typically have the responsibility for taking care of the home, children and elderly, which limits the time and energy they can devote to market activities. In fact, in the survey sample, the biggest challenge faced by women entrepreneurs when starting a business is the expectation that women have the main responsibility for the family and children, mentioned by 60% of the survey sample. Other reported challenges that limit women entrepreneurs include a disadvantage in raising capital, women not being perceived as competent enough to start and manage a business, and women having lower personal financial assets than men.

Women-led businesses are also constrained by access to electricity, market competition, and access to finance. W-SMEs report market access (such as having too many competitors and not enough customers) and the regulatory environment (such as registering the business, tax compliance, laws and regulations) as significant challenges to starting their businesses. When registering the business, meeting all the registration requirements and the time it took to register are the biggest constraints faced by both men and women-owned SMEs. Women-owned businesses face greater challenges than their male counterparts in meeting requirements and the cost of registration. In terms of long-term growth obstacles, W-SMEs are most constrained by access to electricity, market competition, and access to finance.

W-SMEs report their ability to borrow is hindered by collateral requirements and high interest rates. Less than a quarter of the surveyed W-SMEs had previously borrowed money from a bank or microfinance institution (MFI) and among those W-SMEs that have been successful in obtaining bank loans, the loans tend to be smaller and have shorter repayment periods compared to loans obtained by men-led SMEs. Among the 23% of W-SMEs that have had a loan application rejected, the most common reason was lack of appropriate collateral (47%). Women in Zambia typically do not own property and thus often lack the registrations and title deeds required by banks to borrow. Additionally, women consistently reported that the interest rates charged by banks are too high (36%), making it difficult for them to repay. In 2019, the average annual interest rates charged by banks on SME lending was 33%.⁵ MFIs, on average, charged more than 80%. Because of these challenges, women often turn to informal sources, such as friends and family, moneylenders, or community groups.

Women entrepreneurs lack basic business management skills and FSPs lack deep knowledge of WSMEs as a potentially profitable segment. Financial service providers, NGOs, and W-SMEs themselves all cited the lack of business management skills as a significant challenge to growing

⁵ BoZ Publication of Charges, Fees and Commissions and the Demonstration of the Cost of Borrowing

their businesses and obtaining finance. FSPs reported a key issue in serving the W-SME segment is that they are less likely to formalize their business processes, keep their business and personal finances separate, and run their transactions through the bank. This makes meeting Know Your Customer (KYC) requirements more difficult for women entrepreneurs. W-SMEs reported a need for core financial, business, and legal skills, such as managing budgets, reinvestment of profit, how to apply for loans, alternative financing options, etc.

COVID-19 has had a significant impact on the W-SME segment and they have had to adapt their businesses as a result. Almost half of W-SMEs anticipate losing between 51-100% of revenue compared to last year. The biggest areas of concern for W-SMEs are paying employees (63%) and product demand (45%). More than a third (38%) have already had to lay off workers and 32% anticipate further layoffs. As a mitigation strategy, 14% of W-SMEs report that they plan to apply for loans. Participation in government programs was limited, as only 2% of W-SMEs report that they have applied for the Medium Term Refinancing Facility, the liquidity scheme with the Bank of Zambia (BoZ), and only 13% of W-SMEs report that they are aware of any kind of government assistance for their businesses.

Opportunities for Unlocking Growth Potential of Women Entrepreneurs

There is significant potential for W-SME lending, with an estimated market size of ZMW 2.2 billion (USD 168.8 million) for W-SME loans.⁶ This estimated market size is reflected in the fact that 59% of W-SMEs reported they plan to borrow in the future. Survey findings indicate women-led SMEs have widespread use of bank accounts but are underserved in terms of credit products. 95% of W-SMEs surveyed have a bank account; however, only 27% have borrowed money for the business and only 23% have taken a loan from a bank or MFI. W-SMEs would like to borrow to expand business premises, purchase equipment and purchase more goods. Working capital finance dominates in the W-SME segment (72% of those that use finance products) with very limited use of non-traditional credit products, such as trade finance, vehicle or asset finance, leasing, or factoring.

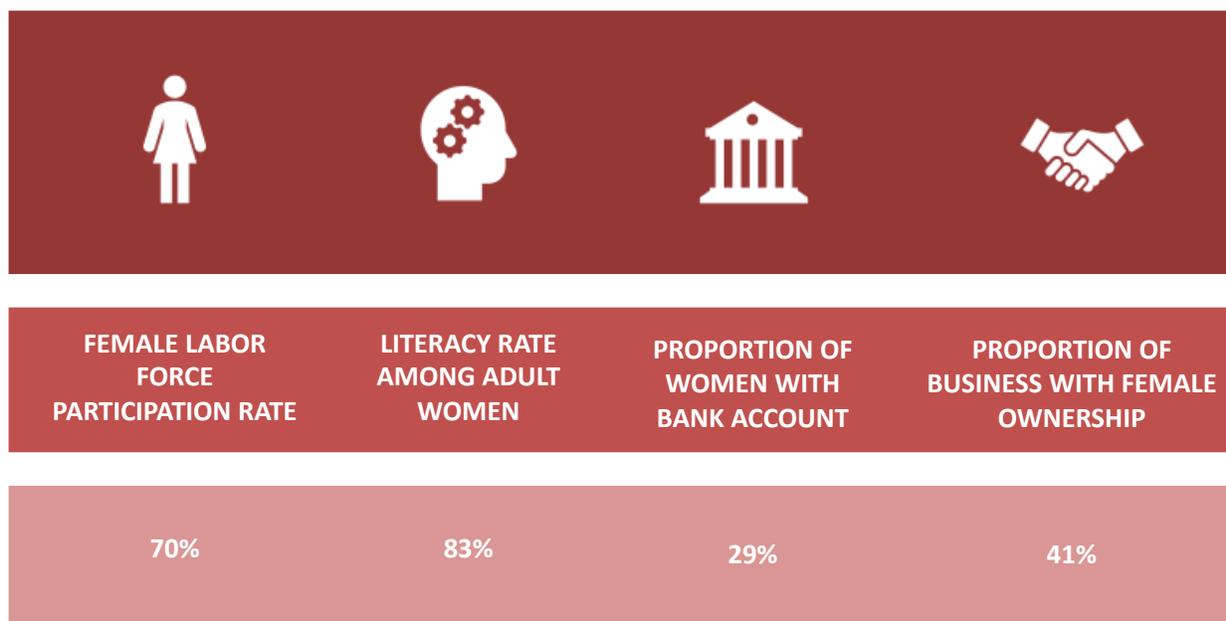
Safe, efficient, and transparent digital financial services (DFS) represents a critical opportunity to increase financial inclusion among W-SMEs. Smartphone ownership for women-led SMEs is high, at 96% of the survey sample and women typically use digital technology in their businesses. For example, 71% report they use mobile platforms to receive payments and 61% to make payments. However, there is much more limited uptake of digital financial services. Only 34% of W-SMEs report that they use mobile banking and 28% electronic or internet banking. Yet W-SMEs consistently report that they would like to do more of their banking via mobile or online platforms. Among W-SMEs, 87% would use DFS to check their balance, 72% to pay bills and review transactions, and 71% to check deposits.

⁶ Estimation is based on the reported values from the sample of SMEs in the 2020 W-SME Survey, combined with extrapolations from BoZ Credit Market Monitoring Report Data and World Bank Enterprise Surveys Zambia 2019 data.

“For women” accounts and packages would attract more W-SME clients. Credit products can be adapted to better meet the needs of women entrepreneurs to finance a range of activities including growth, expansion, asset, trade liquidity, inventory and raw materials. The emphasis that women entrepreneurs have placed on being able to meet both their personal and business banking needs indicates potential for packages that combine business products and services with transactional and savings accounts, pension plans, credit and debit cards, insurance, etc. W-SMEs are largely satisfied with their current bank, but when asked what banks could improve and what W-SMEs would be looking for in choosing a new bank, they reported affordable rates and fees and consistently good service. Financial service providers should leverage sex disaggregated data on their clients to create a value proposition for women, centered on affordable products leveraging innovative approaches and digital channels and customer experience.

Non-financial services (NFS) would need to be an essential component of any targeted W-SME initiatives. Interviews with both supply and demand-side stakeholders indicated a need for greater financial education to help women manage their businesses and make them ready to access finance. The majority of W-SMEs have never received formal training in business or financial management. As women tend to have lower levels of financial and digital literacy and limited awareness of financial institutions and products, this makes them more reluctant to approach a bank for their business needs. Offering non-financial services can be beneficial for W-SMEs, and banks themselves, through increasing interest income, increasing the share of wallet through cross-sell, deposit volume and fee income, increasing customer loyalty, and reducing non-performing loans (NPLs) among W-SME clients. Among W-SMEs, priority areas of training include expanding a business (67%), financial budgeting (37%), marketing a business (36%), and obtaining loans, finance and operating on credit (36%).

1. Introduction



Source: World Bank World Development Indicators; World Bank Global Financial Inclusion Database

Women play a significant role in the Zambian economy. Women make up approximately half of the Zambian population and contribute significantly to employment and entrepreneurship. Female labor force participation is high at 70% (although still lower than the male labor force participation rate of 79%) and women make up 48% of the overall labor force.⁷ Yet, women continue to operate mainly in informal activities and experience occupational segregation in terms of jobs and sectors available. Women tend to be concentrated in activities yielding low economic returns, which hire fewer employees. The most common sector for women is commerce, followed by manufacturing and services. Women also make a significant contribution to the agricultural sector, constituting approximately 76% of the agricultural labor force.⁸ In comparison, men usually work in manufacturing activities, such as furniture making, charcoal production, fish processing and metal products, and service areas such as transport and construction.

Despite their contribution to the economy and an improving legal environment, due to social norms women face greater challenges than their male counterparts from a lack of access to productive resources, including capital and land. According to Women, Business, and the Law 2020⁹, which measures gender inequality in economic laws, Zambia has made improvements on legal provisions protecting women's rights. In particular, Zambia received a score of 100 for entrepreneurship, which analyzes legal constraints to women's ability to start and run a business. Yet, in practice, socio-cultural barriers, including customary law, land policy, lower levels of

⁷ World Bank World Development Indicators

⁸ FAO (2018). National Gender Profile of Agriculture and Rural Livelihoods – Zambia. Country Gender Assessment Series. Lusaka.

⁹ World Bank (2020). Women, Business and the Law, 2020.

education, traditional customs and values, household responsibilities, occupational segregation, etc. tend to prevail, limiting women’s ability to fully participate in economic activity.

Table 1: Women, Business and the Law 2020 Indicators for Zambia & Neighbor Countries

		Zambia	Zimbabwe	Tanzania	Botswana	Namibia
WBL 2020 Score		81.3	86.9	84.4	63.8	86.3
Mobility		75	100	100	75	75
Workplace		100	100	100	25	100
Pay		100	75	100	75	100
Marriage		80	80	80	100	100
Parenthood		40	40	60	0	40
Entrepreneurship		100	100	75	75	75
Assets		80	100	60	60	100
Pension		75	100	100	100	100

Source: World Bank. *Women, Business, and the Law. 2020.*

Practices of competitors in the informal sector and access to finance are key challenges for women-owned businesses. According to the 2019 World Bank Enterprise Surveys¹⁰, 67% of women-owned small and medium enterprises reported practices of competitors in the informal sector as a moderate, major, or severe obstacle (compared to 57% of men-owned enterprises). Access to finance was reported by 53% of women-owned businesses and 58% of men-owned businesses. Corruption and crime, theft, and disorder were reported by 47% and 37%, respectively (compared to 45% and 30% of men-owned businesses, respectively). Over a third (37%) of women-owned businesses also reported business licensing and permits, and customs and trade regulations as a moderate, major, or severe obstacle. Men-owned businesses found this to be a more significant obstacle with 48% rating it as moderate, major, or severe. Before COVID-19, only 23% of women-owned businesses and 27% of men-owned businesses reported that they expected total sales to decrease. The main obstacles to expanding sales were failure in electricity supply (27% of women-owned) and lack of financing mechanisms for working capital

¹⁰ World Bank. 2019. *Zambia Enterprise Survey.*

(23%). Notably, men-owned businesses report access to finance as a larger constraint than women-owned businesses. The most commonly reported obstacle to expanding sales, reported by a quarter of men-owned SMEs is lack of financing mechanisms for working capital, followed by electricity supply (21%).

Bank account ownership is high, but the use of credit products is low among women entrepreneurs. According to the 2019 World Bank Enterprise Survey in Zambia, all women-owned small and medium-sized enterprises and 96% of men-owned enterprises reported having a bank account. Yet, only 20% of W-SMEs report having an open loan or line of credit from a financial institution. Loans were more common among men-owned SMEs, with 39% reporting that they currently have a line of credit or loan from a financial institution. Among W-SMEs with a loan, 67% report that the loan required collateral to be secured (compared to 82% of men-owned SMEs). Land and buildings are the most common forms of collateral, used by all W-SMEs that were required to pledge collateral; equipment was used by 50% of W-SMEs with a loan.

Unfavorable interest rates were the main obstacle to obtaining credit among women entrepreneurs. In terms of loan applications, only 13% of women-owned and 20% of men-owned SMEs reported applying for a loan in the last year. Approximately 37% of W-SMEs (and 43% of men-owned SMEs) had not applied because they reported that they had no need to borrow as they had sufficient capital to run the business. Among those that would like to borrow but haven't, the main reason for not applying was that interest rates were not favorable (67% of both women and men-owned SMEs that want to borrow but have not). A small proportion mentioned other issues, including collateral requirements (7% of women-owned and 5% of men-owned) or complex application procedures (7% of women-owned and 5% of men-owned).

W-SMEs are using basic digital technology for business purposes, but there is very limited use of digital financial services. Among the Zambian population, there are 96.4 mobile phone subscriptions per 100 people¹¹, yet only 14% of the population reported using the internet in 2018.¹² According to the GSMA, despite improvements in mobile penetration, women and those living in rural areas remain underserved.¹³ Only 48% of women are active mobile users (compared to 55% of men) as a result of women's lower rates of National Registration Card (NRC) ownership and lower levels of disposable income. Among W-SMEs in the World Bank Enterprise Surveys 2019, 80% of women-owned SMEs had a website for their business, compared to 52% of men-owned SMEs. Yet, only 13% of women-owned and 14% of men-owned SMEs were able to receive mobile money as payment from customers. Additionally, sales received through mobile money are very low. On average, women-owned SMEs received just 6% of their sales through mobile money and men-owned SMEs received 8% of sales through mobile money.

¹¹ Mobile cellular telephone subscriptions are subscriptions to a public mobile telephone service that provide access to the Public Switch Telephone Network (PSTN) using cellular technology. The indicator includes postpaid subscriptions and active prepaid accounts (i.e. that have been used during the last three months).

¹² World Bank World Development Indicators

¹³ GSM Association. 2019. *Digital Identify Country Profile: Zambia*.

Female-owned SMEs are being heavily impacted by the pandemic and largely not receiving government assistance. According to a World Bank COVID-19 follow-up to the 2019 Zambia Enterprise Survey¹⁴, a large majority of female-owned SMEs report having their sales decrease due to COVID-19. Business closures have affected 26% of these businesses, with 7% permanently closed and 19% temporarily. Similarly, at the time of interview, 21% of male-owned SMEs were temporarily and 4% permanently closed. Additionally, demand for products and services has dropped for 80% of female-owned and 84% of male-owned businesses. Over a third (36%) of female-owned businesses will not be able to pay back their current liabilities (i. e., loans or other forms of credit) on time or at all, compared to 47% of male-owned businesses. In terms of government programs to help businesses, 42% of female-owned and 47% of male-owned businesses are aware of a local or national government support program, but only 4% of female-owned and none of the male-owned businesses reported that they had benefited from any program.

SMEs have had to adapt their businesses, with women-owned SMEs more likely to utilize technology-based solutions. In response to the pandemic, over a third (36%) of W-SMEs have reported a change from their normal production or services they offer, a third (32%) have started or increased remote work, and a third (32%) also report they have started or increased their online activity. Men-owned businesses were much more likely to report that they have converted production (57%), but less likely to have started or increased remote work (26%) or started or increased business activity online (29%).

The Zambia Women Entrepreneurs Finance Initiative project is focused on supporting the growth of women-owned/led SMEs by improving access to finance and capacity building for women entrepreneurs. This project is part of a broader World Bank and International Finance Corporation (IFC) Women Entrepreneurs Finance Initiative, which seeks to address financial and non-financial constraints faced by women-owned/led SMEs around the world. As part of this, diagnostic work was conducted to increase understanding of both the demand-side and the supply-side, as well as the availability of new technologies that can alleviate constraints on either side of the equation. Specifically, this diagnostic aims to contribute to the design of more effective interventions by analyzing barriers to finance that affect female-owned/led enterprises more than male-owned/led enterprises.

A survey of growth-oriented women-led SMEs was conducted to better understand their current challenges, needs and opportunities. The focus of the survey was a specific subsegment of women owned small and medium enterprises with the potential to contribute to economic growth and job creation. The W-SMEs interviewed were all formal businesses in the manufacturing and services sectors. The most common industries were manufacturing (20%), accommodation and food services (19%), and education (16%). These businesses are largely private companies that have been in operation for somewhere between 2 and 10 years. The businesses were located in Lusaka (46%), Copperbelt (30%) and Eastern (24%) provinces. Female

¹⁴ World Bank COVID-19 Follow Up Enterprise Surveys

business owners interviewed are relatively young and well educated, with about half having a university education or higher.

This report is structured into seven remaining sections. Section 2 explains the study methodology, key definitions, and summary statistics of the final survey sample. Section 3 explores the business and financial performance and challenges faced by W-SMEs in starting and running a business. In Section 4, the report examines the financial products and services accessed by W-SMEs and their perceptions of financial service providers. Section 5 examines the state of the supply side, including current lending to W-SMEs, the universe of providers for financial and non-financial services for W-SMEs, and the specific challenges faced by FSPs in reaching and working with the W-SME segment. In Section 6, the report explores the impact of COVID-19 on both W-SME and FSP operations and outlook. Section 7 maps the opportunities, both financial and non-financial, for supporting W-SMEs. Finally, in Section 8, the report summarizes findings from the assessment as well as provides recommendations on how financial institutions can better meet the needs of the W-SME segment.

2. Study Methodology

2.1 OVERVIEW OF STUDY METHODOLOGY

The quantitative data collection for this study consisted of a survey of 621 SMEs across four locations in Zambia. The regional breakdown of the sample consists of 46% of businesses being from Lusaka, 30% from Copperbelt (which includes both Kitwe and Ndola), and 24% from Eastern (Chipata). In terms of business size, 91% of businesses are considered small enterprises, while 9% are considered medium enterprises. Female-owned/led businesses are the focus of this study and account for 91% of the sample. To understand any potential gender differences, 57 male-owned/led

enterprises were also sampled. This small sample size yields valuable feedback on market dynamics; however it is directional in nature, rather than being statistically representative. In terms of economic activity, SMEs in the service sector make up 81% of the sample, while the remaining 19% is considered to be manufacturing.

Survey results are combined with qualitative data collection on both the supply and demand sides. In addition to the W-SME survey, data were collected from three qualitative sources. Qualitative data collected on the demand-side included 16 in-depth interviews with women businesses owners and 8 customer journey mapping interviews. On the supply-side, interviews were conducted with the main financial service providers focused on W-SME lending, including commercial banks and MFIs. Additionally, interviews were conducted with ecosystem actors that engage in the promotion of W-SMEs and offer business development service activities. A full list of qualitative interviews conducted can be found in Annex 1.

The survey sample focused on a sub-segment of growth-oriented women-led SMEs, rather than being representative, which should be considered when interpreting results. While the quotas used for survey sampling were intended to be representative of size and sector at the province level, the sample is not representative of SMEs in the country. The focus of this study is on formal W-SMEs with a potential for contribution to job creation and economic growth. Thus, the SMEs interviewed are all registered and are likely to be bigger and demonstrate stronger performance than the average SME in Zambia. Additionally, survey interviews were conducted in July-September of 2020, during which many businesses in Zambia were experiencing turbulence and closure due to the COVID-19 pandemic. According to the World Bank's COVID-19 Follow Up Survey, 21% of surveyed businesses were either temporarily or permanently closed during these months. The sample may thus be biased toward more profitable businesses with more formal

Table 2. Survey Sample Breakdown

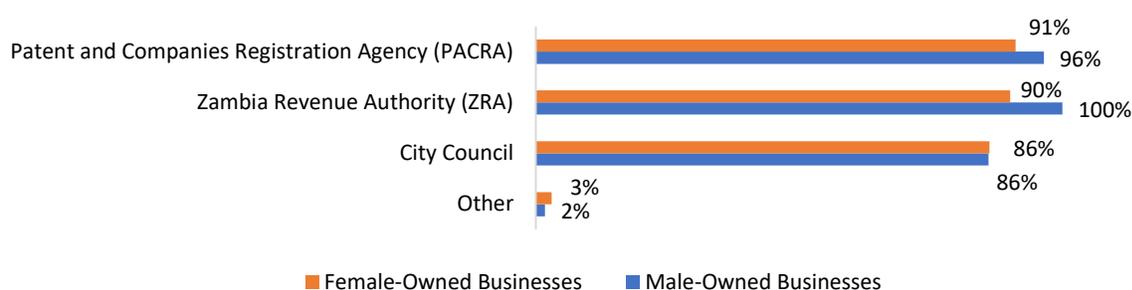
Criteria	N.	Share of Sample
Province		
Copperbelt (Kitwe, Ndola)	188	30%
Eastern (Chipata)	149	24%
Lusaka (Lusaka)	284	46%
Size		
Small	565	91%
Medium	56	9%
Gender		
Female-owned/led Businesses	564	91%
Male-owned/led Businesses	57	9%
Sector		
Manufacturing	119	19%
Services	502	81%

operations that were able to continue business operation during this period. Thus, while the sample is not necessarily representative of the typical MSME in Zambia, the survey was able to target those firms that are most likely to survive the crisis and contribute to jobs and growth going forward. These viable firms also represent the likeliest pipeline for FSPs that want to enter or grow their business in the W-SME segment.

2.2 DEFINITIONS USED IN THIS STUDY

Given the We-Fi focus on formal enterprises, the survey sampled only formal businesses. A formal business is defined as one that is registered with a government authority. In the sample, most businesses were registered with the Patent and Companies Registration Agency (PACRA) and the Zambia Revenue Authority (ZRA). 86% of businesses are also registered with the City Council. According to the World Bank’s Doing Business Report 2020, starting a business represents 34% of income per capita¹⁵, which can be a significant expense for women who typically have lower levels of disposable income. The minimum cost of starting a business is reported to be ZMW 2,715 (USD 210)¹⁶.

Figure 1. Authority of Registration



Business size criteria for this report are based on the Zambia We-Fi definition. The size of a business is determined by either the size of the largest reported loan, or by meeting two of the three other criteria, consisting of the number of employees, total assets, and annual sales.

Table 3. SME Size Criteria

Criteria	Small	Medium
Loan Size	\$10,000 - <\$100,000 (130,000 - <1.29 million ZMW)	\$100,000 - <\$1 million (1.29 - <12.89 million ZMW)
Number of Employees	6 - 49	50 - 300
Total Assets	\$100,000 - <\$3 million (1.29 - <38.67 million ZMW)	\$3 million - \$15 million (38.7 - <193.34 million ZMW)
Annual Sales	\$100,000 - <\$3 million (1.29 - <38.67 million ZMW)	\$3 million - \$15 million (38.7 - <193.34 million ZMW)

¹⁵ World Bank. 2020. *Doing Business 2020 Economy Profile: Zambia*.

¹⁶ *ibid*

A women-owned/led (female-owned/led) business is defined as:

1. > 50% owned by a woman/women; or
2. \geq 20% owned by a woman/women, and:
 - a. has \geq 1 woman as CEO/COO (President/Vice-President); and
 - b. has \geq 30% of the board of directors comprised of women, where a board exists

The sector of a business is based on classification according to the International Standard Industrial Classification of All Economic Activities (ISIC), Rev.4. One of these choices is manufacturing, while the remaining 20 sector choices are broadly classified as services.

2.3 RESPONDENT PROFILE

In the survey sample, most female business owners are relatively young with a high level of education. The most commonly reported age group of respondents for both female and male respondents is between 30-39 years old and the most commonly reported education level is a university degree. Female respondents are slightly more likely than male respondents to have a university education (51% versus 44%). Vocational or technical school is the second most frequently reported education level for all respondents (39%), while secondary school accounts for 11% of the sample and primary school accounts for only 1% of the sample. Women SME owners surveyed for this study have a significantly higher level of education than women, on average, in Zambia. According to the FinScope Zambia 2016, only 8% of women had an undergraduate degree or higher.¹⁷

Figure 2. Respondent Age

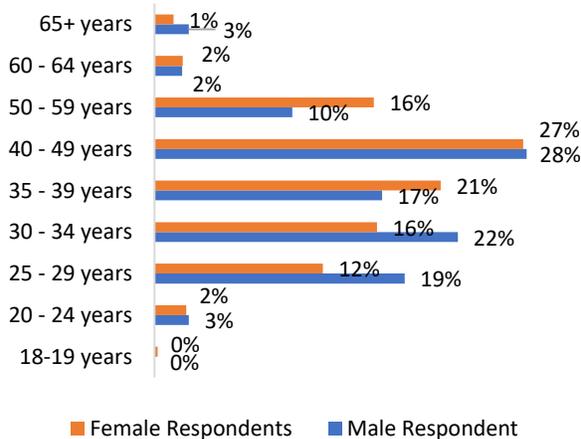
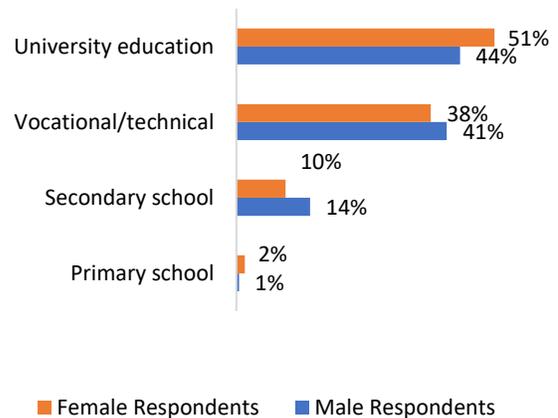


Figure 3. Respondent's Education Level



Men-led businesses tend to be larger than women-led business. In the survey sample, 16% of men-led businesses are medium-sized businesses, compared to only 8% of women-led (Figure 4).

¹⁷ FSD Zambia. 2016. *Women and Financial Inclusion in Zambia*.

Additionally, the majority of women-led businesses have only one owner, compared to only 30% of men-led businesses (Figure 5). Only 19% of women-led businesses have three or more owners, compared to 28% of men-led. Women-led businesses are similarly more likely to be set up as sole proprietorships, rather than private companies. While most female-owned businesses are private companies (81%), relatively more female-owned businesses are structured as sole proprietorships (13%) as compared with male-owned businesses (7%). Most female-owned businesses have been in existence for 2-10 years (66%) (Figure 6).

Figure 4. Business Size

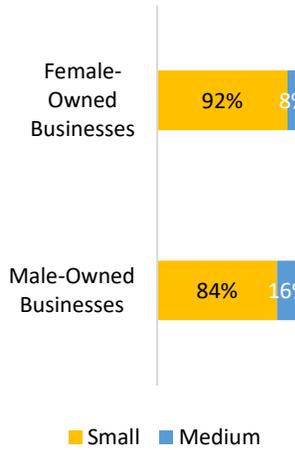


Figure 5. Number of Owners

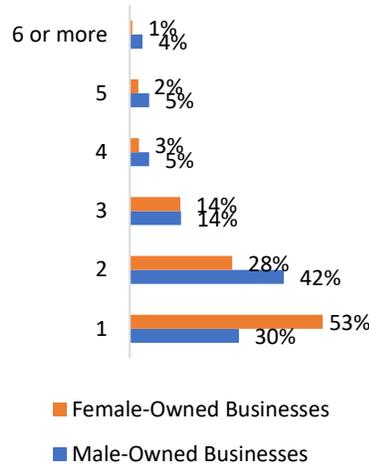
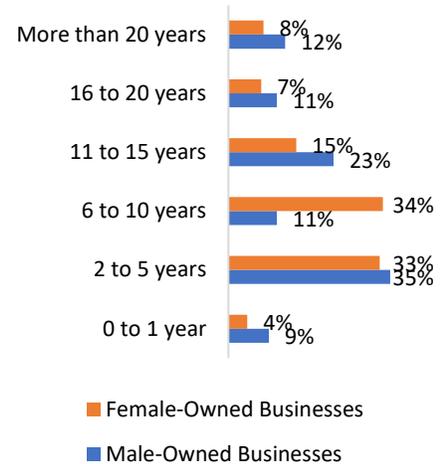
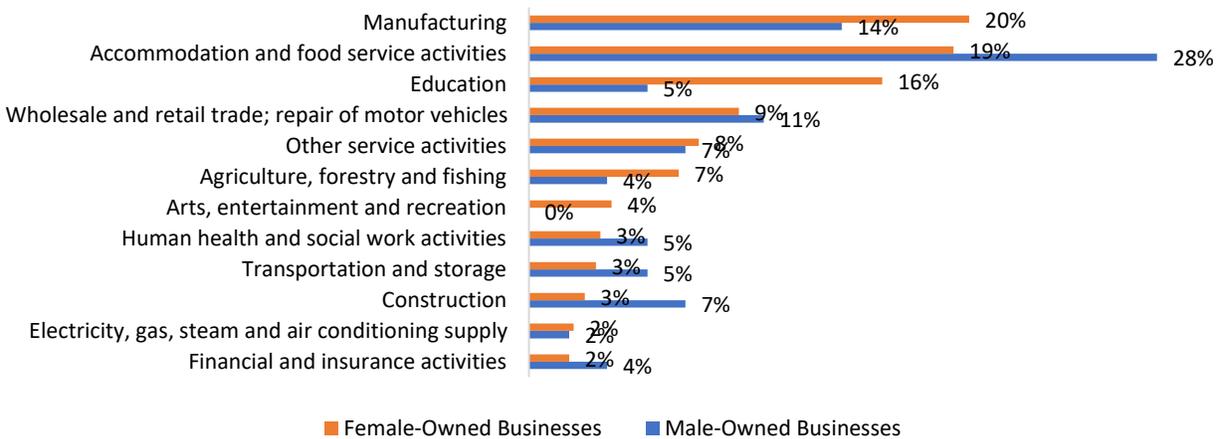


Figure 6. Age of Business



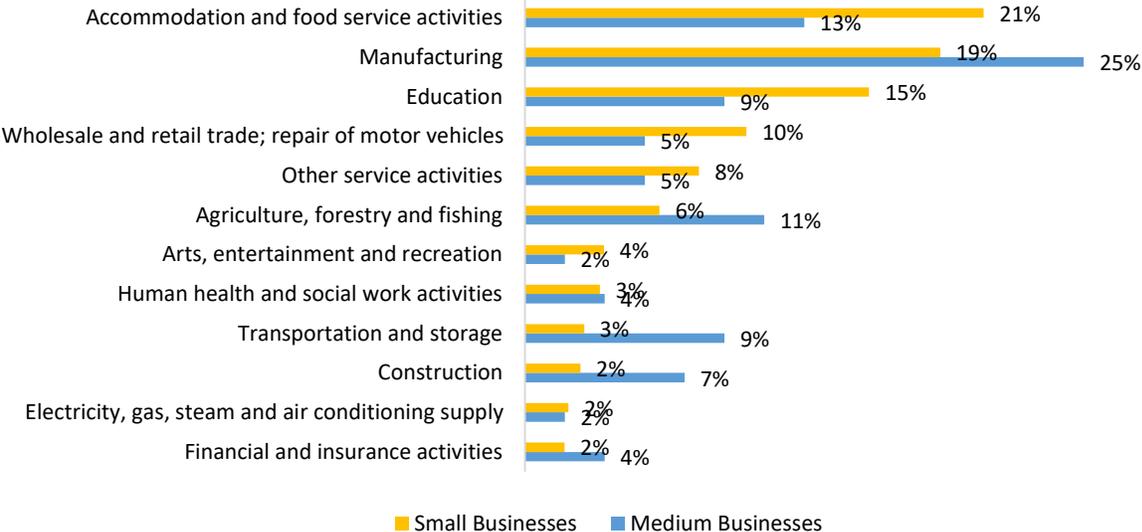
Female-owned businesses in the sample are concentrated in manufacturing (20%), accommodation and food services (19%), and education (16%) sectors. There are relatively more male-owned businesses in accommodation and food service activities (28% for male and 19% for female) and the construction sector (7% for male and 3% for female). On the other hand, there are relatively more female-owned businesses in the manufacturing (20% for female and 14% for male) and education (16% for female and 5% for male) sectors.

Figure 7. Main Economic Activity



Small-sized businesses are most concentrated in accommodation and food service activities (21% of small and 13% of medium), while medium-sized businesses are concentrated in manufacturing (25% of medium and 19% of small). There are also relatively more small businesses in the education sector (21% of small and 13% of medium) and wholesale and retail trade (10% of small and 5% of medium). On the other hand, there are relatively more medium-sized businesses in the agriculture, forestry and fishing sector (11% of medium and 6% of small) and in the transportation and storage sector (9% of medium and 3% of small).

Figure 8. Main Economic Activity by Business Size



3. W-SME Business Performance & Challenges

3.1. START-UP CHALLENGES

SMEs report that market access and the regulatory environment were the biggest challenges to their business when they started. When asked the main challenges to starting a business, the majority of SMEs report issues related to market access, including having too many competitors and not enough customers. For female-owned businesses, 63% reported that market access was a challenge, and 46% reported that the regulatory environment was a challenge. Firm capabilities, including determining what product to sell, who to sell to and raising awareness of products and services, were reported by another 45% of women-owned and 54% of men-owned businesses. When registering the business, women-owned businesses face greater challenges than men-owned businesses in meeting requirements and the cost of registration.

Figure 9. Main Challenges When Starting Business

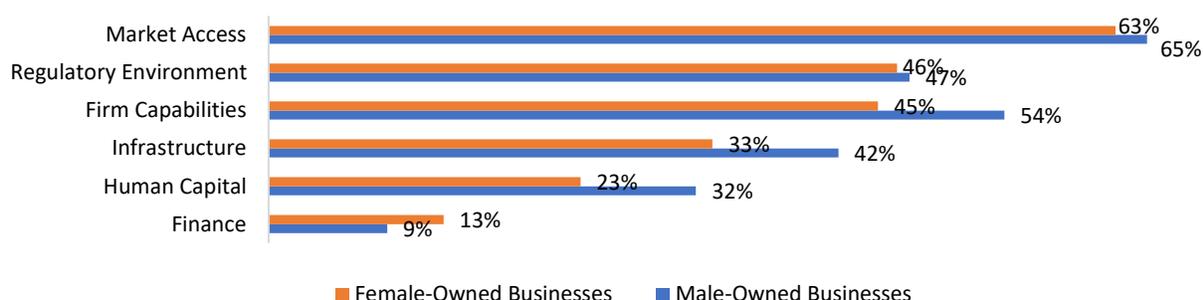
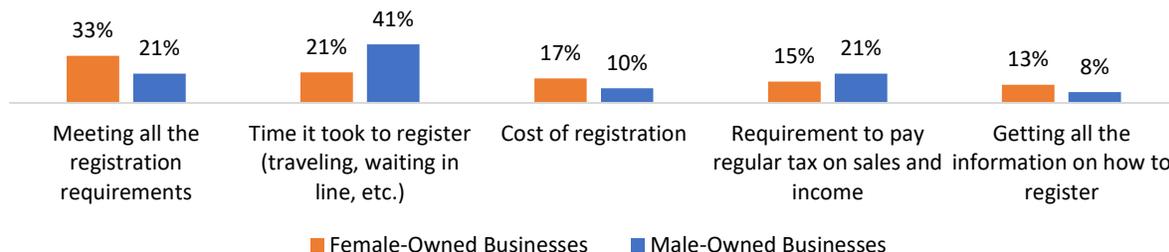
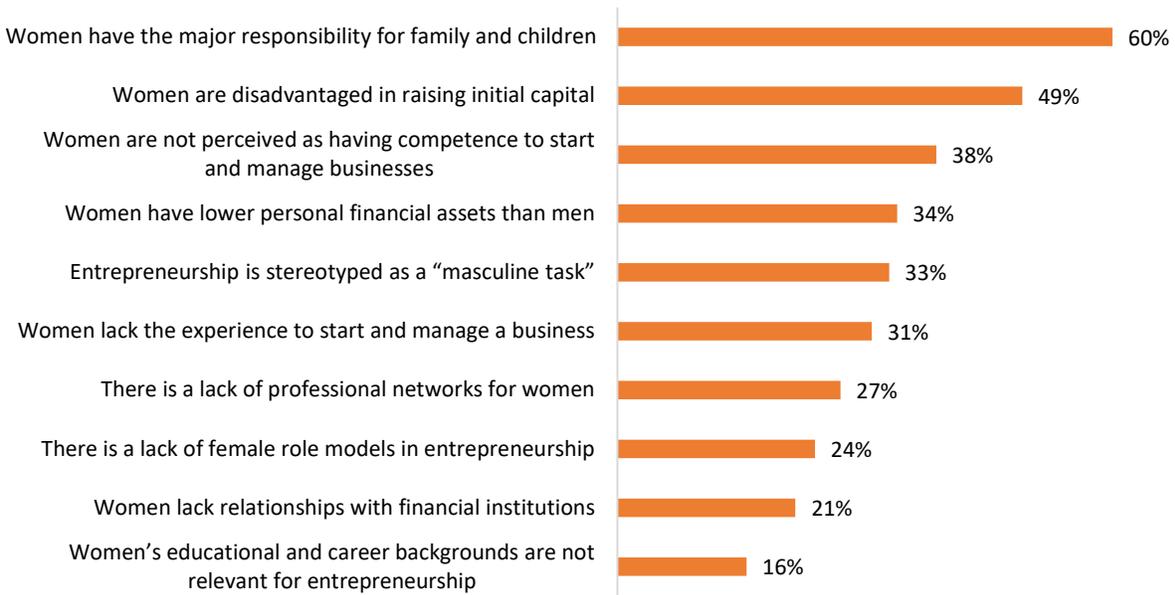


Figure 10. Challenge Registering Business



Female business owners face societal constraints and difficulty in accessing finance. Social and gender norms play a significant role in limiting the ability of women to start and grow businesses, as women in Zambia are traditionally responsible for taking care of the home, children and elderly. This double burden of work and home responsibilities often prohibits them from fully participating in economic opportunities. Women surveyed reported that the biggest challenge that limits women entrepreneurs when starting a business is that women have the main responsibility for the family and children (60%). Other reported challenges that limit women entrepreneurs include a disadvantage in raising capital (49%), women not being perceived as competent enough to start and manage a business (38%), and women having lower personal financial assets than men (34%).

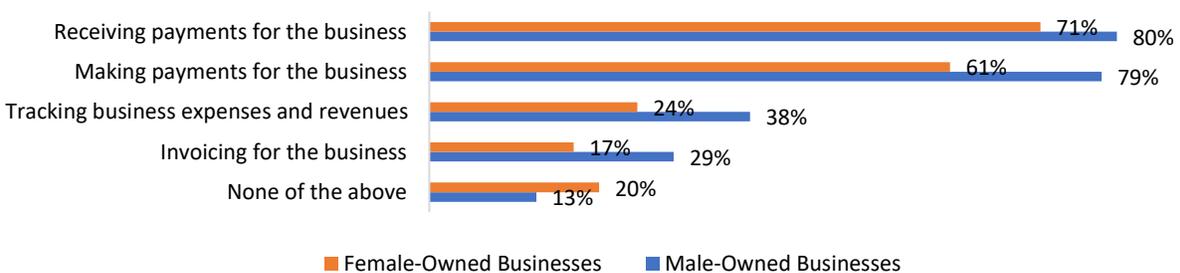
Figure 11. Challenges That Limit Women Entrepreneurs Starting a Business



3.2. USE OF DIGITAL TECHNOLOGY

While smartphone ownership is high, the use of mobile business platforms is low for female-owned businesses. Nearly the entire sample of businesses (99% of female-owned businesses) owns a mobile phone. Furthermore, 96% of female business owners personally own a smartphone. For female-owned businesses, 71% of those with a smartphone report they receive payments for their business through a mobile platform (i.e. mobile money or banking app), while 61% report they make payments for their business through a mobile platform.

Figure 12. Mobile Platforms Used by Smartphone Owner



The vast majority of W-SMEs are not using digital financial services for their businesses. There is moderate use of basic business technology. For female-owned businesses, only 52% use a laptop or computer, 52% have access to the internet, 43% have a social media page, and 30% have a website. The use of digital or electronic banking technology is even lower. For female-owned businesses that use a bank account for their business, only 33% use mobile banking or a

banking app (43% for male-owned), while 28% use some kind of electronic or internet banking (39% for male-owned).¹⁸

Figure 13. Technology Used by Business

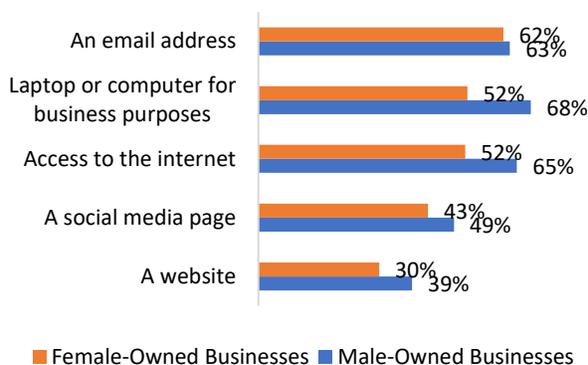
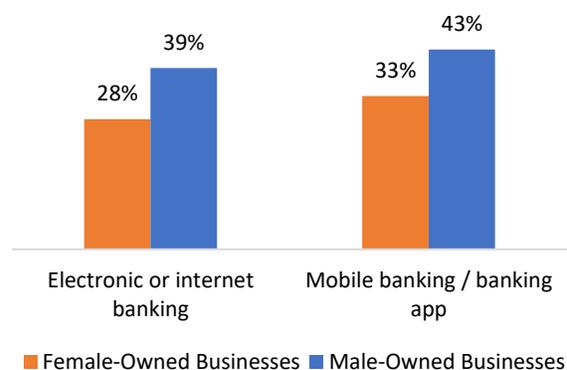


Figure 14. Banking Technology Used



3.3. FINANCIAL CHARACTERISTICS

Female-owned businesses have lower revenue and fixed assets, but higher profit margins than male-owned businesses. In terms of average values, male-owned businesses report nearly 2.5 times the amount of revenue of female-owned businesses. However, the average profit margin for female firms is higher. The mean value of the average gross monthly profit for male-owned businesses is 80,086 ZMW (6,214 USD), while for female-owned businesses it is 111,925 ZMW (8,684 USD). The median profit margin (profit as a share of revenue) is 40% for both female-owned businesses and male-owned businesses.

Small businesses and the agriculture, forestry, and fishing sector report the highest average profit margin. Medium-sized businesses have nearly 12 times the revenue, 10 times the profit, and nearly 8 times the fixed assets of small businesses. However, these values indicate that small businesses report a higher average profit margin than medium businesses, and also a larger amount of fixed assets relative to revenue. Small businesses report an average profit margin of 40%, while medium businesses report an average profit margin of 36%. In terms of sectors, the manufacturing sector reports the highest average turnover, profit, and fixed assets. The agriculture, forestry, and fishing sector reports the second-highest average value for all three indicators, and the average value of fixed assets is similar to the manufacturing sector. The agriculture, forestry, and fishing sector is also the sector with the highest average profit margin, at 44%. Wholesale and retail trade sector SMEs display lower levels of turnover and profit, but the second-highest average profit margin, at 42%.

¹⁸ This is similar to findings from the recent WB Enterprise Surveys, which found that while use of basic technology, such as having a website, was high among W-SMEs, use of mobile platforms was low.

Table 4. Business Finances ¹⁹

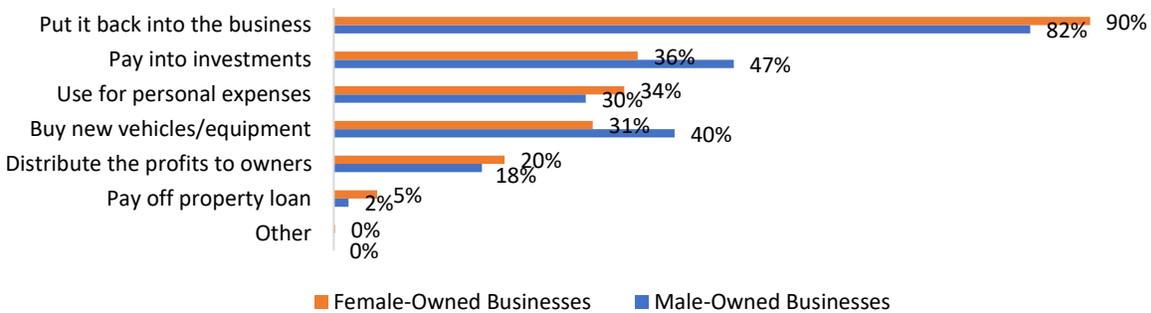
	Average Monthly Sales Turnover		Average Gross Monthly Profit		Fixed Assets		Average Profit Margin
	Mean	Median	Mean	Median	Mean	Median	Mean
Total	317,203 ZMW (\$24,610)	100,000 ZMW (\$7,759)	108,998 ZMW (\$8,457)	40,000 ZMW (\$3,103)	7,069,557 ZMW (\$548,495)	2,000,000 ZMW (\$155,171)	40%
Gender							
Female owned	298,862 ZMW (\$23,187)	99,000 ZMW (\$7,681)	111,925 ZMW (\$8,684)	40,000 ZMW (\$3,103)	6,989,264 ZMW (\$542,266)	2,000,000 ZMW (\$155,171)	40%
Male owned	498,682 ZMW (\$38,691)	100,000 ZMW (\$7,759)	80,086 ZMW (\$6,214)	40,000 ZMW (\$3,103)	7,890,014 ZMW (\$612,151)	2,000,000 ZMW (\$155,171)	37%
Size							
Small	162,538 ZMW (\$12,611)	90,000 ZMW (\$6,983)	58,951 ZMW (\$4,574)	35,000 ZMW (\$2,715)	4,329,289 ZMW (\$335,890)	2,000,000 ZMW (\$155,171)	40%
Medium	1,877,661 ZMW (\$145,679)	500,000 ZMW (\$38,793)	613,036 ZMW (\$47,563)	150,000 ZMW (\$11,638)	34,521,180 ZMW (\$2,678,344)	30,500,000 ZMW (\$2,366,359)	36%
Sector							
Manufacturing	573,901 ZMW (\$44,526)	117,000 ZMW (\$9,078)	239,761 ZMW (\$18,602)	40,000 ZMW (\$3,103)	8,552,859 ZMW (\$663,578)	2,175,000 ZMW (\$168,749)	40%
Accommodation and food services	212,239 ZMW (\$16,467)	70,000 ZMW (\$5,431)	54,011 ZMW (\$4,190)	30,000 ZMW (\$2,328)	4,881,821 ZMW (\$378,759)	2,000,000 ZMW (\$155,171)	40%
Education	146,940 ZMW (\$11,400)	74,000 ZMW (\$5,741)	53,892 ZMW (\$4,181)	20,000 ZMW (\$1,552)	11,300,297 ZMW (\$876,740)	2,200,000 ZMW (\$170,688)	34%
Wholesale and retail trade	161,369 ZMW (\$12,520)	65,000 ZMW (\$5,043)	71,001 ZMW (\$5,509)	33,500 ZMW (\$2,599)	4,079,983 ZMW (\$316,548)	2,000,000 ZMW (\$155,171)	42%
Other service activities	275,787 ZMW (\$21,397)	100,000 ZMW (\$7,759)	99,000 ZMW (\$7,681)	50,000 ZMW (\$3,879)	4,599,447 ZMW (\$356,851)	2,000,000 ZMW (\$155,171)	41%
Agriculture, forestry, and fishing	149,825 ZMW (\$11,624)	93,500 ZMW (\$7,254)	63,125 ZMW (\$4,898)	50,000 ZMW (\$3,879)	8,081,500 ZMW (\$627,008)	2,050,000 ZMW (\$159,050)	44%

The vast majority (90%) of W-SMEs report putting profits back into the business. The majority of SMEs report using profits for more than one purpose. Following putting it back into the business, the most commonly reported uses include paying into investments and paying for personal expenses. Relatively more male-owned businesses report using it to pay into

¹⁹ Exchange of 12.889 is used for all currency conversions. This is based on data from the International Monetary Fund, International Financial Statistics available at: <https://data.worldbank.org/indicator/PA.NUS.FCRF?locations=ZM&view=chart>

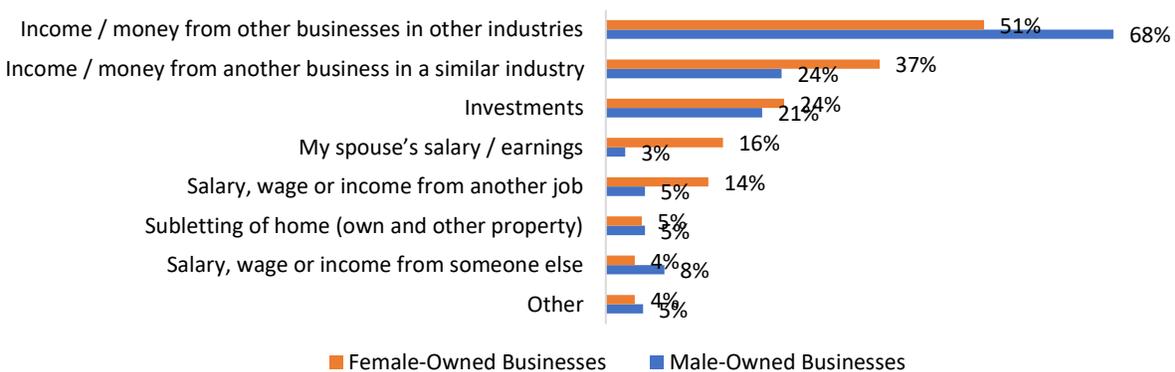
investments (47% compared to 36% of female-owned businesses) or to buy new vehicles or equipment (40% compared to 31% of female-owned businesses).

Figure 15. What do you do with profits?



Most respondents (72%) report having another source of income, the most common of which is money or income from a business in another industry (52%). For female-owned businesses, 51% report they receive money or income from a business in another industry, compared to 68% of male-owned businesses.²⁰ On the other hand, 37% of female-owned businesses report having other income from a business in a similar industry, while for male-owned businesses this is only 24%. These additional income sources indicate that women entrepreneurs are using income source diversification as a risk mitigation and income smoothing strategy. These other businesses also could potentially be used to save on cost by supplying inputs or on other parts of the supply chain. Furthermore, relatively more female-owned businesses have other income from their spouse’s income (16% compared to 3% of male-owned businesses) or from their income as an employee at another job (14% compared to 5% of male-owned businesses).

Figure 16. Other Income Sources



²⁰ The ownership of the other business was not specified

3.4. OBSTACLES TO GROWTH

W-SMEs largely report slow growth.²¹ For female-owned businesses, 53% report growing slowly (compared to 49% of male-owned businesses). This is followed by W-SMEs in the stable or mature stage (20%) and downscaling (17%). Relatively more female-owned businesses are either starting up (3% of female-owned and 0% of male-owned) or growing fast (7% of female-owned and 5% of male-owned). In terms of plans for expanding staff, almost half of all businesses do not plan to make any changes. Among those that do plan to make changes, the most common plan is to hire more full-time staff, which was reported by 22% of female businesses. The second most commonly reported planned staffing change was to reduce the number of full-time staff, at 18% of female of male-owned businesses.

Figure 17. Business Stage

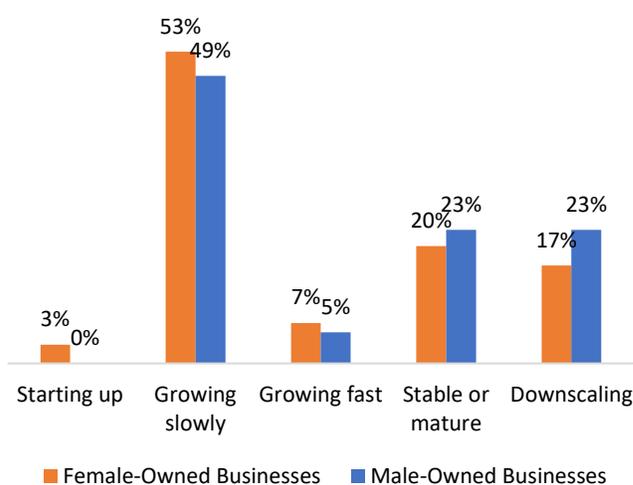


Figure 18. Hiring Plans in the Next 6 Months



Access to electricity, market competition, and access to finance are the most pressing obstacles to long-term growth faced by female-owned businesses. When asked to rank their top 3 obstacles to long-term growth, 37% selected electricity and fuel shortages, 29% decreasing demand and/or increasing competition, and 28% access to finance. For male-owned businesses, decreasing demand/competition is the biggest obstacle, selected by 46% of businesses, followed by electricity (31%) and access to finance (26%). Figure 19 shows the most commonly reported obstacles by the gender of the owner. Obstacles are similar for small and medium-sized businesses. Notably, however, among women-led SMEs, access to finance and land represent greater obstacles for small businesses, while relatively more medium-sized businesses are constrained by electricity and political instability.

²¹ Based on self-perception of respondents categorizing their business as either starting up, growing slowly, growing fast, stable / mature or downscaling.

Figure 19. Biggest Obstacles to Long-Term Growth

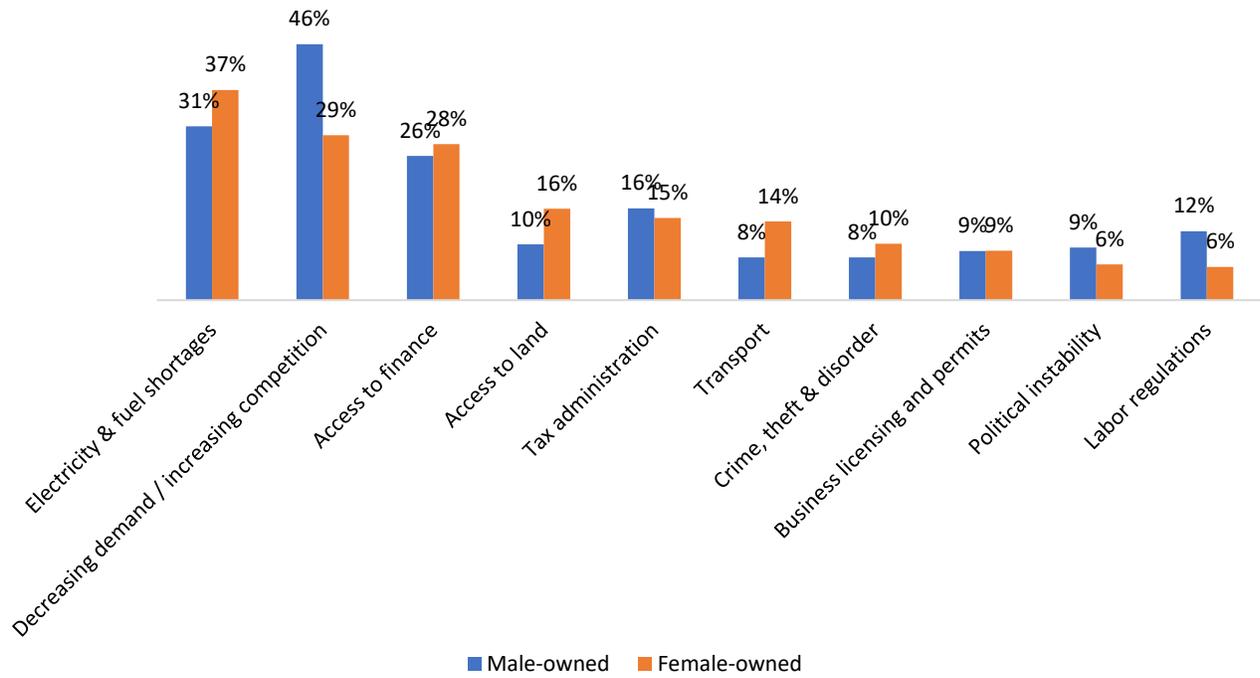
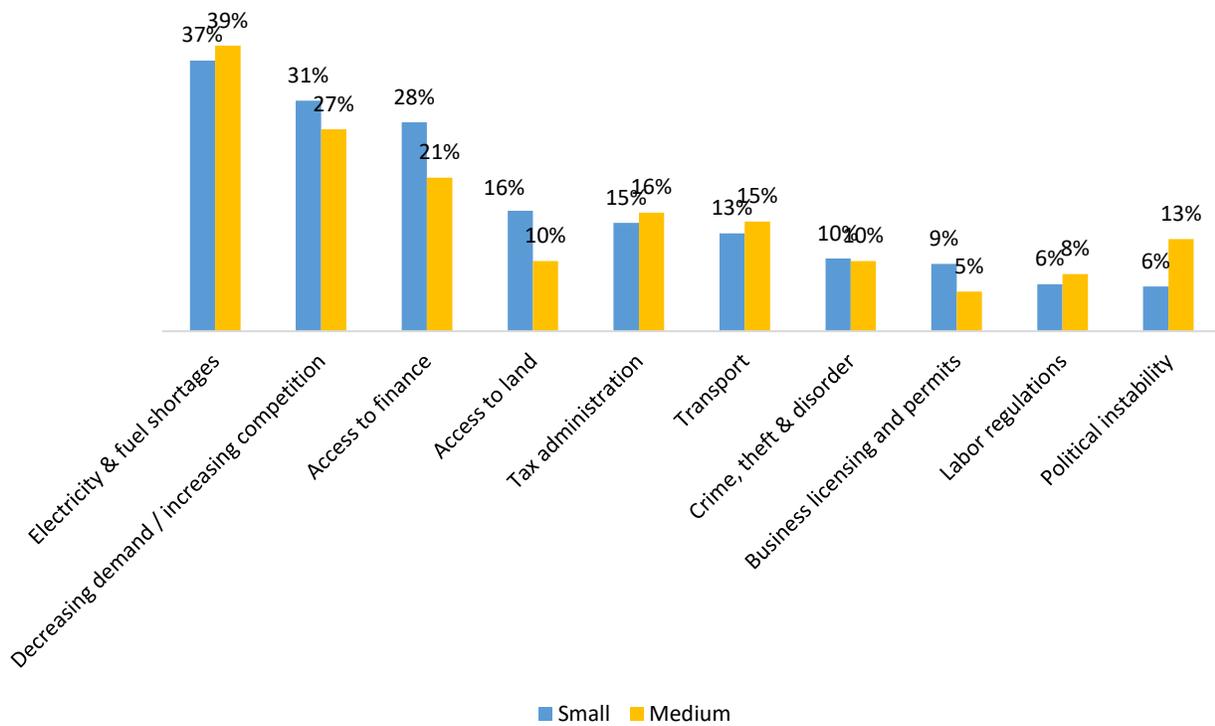


Figure 20. Biggest Obstacles to Long-Term Growth— by Business Size ²²



²² Statistics for female-owned businesses only

Among women-led SMEs, the sector of operation is also a determining factor in the types of obstacles encountered. Businesses in agriculture, accommodation and food services, manufacturing, and other services report electricity and fuel shortages as the most significant obstacle to growth. In contrast, SMEs in the education sector are most constrained by access to finance and those in the wholesale and retail trade by decreased demand/ increasing competition. Other notable obstacles by sector include transport in the agriculture sector, and crime, theft and disorder in the wholesale and retail trade sector.

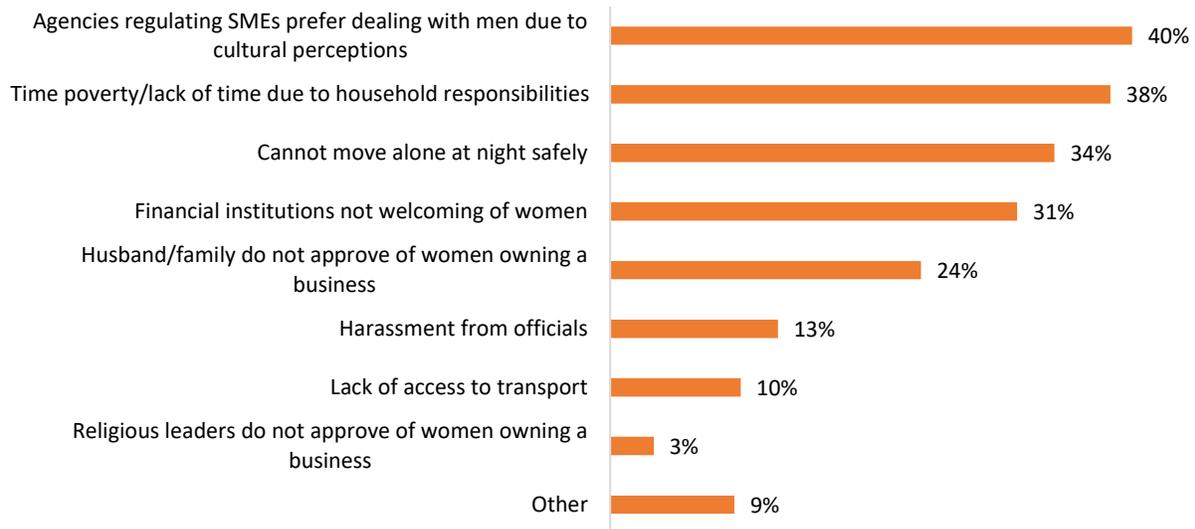
Table 5. Biggest Obstacles to Long-Term Growth by Sector ²³

Sector	Top 3 Obstacles						
Agriculture	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Electricity & fuel shortages</td> <td style="text-align: right;">34%</td> </tr> <tr> <td style="width: 60%;">Transport</td> <td style="text-align: right;">30%</td> </tr> <tr> <td style="width: 60%;">Access to finance</td> <td style="text-align: right;">30%</td> </tr> </table>	Electricity & fuel shortages	34%	Transport	30%	Access to finance	30%
Electricity & fuel shortages	34%						
Transport	30%						
Access to finance	30%						
Accommodation and Food Services	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Electricity & fuel shortages</td> <td style="text-align: right;">44%</td> </tr> <tr> <td style="width: 60%;">Demand / Competition</td> <td style="text-align: right;">36%</td> </tr> <tr> <td style="width: 60%;">Access to finance</td> <td style="text-align: right;">26%</td> </tr> </table>	Electricity & fuel shortages	44%	Demand / Competition	36%	Access to finance	26%
Electricity & fuel shortages	44%						
Demand / Competition	36%						
Access to finance	26%						
Education	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Access to finance</td> <td style="text-align: right;">37%</td> </tr> <tr> <td style="width: 60%;">Electricity & fuel shortages</td> <td style="text-align: right;">29%</td> </tr> <tr> <td style="width: 60%;">Demand/ Competition</td> <td style="text-align: right;">24%</td> </tr> </table>	Access to finance	37%	Electricity & fuel shortages	29%	Demand/ Competition	24%
Access to finance	37%						
Electricity & fuel shortages	29%						
Demand/ Competition	24%						
Manufacturing	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Electricity & fuel shortages</td> <td style="text-align: right;">45%</td> </tr> <tr> <td style="width: 60%;">Access to finance</td> <td style="text-align: right;">32%</td> </tr> <tr> <td style="width: 60%;">Demand / Competition</td> <td style="text-align: right;">25%</td> </tr> </table>	Electricity & fuel shortages	45%	Access to finance	32%	Demand / Competition	25%
Electricity & fuel shortages	45%						
Access to finance	32%						
Demand / Competition	25%						
Wholesale & Retail Trade	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Demand / Competition</td> <td style="text-align: right;">40%</td> </tr> <tr> <td style="width: 60%;">Electricity & fuel shortages</td> <td style="text-align: right;">33%</td> </tr> <tr> <td style="width: 60%;">Crime, theft & disorder</td> <td style="text-align: right;">20%</td> </tr> </table>	Demand / Competition	40%	Electricity & fuel shortages	33%	Crime, theft & disorder	20%
Demand / Competition	40%						
Electricity & fuel shortages	33%						
Crime, theft & disorder	20%						
Other Service Activities	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Electricity & fuel shortages</td> <td style="text-align: right;">48%</td> </tr> <tr> <td style="width: 60%;">Demand / Competition</td> <td style="text-align: right;">34%</td> </tr> <tr> <td style="width: 60%;">Access to finance</td> <td style="text-align: right;">19%</td> </tr> </table>	Electricity & fuel shortages	48%	Demand / Competition	34%	Access to finance	19%
Electricity & fuel shortages	48%						
Demand / Competition	34%						
Access to finance	19%						

Women in business face a unique set of challenges and report being negatively impacted by traditional gender roles and societal perceptions of women. For instance, 40% of female respondents reported that SME regulating agencies prefer to deal with men due to cultural perceptions. The second most commonly reported challenge for women in business is time poverty, or a lack of time due to household responsibilities, which was reported by 38% of women. Not being able to move alone at night was reported by 34% of women, which indicates a need for digital financial services that can address women’s mobility constraints. Another 31% of women reported that financial institutions are not welcoming to women, indicating that there is likely to be a pool of viable creditworthy businesses not currently being served by the financial sector due to gender bias. Nearly a quarter (24%) report that their husband or family does not approve of women owning a business .

²³ Statistics for female-owned businesses and the top six most reported sectors only

Figure 21. Challenges Faced by Women in Business



Box 2: Analysis of Growth Opportunities for Women-led Businesses

Fast growing female-owned businesses are primarily medium-sized, located in Lusaka, and are in the professional, scientific, and technical activities sector. For female-owned businesses, 7% report they are growing fast, and these businesses have a specific set of characteristics. These fast-growing businesses have the highest proportion of medium-sized businesses, with 19% of medium sized businesses. Furthermore, Lusaka is the region with largest share of businesses reporting they are growing fast (10%). In terms of sector, the professional, scientific, and technical activities sector, which is a service oriented sector, has the largest share of fast-growing businesses, at 20%. The electricity, gas, steam, and air conditioning supply sector also has a large share, at 18%.

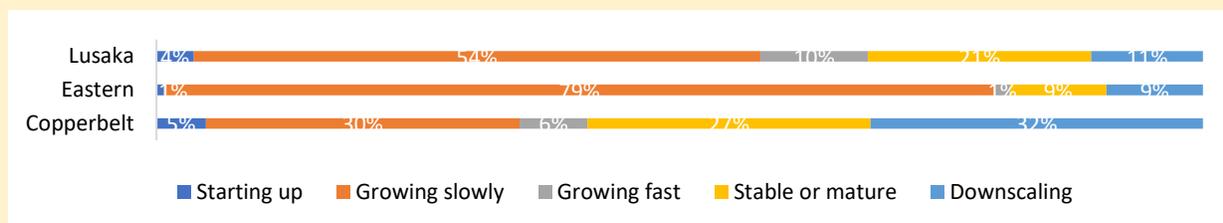
Downscaling female-owned businesses are primarily small-sized, located in Copperbelt, and are in the mining and quarrying sector. For female-owned businesses, 17% report they are downscaling. The subsample of small businesses has a relatively higher share of those that consider themselves to be downscaling, at 18% of small sized businesses. Furthermore, Copperbelt is the region with the largest share of businesses reporting they are downscaling, at 31%. In fact, this business life cycle stage represents the largest stage in the Copperbelt region. In terms of sector, the mining and quarrying sector shows the largest share that are downscaling, at 29% of businesses. The transportation and storage sector also has 29% of businesses in a downscaling phase, and the education sector has 28%. Downscaling businesses have a relatively low profit margin that is second only to businesses in the startup phase.

Stable or mature businesses are most commonly medium-sized businesses and are found in Lusaka and Copperbelt provinces. In total, 20% of W-SMEs consider their business to be stable or mature and, unsurprisingly, they are most likely to be medium sized business, accounting for 28% of all medium-sized

businesses. These are most commonly manufacturing businesses (21%) or accommodation and food services (19%). SMEs that consider their business to be stable or mature have the second highest average profit margin, following those that are fast growing.

The regional differences indicate a potential need to tailor support by province. Lusaka has the highest share of businesses that are growing fast, while the Eastern province is dominated by businesses that growing slowly. In contrast, businesses are relatively evenly distributed among growing slowly, stable or mature and downscaling in the Copperbelt province. However, Copperbelt also has the highest proportion of downscaling firms among the provinces. Thus while businesses in the Lusaka and Eastern provinces might benefit more from business acceleration type services, it may be more beneficial in Copperbelt to provide support with business diversification, finding new markets, etc.

Figure 22. Region by Business Life Cycle Stage

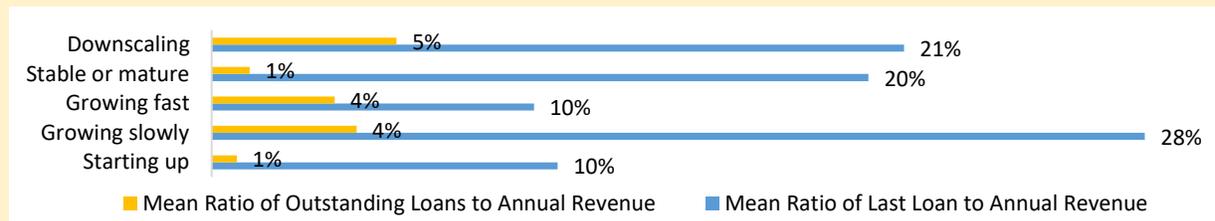


Fast growing businesses have low levels of liabilities relative to cash flow, and they report the lowest desire for future borrowing. The ratio of annual revenue to the value of the last loan received among fast growing SMEs indicates these businesses are not borrowing in large amounts. The mean ratio of annual revenue to the value of the last loan is 10%. Comparatively, this ratio for slow growth firms is 28% and for 21% for downscaling firms. In terms of future borrowing, fast growth firms report the least desire to borrow, at 46% these businesses. These W-SMEs report wanting to borrow to expand businesses premises and to buy more goods or equipment.

Downscaling businesses have lower levels of liabilities relative to cash flow, and they report a moderate desire for future borrowing. For downscaling firms, fewer have taken loans in the past at 33%, while the proportion that currently have an outstanding loan is relatively large, at 16% of these businesses. The ratio of annual revenue to the value of outstanding loans is the largest among the life cycle stages. Downscaling businesses have the second largest share of businesses that want to borrow in the future. Compared to businesses in other stages, W-SMEs that are downscaling report the highest levels of wanting to borrow to pay for renovations or maintenance.

W-SMEs that self-classify as stable or mature have the lowest levels of borrowing. Only 30% of stable or mature businesses have borrowed in the past and 4% currently have outstanding loans. Stable and mature firms also report the lowest level of loans as a proportion of their annual revenue. 50% plan to borrow in the future and among those that are not planning to borrow, the overwhelming reason is that they believe their business is running fine without borrowing. Relatively speaking, W-SMEs that are stable or mature report the highest levels of planning to borrow to buy furnishing and appliances.

Figure 23. Revenue to Loan Ratios by Business Life Cycle Stage



SMEs that are growing fast are better able to access loans. Among SMEs, those that report they are growing fast have the highest proportion that have borrowed in the past (36%). Half of fast-growing businesses have current outstanding loans. After fast-growing, SMEs that are in the stable or mature phase or are downscaling are the most likely to have previously borrowed (30% and 33%, respectively). Fast-growing SMEs are less likely to have defaulted on loans than MSMEs in slow growth, stable or downscaling stages. Table 6 shows the previous borrowing experience of SMEs by business life cycle stage.

Table 6: Borrowing Patterns by Business Life Cycle Stage

	Growing Slowly	Growing Fast	Stable or Mature	Downscaling
Borrowed in the past	24%	36%	30%	33%
Current outstanding loans	9%	18%	4%	16%
Defaulted on a loan	8%	0%	11%	14%

Fast growing firms reported access to land as their biggest obstacle to growth (46%), while downscaling firms reported issues with the courts as their biggest obstacle (50%). For fast growing firms, other major obstacles to growth include business licensing and permits (44%), and transportation (42%). For downscaling firms, other obstacles to growth include corruption (41%) and also access to land (40%).

4. Demand-Side Analysis

4.1 CURRENT USE OF FINANCIAL SERVICES

Bank account penetration among W-SMEs is high and they tend to run at least half of their revenue through the account. A high 95% of female-owned businesses have bank accounts for the business. For the remaining 5% of female-owned businesses that do not use a business bank account, 4% have a bank account but do not use it for their business, and 1% have no account at all. For female-owned businesses that do not use a business bank account, half (50%) report the reason being that the fees are too expensive and 18% report that they prefer to use cash. The majority of female-owned businesses with a bank account report running more than 50% of their revenue through the account, with 27% of W-SMEs running 51-75% and 47% of W-SMEs running 76-100% of their revenue through the bank account.

Figure 24. Business Bank Account Use

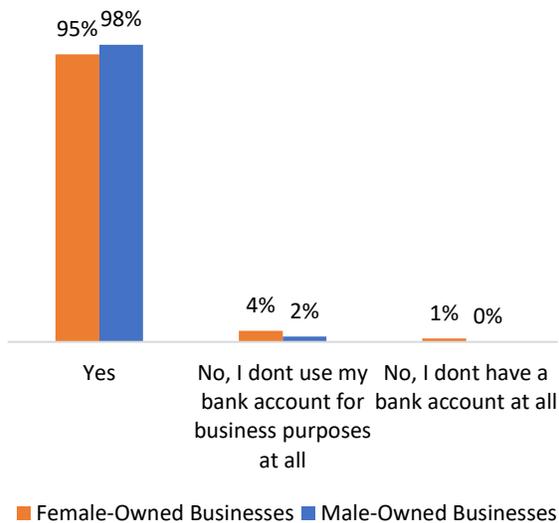
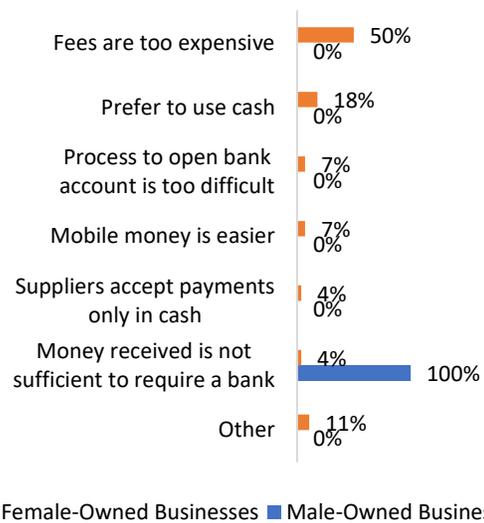
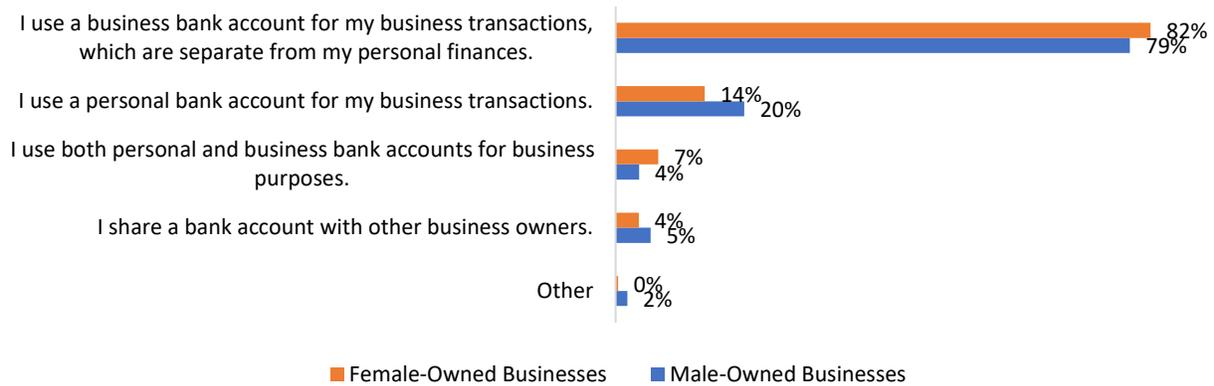


Figure 25. Reasons for Not Having a Business Bank Account



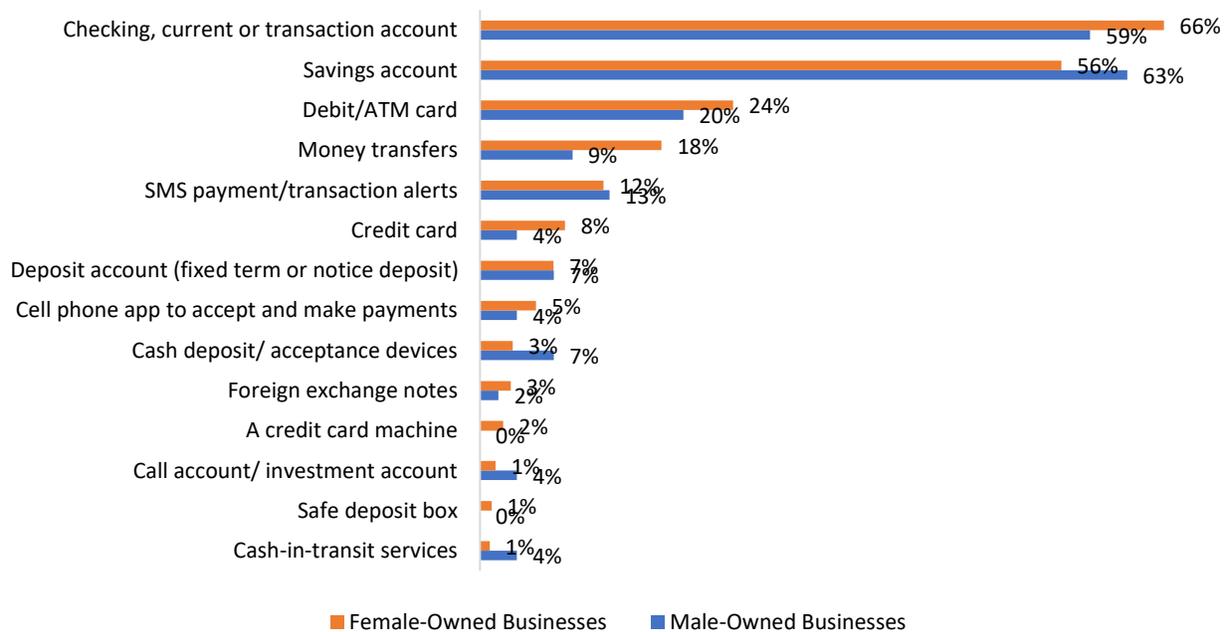
The majority of businesses report having a separate bank account for the business. Businesses that use separate business and personal accounts make up 82% of female-owned businesses, indicating a relatively high level of formality in business processes and financial management. Use of personal accounts, while less common, is still prevalent among W-SMEs with 14% of W-SMEs using only a personal account for business transactions and another 7% using both personal and business accounts for business transactions. The primary reason for using a personal account is that the personal account meets all of their business needs. This was reported by 59% of female-owned businesses. Another 18% report they are planning to open a business account but have not done so yet. This use of personal accounts indicates an opportunity for FSPs to present a clear value proposition to W-SMEs with the advantages of opening a business account and separating business and personal transactions.

Figure 26. Type of Bank Account



Traditional checking and savings products dominate with limited use of debit cards and money transfers. The most common products used by women and men-led SMEs are checking and savings accounts. For women-led businesses, 66% report having a checking, current, or transaction account and 56% a savings account. Debit and ATM cards are the next most common products, used by 24% of women-led businesses. The use of money transfers and credit cards is slightly higher for female-owned businesses, at 18% and 8%, respectively than for male-owned businesses (9% for money transfers and 4% for credit cards).

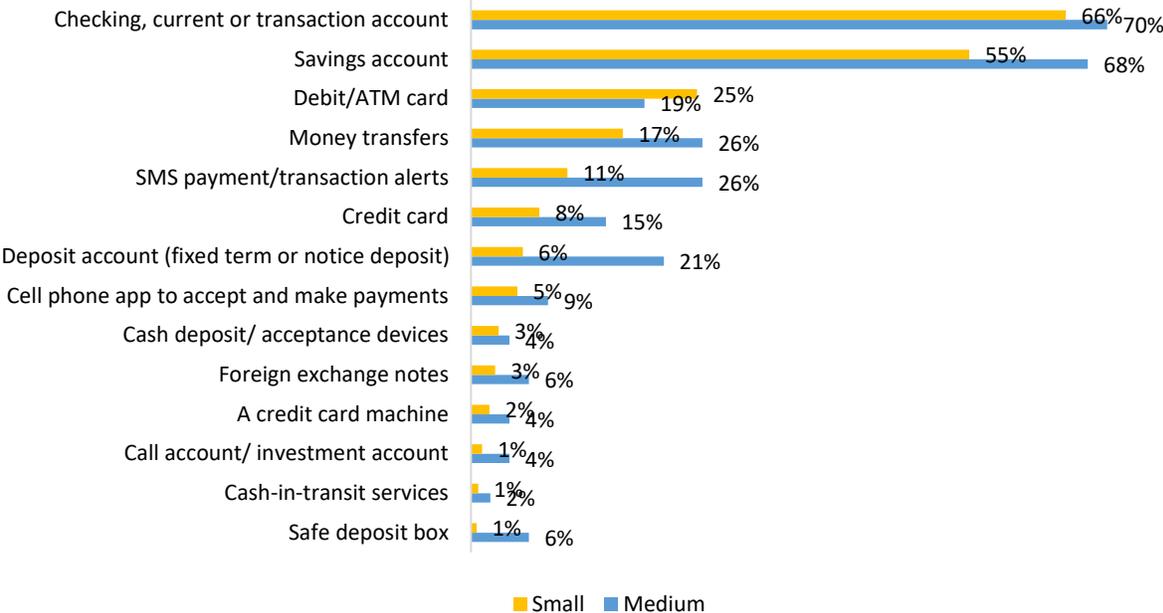
Figure 27. Banking Products Used for Business



Women-led small businesses tend to be underserved in access to banking products, especially those involving digital technology, compared to medium-sized businesses. Women-led

medium-sized businesses are more likely than women-led small businesses to use all product types, with the exception of debit cards, which are more common among small businesses. Non-traditional products, such as SMS payment/transaction alerts, money transfers, and deposit accounts show significantly lower usage among women-led small businesses compared to women-led medium-sized businesses. This represents a potential opportunity for FSPs to expand use of digital financial and non-financial services especially among small businesses that tend to favor more traditional products through offering targeted packages or merchant services.

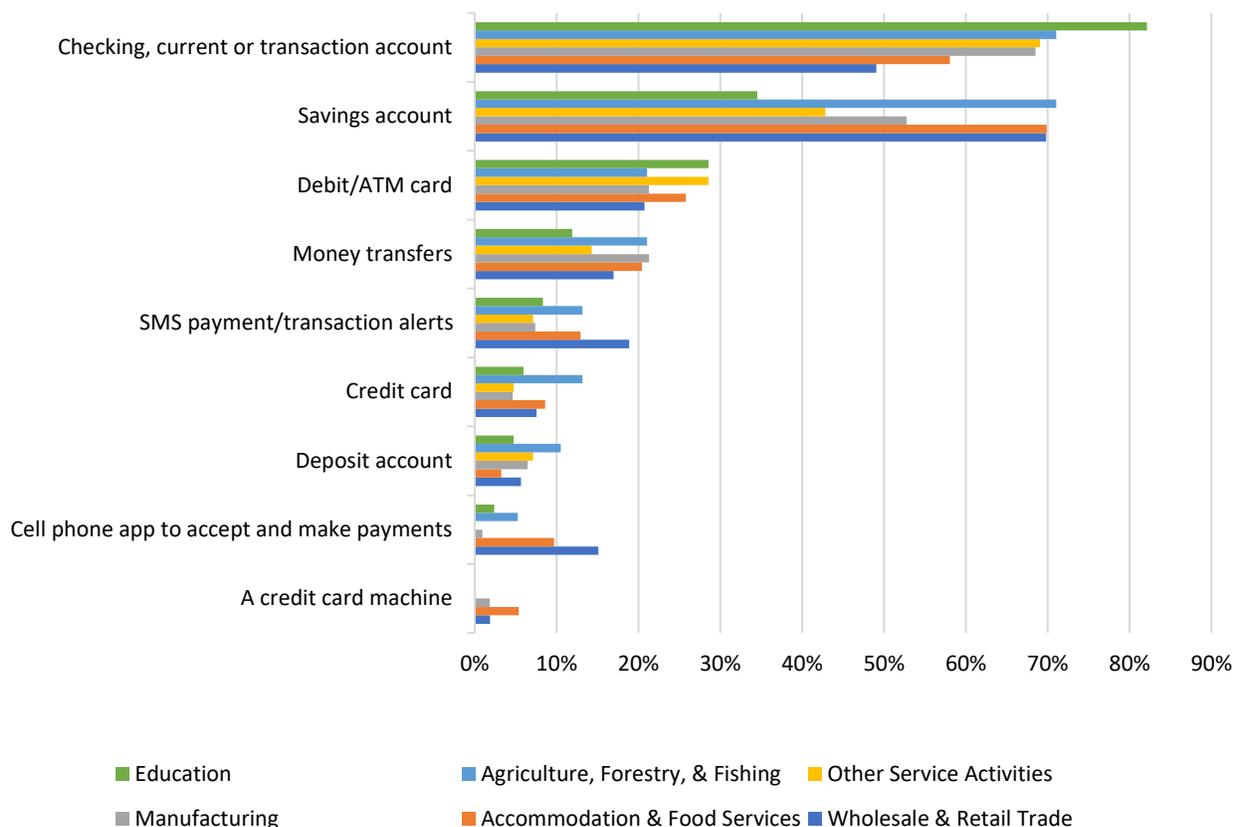
Figure 28. Banking Products Used for Business - by Business Size ²⁴



Among women-led SMEs, products also vary across sectors and usage is likely based on customer or supplier preferences for payment. Across the six most common sectors, the wholesale and retail trade sector reports the lowest rate of checking account usage (49%), but the highest rate of digital products, such as SMS payment/transaction alerts (19%) and using a cell phone app to make and receive payments (15%). A similar trend occurs for the accommodation and food services sector where 58% use a checking account, 70% use a savings account, 10% use a cell phone app, and 13% receive SMS alerts. On the other hand, the education sector reports the highest usage of checking accounts (82%), but the lowest usage of savings accounts (35%), and also very low rates for digital products (2% use a mobile app and 8% receive SMS alerts). The agriculture, forestry, and fishing industry reports relatively high rates of both checking and savings account usage (71% for both), the highest rate of using a credit card (13%), and moderate rates of digital products (5% use a mobile app and 13% receive SMS alerts).

²⁴ Statistics for female-owned businesses only

Figure 29. Banking Products by Sector ²⁵



SMEs typically access their bank through the bank/branch teller, but W-SMEs are underserved in terms of internet and mobile banking and use of relationship managers. Most SMEs access their bank through the bank/branch teller. Use of bank/branch tellers and ATMs is similar for female and male-owned businesses. Mobile banking, in contrast, is used by 43% of male-owned and only 33% of female-owned, while electronic banking is used by 39% of male-owned and only 28% of female-owned businesses. Relationship managers or private bankers are used by 20% of male-owned and only 15% of female-owned businesses. While bank branches are most highly concentrated in Lusaka²⁶, W-SMEs in Copperbelt and Eastern provinces are actually more likely to access their bank through the branch. In Copperbelt province, 79% of W-SMEs report accessing the bank through the bank branch and in Eastern province, 72% of W-SMEs do so, compared to 68% of W-SMEs in Lusaka. Despite the potential of digital technology to reach regions outside of the capital, there is much lower use of banking apps and electronic or internet banking in Eastern and Copperbelt provinces (see Figure 31). Qualitative interviews with W-SMEs revealed that this is likely due to the lack of network coverage outside of the capital, as well as a general mistrust of “e-money” and a preference for the presumed safety of the brick-and-mortar bank location.

²⁵ Statistics for female-owned businesses and the top six most reported sectors only

²⁶ In 2019, there were 118 commercial bank branches in Lusaka, 73 in Copperbelt and 15 in Eastern. *Source: BoZ (2019) Financial Other Statistics Booklet*

This suggests a need for not only improving network connectivity but for FSPs to drive education to equip W-SMEs to unlock the benefits of digital banking.

Figure 30. Banking Services Used for Business

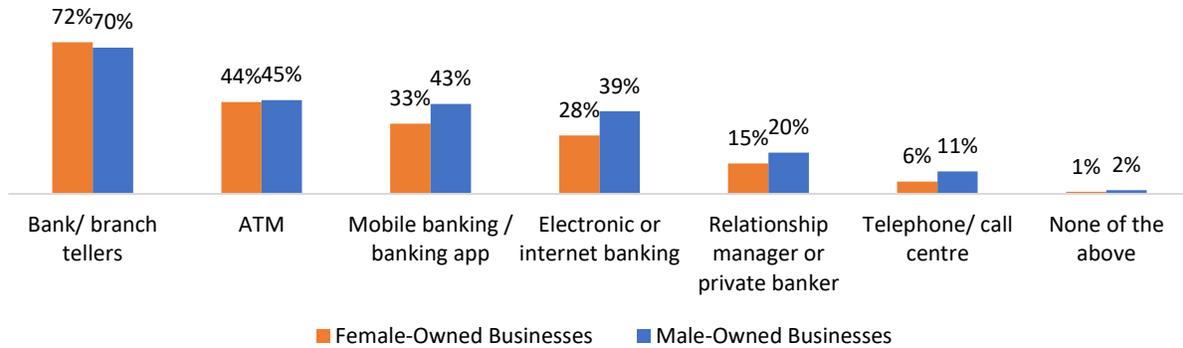
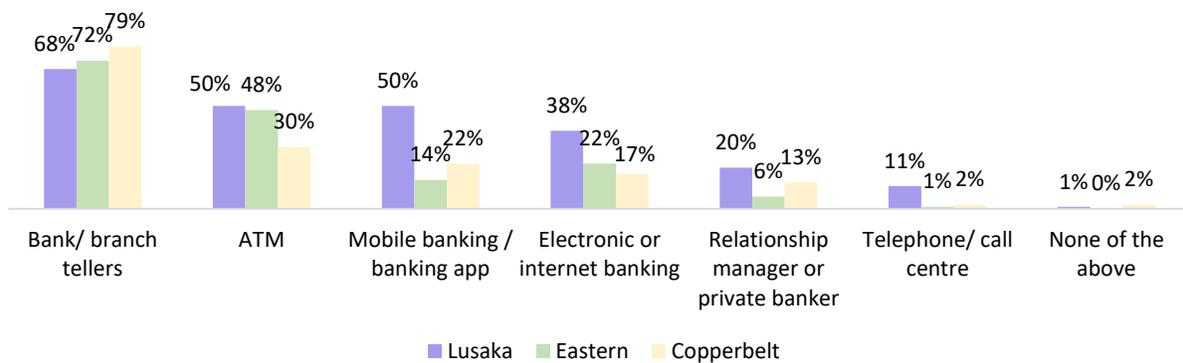


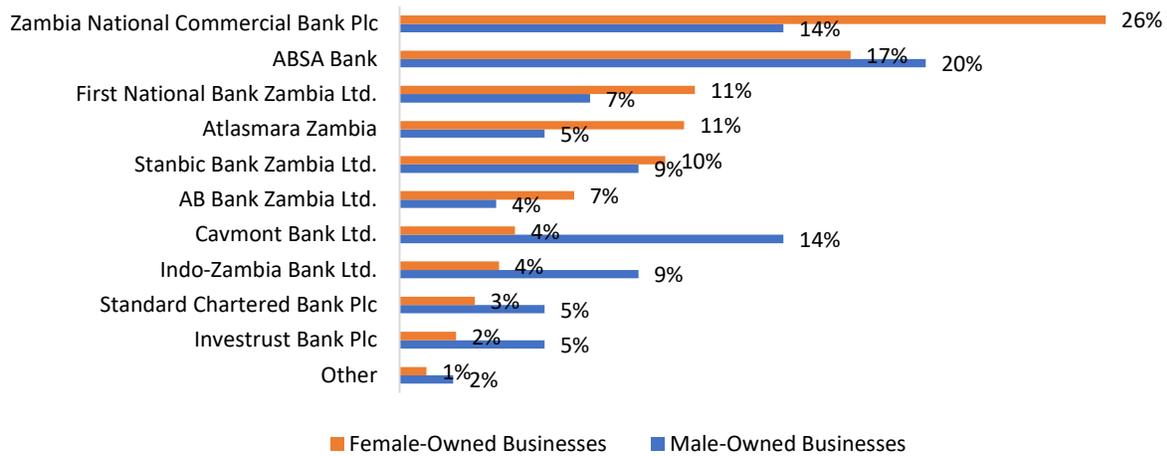
Figure 31. Banking Services Used for Business by Province among Women-led SMEs



4.2 PERCEPTIONS OF FINANCIAL SERVICES PROVIDERS

For female-owned businesses, the most commonly used bank is **Zambia National Commercial Bank (Zanaco) at 26% of the subsample**. Zanaco is the largest domestic owned bank in Zambia. Other top banks for female-owned businesses include ABSA Bank (17%), First National Bank (11%), Atlasmara (11%), and Stanbic Bank (10%). For male-owned businesses, the most common banks are ABSA Bank (20%), Cavmont Bank (14%), Zanaco (14%), Stanbic Bank (9%), and Indo-Zambia Bank (9%).

Figure 32. Primary Business Bank



W-SMEs, in general, have positive perceptions of their bank. 83% of women-led SMEs are satisfied with their main bank (Figure 33). and 72% report they would be likely or very likely to recommend their bank to someone else, particularly another SME owner (Figure 34). SMEs also typically report that their bank makes it easy to access financial services (81% of women-led SMEs).

Figure 33. Satisfaction with Main Bank

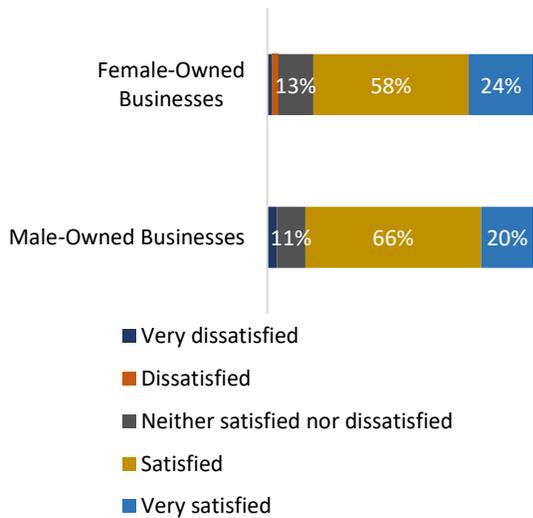
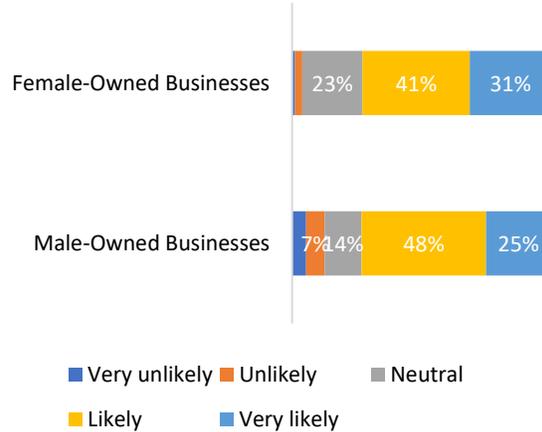


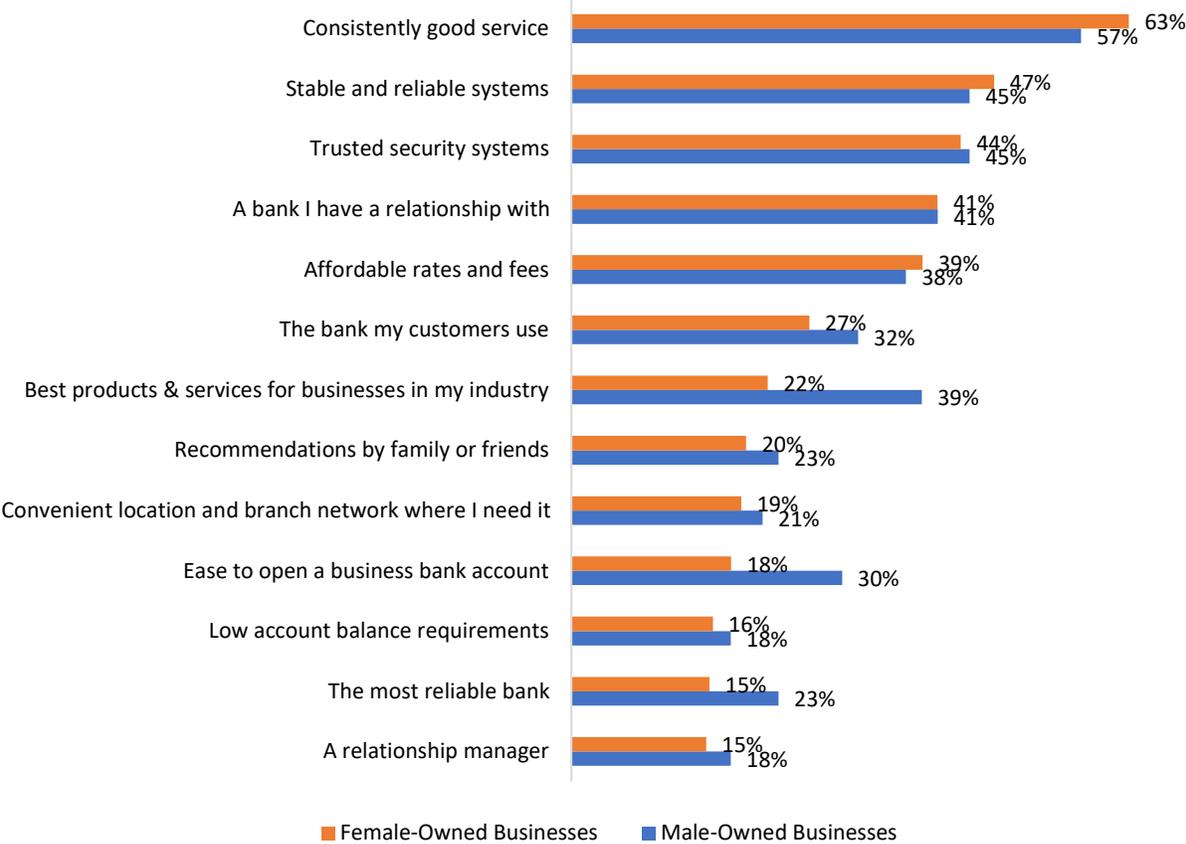
Figure 34. Likelihood to Recommend



W-SMEs value having a personal relationship, consistently good service, and stable and reliable systems. SMEs largely report the reason for choosing their current bank for business was that they already use it for their personal banking (56% of female-owned SMEs) and that the bank offers consistently good service (51% of female-owned SMEs). This indicates a need for FSPs to train staff and build capacity on how to develop and manage customer relationships with women-

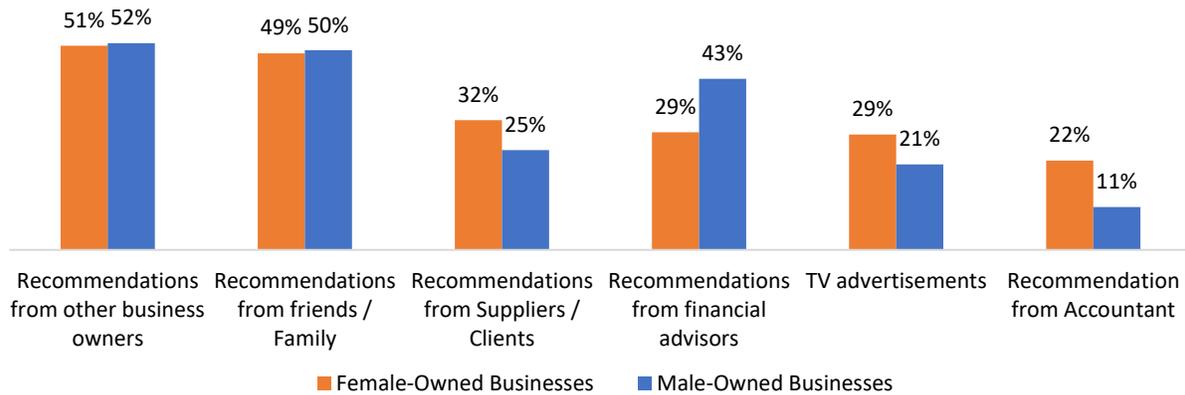
led businesses. Beyond this, SME owners choose a bank based on a recommendation or trusted security systems. In selecting a new bank, the reasons are similar (Figure 35). The top two preferences for women SMEs are consistently good service (63% of women-led SMEs) and stable and reliable systems (47% of women-led SMEs).

Figure 35. Most Important When Choosing a New Bank



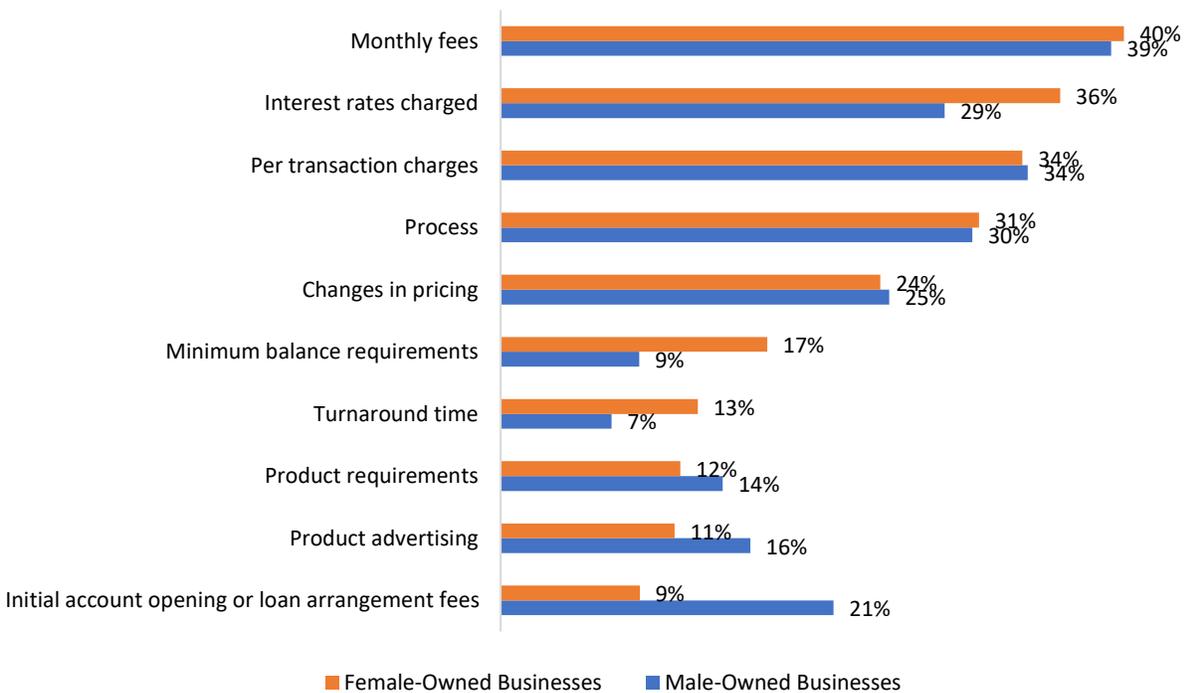
W-SMEs are influenced by recommendations from other business owners, friends, and family when choosing a new bank. A recommendation from another business owner is the most frequently reported source of information when choosing a new bank, accounting for 51% of women-led businesses, which points to the importance of peer networks among W-SMEs. Recommendations from friends and family are the next most frequent source of information, reported by 49% of women-led businesses. Recommendations from suppliers or clients is ranked third for women-led businesses (32%). On the other hand, 43% of male-owned businesses and 29% of female-owned businesses take into account recommendations from financial advisors. The importance of recommendations from peer networks indicates the potential value of word of mouth marketing in making financial decisions. To harness word of mouth marketing, a focus on brand building and customer experience is critical.

Figure 36. Information Sources Considered When Choosing a Financial Service Provider



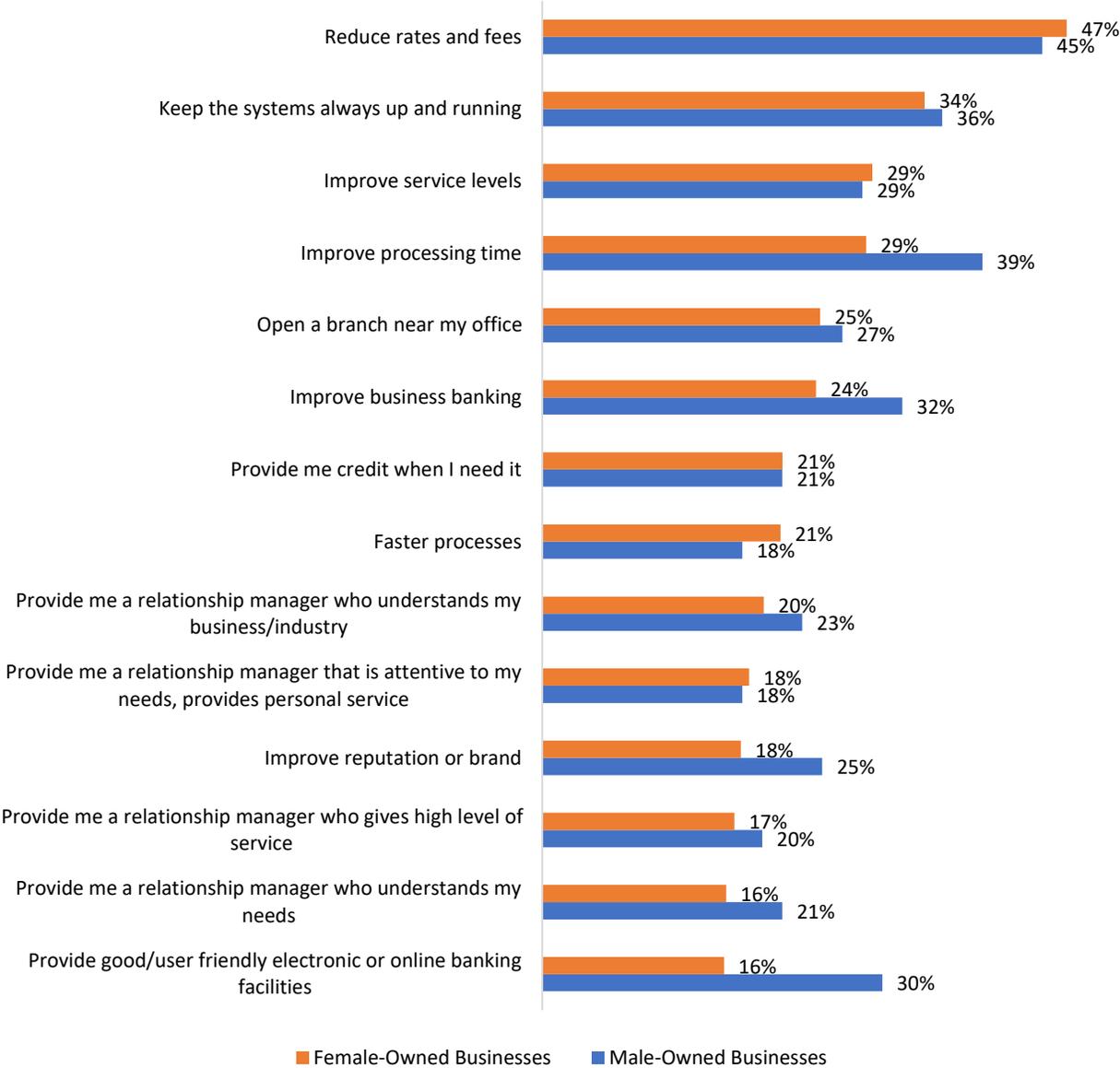
FSPs could attract more W-SME clients with lower fees, rates, and transaction charges. In terms of the aspects SMEs most dislike about their bank, monthly fees are ranked the highest (reported by 40% of female businesses). Female-owned businesses also report being unhappy with the interest rates charged (36%). W-SMEs also frequently mentioned per transaction charges (34%). Almost a third (31%) of W-SMEs also mentioned a need for improving processes, indicating a potential for improving customer experience through streamlining processes, such as reducing the number of processes to open accounts and apply for loans, reducing paperwork, and reducing queue times.

Figure 37. Area of Low Satisfaction with Financial Products



Reducing rates and fees, keeping the systems up and running, and improving service levels are the areas in which W-SMEs would most like to see banks improve. Reducing rates and fees was the most commonly area where their bank could improve reported by female-owned businesses (47%). The second most commonly reported area for improvement reported by female-owned businesses was the ability of their bank to keep the systems up and running (34%). Improving service levels and improving processing time was reported by another 29% of W-SMEs. This points to the need for a customer-centric approach that develops an understanding of W-SMEs as a target segment.

Figure 38. Areas Where Bank Could Improve



4.3 BORROWING PATTERNS

W-SMEs in Zambia largely rely on personal savings to fund their businesses and few have borrowed from the formal financial sector. 84% of W-SMEs report that personal savings is the main source of finance for their businesses and almost three-quarters of W-SMEs have never borrowed. Women-led SMEs are less likely to have borrowed from any source and to have borrowed from a bank or MFI, compared to men-led SMEs.²⁷ In terms of start-up funds, the majority of SMEs used either their savings from investments (73% of female-owned and 70% of male-owned) or money from income (23% of female-owned and 26% of male-owned). Relatively fewer female-owned businesses used a bank loan (7% of female-owned and 12% of male-owned businesses). However, female-owned reported a higher rate of financing from selling personal assets like a car, jewelry, or tools (13% compared to 4% of male-owned businesses) or from a retrenchment package (7% compared to 2% of male-owned businesses).

Figure 39. Initial Financing Source

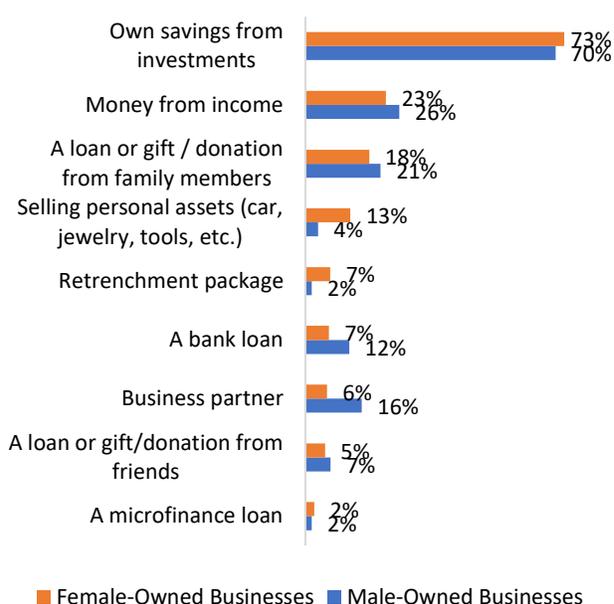


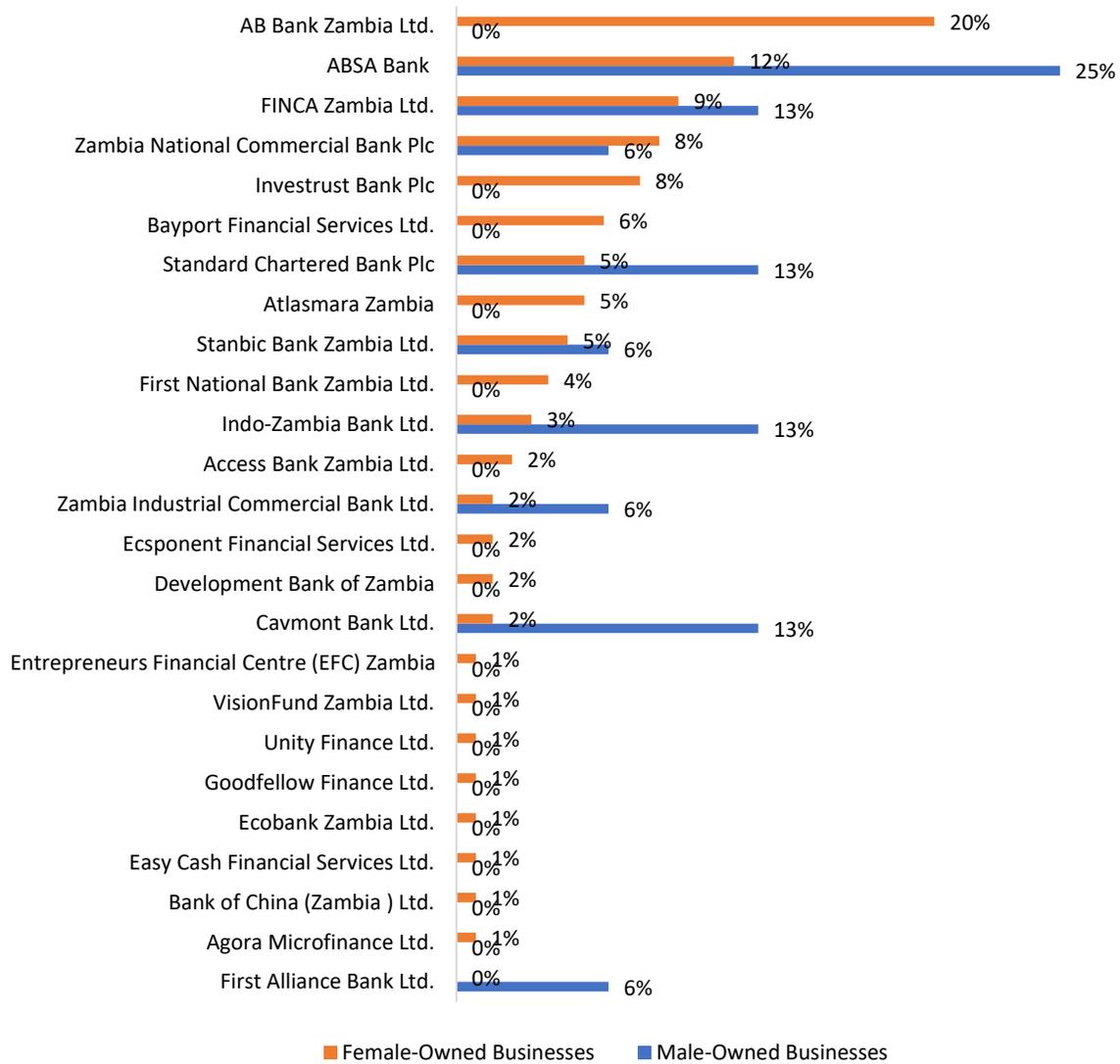
Table 7. Borrowing Experience

	Female-owned	Male-owned
Taken a loan for the businesses from any source in the past	27%	32%
Taken a loan from a bank or MFI	23%	28%

Women-led SMEs tend to borrow from a wider variety of banks while borrowing among men-led SMEs is largely concentrated in the largest 5 commercial banks. While women-led SMEs are most likely to borrow from AB Bank, men-led SMEs most frequently borrow from ABSA Bank. AB Bank has the highest proportion of primary account owners that are currently borrowing; almost a third (31%) of AB Bank clients report they have borrowed from AB Bank, compared to only 8% of Zanaco clients, which is the most common primary bank among W-SMEs. Women-led SMEs also report borrowing from a variety of smaller banks and MFIs.

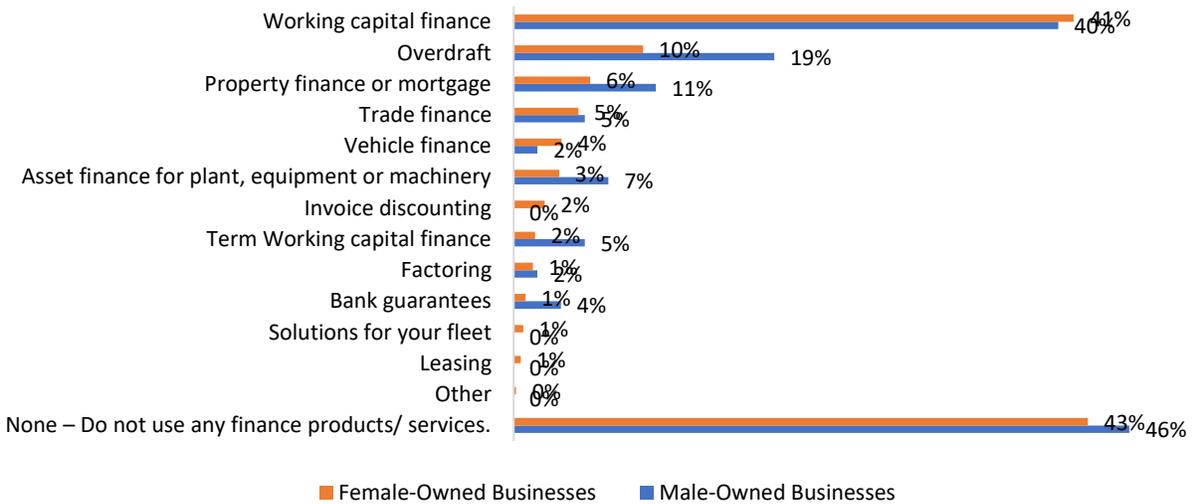
²⁷ This reflects findings from the recent WB Enterprise Surveys in which 20% of women-led SMEs had a loan or line of credit compared to 39% of men-led SMEs.

Figure 40. Banks and Microfinance Institutions Used



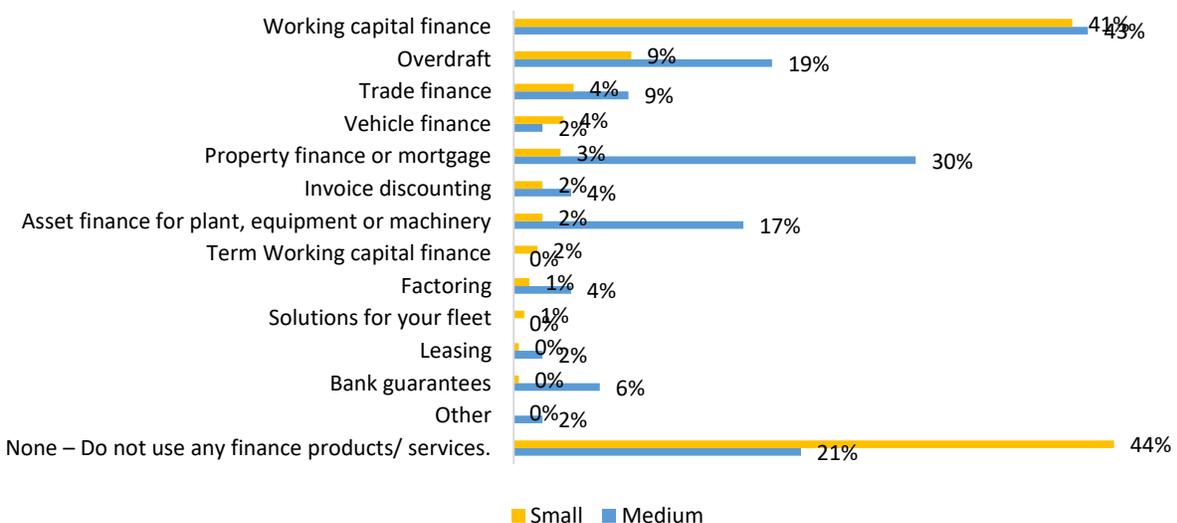
Working capital finance is the most common product among SMEs in Zambia. Of the 27% of women-led SMEs that have previously taken a loan, the majority borrowed from banks (64%) or MFIs (21%). Working capital finance is most common among those that have used a finance product. The use of overdraft facilities and property finance, the next most common financial products, is more common among men-led SMEs (19% and 11%, respectively) than among women-led SMEs (10% and 6%, respectively).

Figure 41. Finance Products Used



Female-led medium-sized businesses are significantly more likely to use finance products than female-led small businesses. For female-led medium-sized businesses, 79% use some kind of financial product, while for female-led small businesses only 56% use a finance product. The most common product for both groups is working capital finance (41% of small and 43% of medium-sized businesses). The next three most common products for female-led medium businesses are property finance or mortgage (30%), overdraft (19%), and asset finance for a plant, equipment or machinery (17%). For female-led small businesses, the percentage that uses these products are only 3%, 9%, and 2%, respectively.

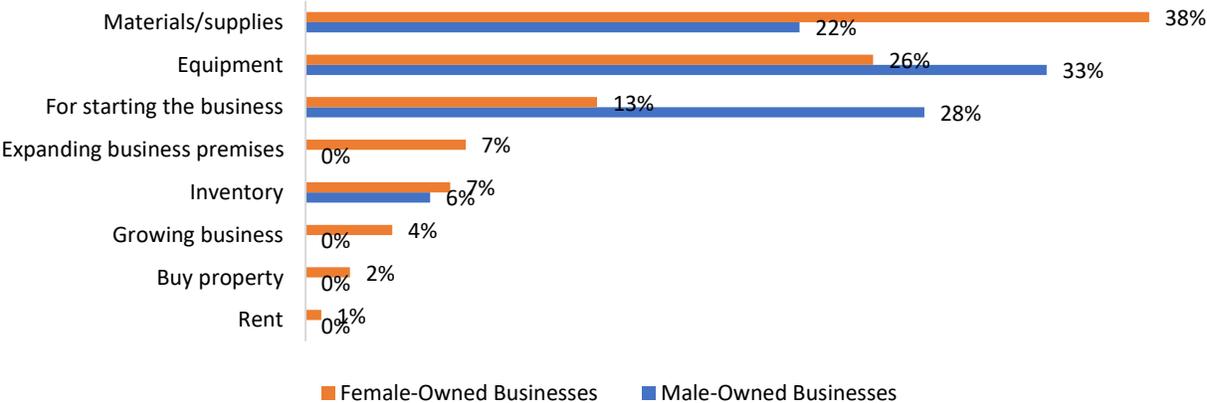
Figure 42. Finance Products Used by Business Size ²⁸



²⁸ Statistics for female-owned businesses only

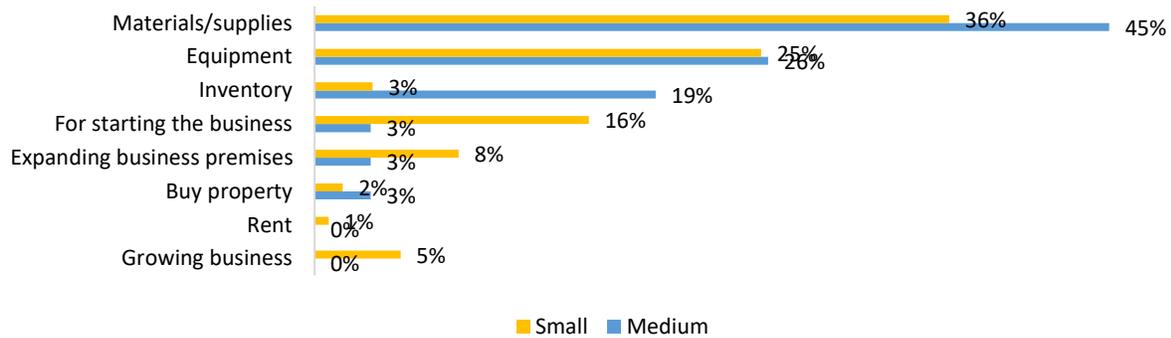
For female-owned businesses, the most common purpose for borrowing is to purchase materials and supplies (38%), while for male-owned businesses it is for equipment (33%). This is likely related to the sectors in which male and female-owned businesses operate. Most male-owned businesses are in manufacturing and accommodation and food services, which reported a larger share of loans for equipment. While female-owned businesses are also concentrated in these sectors, they are also in the education sector, which relies on loans for materials and supplies. Equipment is the second most commonly reported purpose for borrowing among female-owned businesses, at 26%. For male-owned businesses, the second most commonly reported purpose is to start a business (28%). For female-owned businesses, this is only 13%, indicating that male-owned businesses might have easier access to start-up capital. Only female-owned businesses report the purposes of expanding the business premises (7%), growing the business (4%), buying property (2%), or rent (1%).

Figure 43. Purpose of Loan



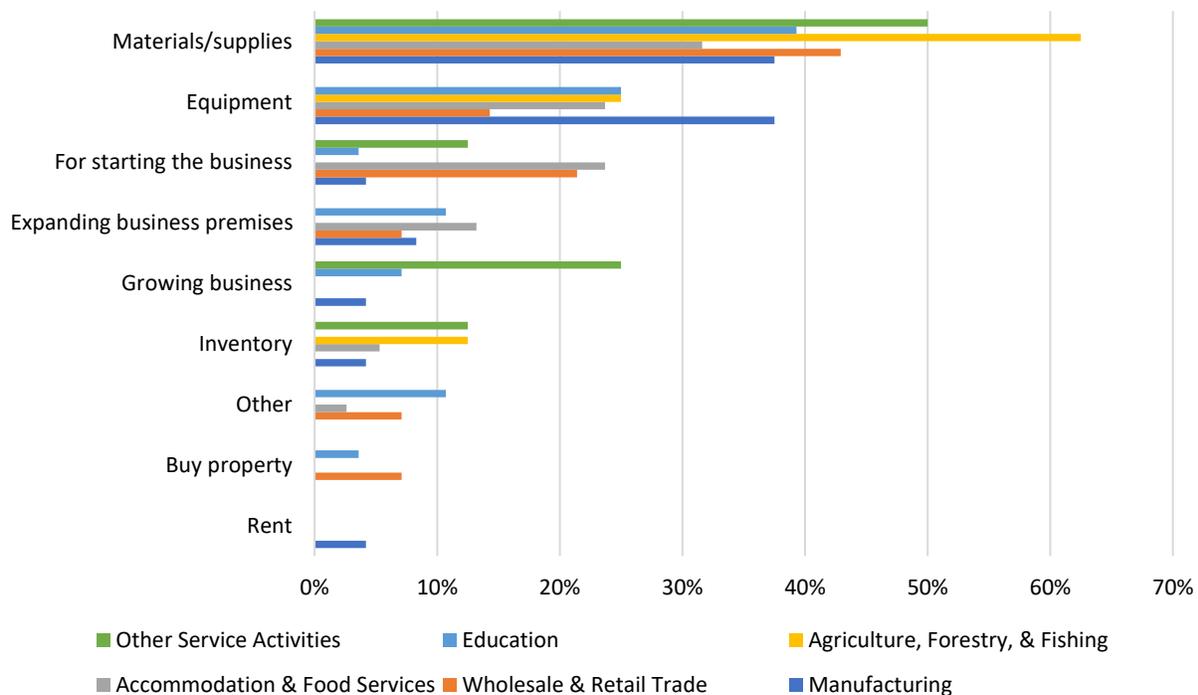
Relatively more female-led small businesses used a loan for starting a business (16%), while relatively more female-led medium businesses used a loan for purchasing inventory (19%). Only 3% of female-led medium businesses reported they borrowed to start a business, and only 3% of female-led small businesses report they borrowed to purchase inventory. Both female-led small and medium-sized businesses borrowed mainly for purchasing materials or supplies (36% for small and 45% for medium-sized businesses) and for purchasing equipment (25% for small and 26% for medium-sized businesses). However, the majority of businesses that borrowed to expand the business premises are small (8% for small and 3% for medium-sized businesses) and all those that reported the loan was to grow the business are small.

Figure 44. Purpose of Loan by Business Size ²⁹



Among female-led businesses, loan purpose varies by sector, with most agriculture, forestry, and fishing businesses borrowing to purchase materials or supplies (63%), and most manufacturing businesses borrowing to purchase equipment (38%). Other reported reasons for agriculture, forestry, and fishing businesses were to purchase equipment (25%) or to purchase inventory (13%). The most frequently reported purpose for other service activities, other than for materials or supplies, was to grow the business (25%), while for both accommodation and food services and wholesale and retail trade, this was to start the business (24% and 21%, respectively).

Figure 45. Purpose of Loan by Sector ³⁰

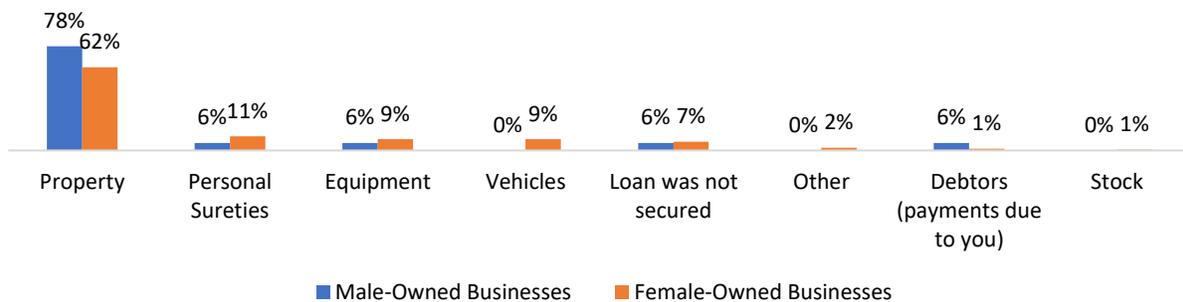


²⁹ Statistics for female-owned businesses only

³⁰ Statistics for female-owned businesses and the top six most reported sectors only

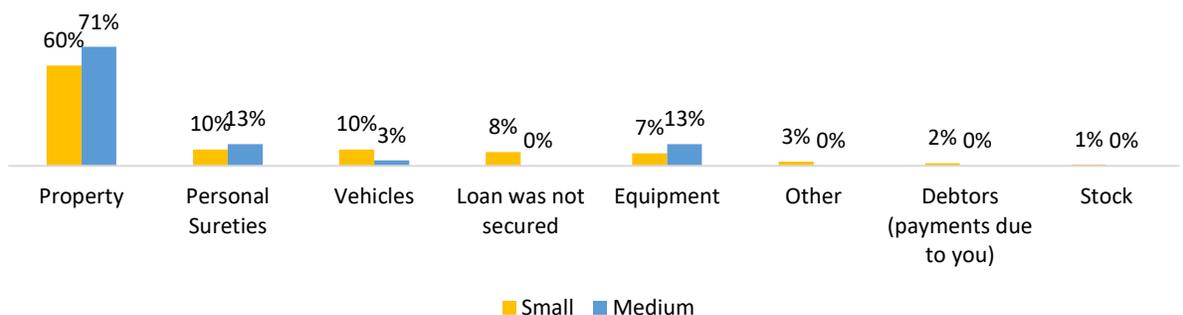
The vast majority of W-SMEs that have borrowed were required to provide collateral to secure the loan. Among W-SMEs that were able to access loans, 84% were required to provide collateral for the loan. Property (including buildings and land) was the most common source of collateral (Figure 46). For female-owned businesses, the value of the collateral was most frequently 1.5 times the amount of the loan (34% of female-owned businesses). However, a quarter of W-SMEs reported needing collateral of 2x the amount of the loan and another quarter needed collateral of more than 2x the loan amount. Those borrowing from microfinance institutions seem to require higher values of collateral than those borrowing from banks, as 56% of microfinance borrowers report a collateral value of 2 times or more than 2 times the loan amount. For bank borrowers, 40% required collateral of 1.5 times the value of the loan.

Figure 46. Source of Loan Security



In terms of business size, a relatively larger share of female-led medium-sized businesses secured their loan using property, while a relatively larger share of female-led small businesses secured their loan using vehicles. Only 3% of female-led medium-sized businesses secured their loan using vehicles, while 60% of female-led small businesses secured their loan using property. Female-led medium businesses also have a higher proportion that secured loans using personal sureties (13% compared to 10% of small businesses) and equipment (13% compared to 7% of small businesses). All female-led medium businesses were required to secure their loans with collateral, while 8% of female-led small businesses did not secure their loan.

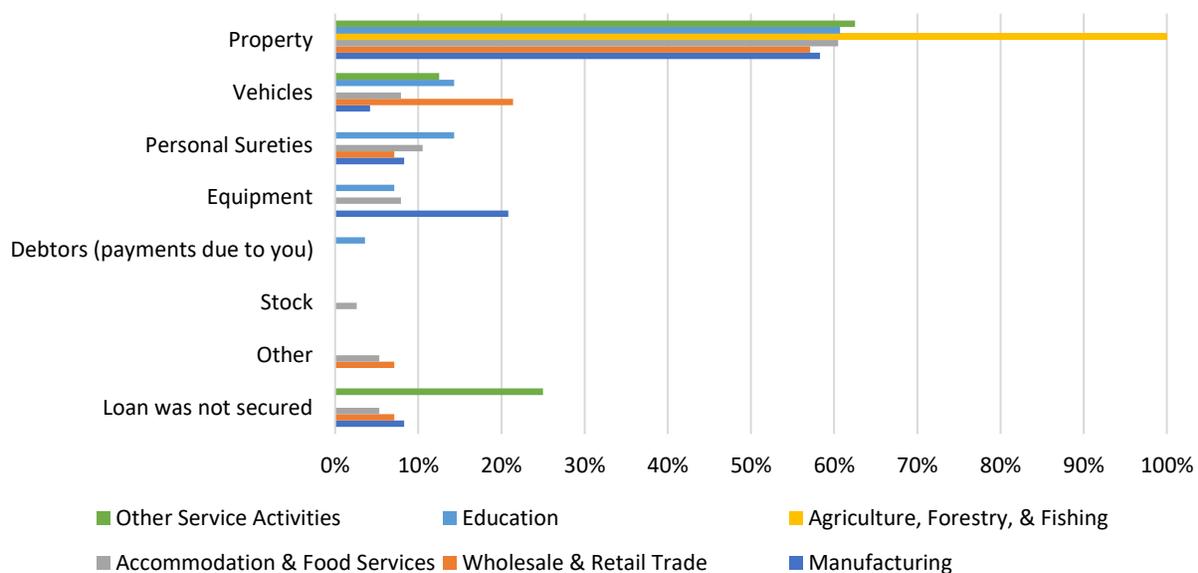
Figure 47. Source of Loan Security – by Business Size³¹



³¹ Statistics for female-owned businesses only

Collateral used to secure the loan is consistent with the assets typically available among female-owned SMEs in each sector. For the agriculture, forestry, and fishing sector, all businesses reported securing their loan with property. While the majority of businesses in the remaining sectors secured a loan using property (between 57% and 63% of each sector subsample), other types of collateral are sector-specific. For instance, 21% of the manufacturing sector reports securing their loan using equipment and 21% of the wholesale and retail trade sector used vehicles to secure their loans. For the accommodation and food services, as well as the education sector, personal sureties were commonly used, at 11% and 14%, respectively. However, 25% of W-SMEs in the other services sector³² reported not having to secure the loan.

Figure 48. Source of Loan Security – by Sector ³³



4.4 THE W-SME LOAN EXPERIENCE

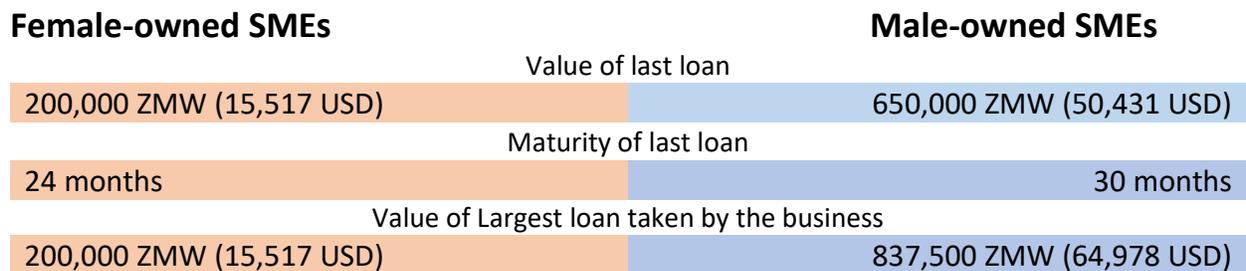
W-SMEs are underserved in terms of access to credit from formal financial institutions. Only 27% have borrowed money for the business and only 23% have taken a loan from a bank or MFI. In contrast, 32% of men-led SMEs have borrowed and 28% from a bank or MFI. Among women business owners, 45% were still required to have a male signatory on the loan despite the fact that there is no legal requirement around male signatories. There is also a strong perception among women-led businesses that FIs discriminate based on gender, with 36% reporting banks do not lend to men and equally.

³² The Other Services sector includes such activities as membership organizations, repair of computers, personal and household goods, washing and dry-cleaning, hairdressing and other beauty treatments, etc.

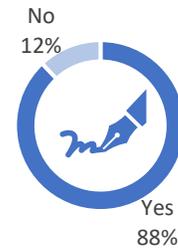
³³ Statistics for female-owned businesses and the top six most reported sectors only

Among those W-SMEs that have been successful in obtaining bank loans, the loans tend to be smaller and have shorter repayment periods than loans taken by men-led SMEs. While the number of comparable male-led businesses is small, the estimates present significant differences in terms of credit obtained. Among female-led businesses, the average value of the last loan taken is more than 3 times lower than that among male-led businesses and the maturity of the last loan is, on average, 6 months shorter. The differences are even more stark when considering the largest loan ever taken by the business. On average, this value is more than 4 times larger among male-led businesses than female-led businesses. This indicates that even among creditworthy female-owned SMEs that are able to overcome the constraints to gain access to finance, they are disadvantaged in the terms and conditions offered.

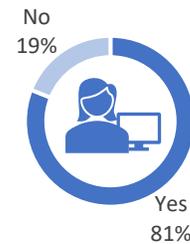
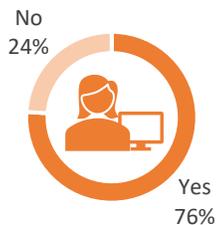
Figure 49: Credit Access Among by Gender of Owner



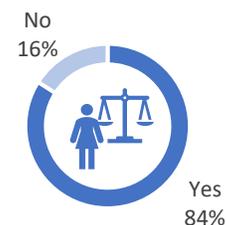
Male signatory required



Involvement of women loan officers



Believe banks lend to men and women equally



W-SME Loan Customer Journey

Awareness



- W-SMEs often choose FSP because of recommendation from friends or family
- Important requirements were low interest and flexible repayment terms

Application



- The application process typically took less than 7 days (34%) or 7-15 days (28%)
- The majority report the application was up to 5 pages (36%) or up to 10 pages (37%)

Processing



- Most W-SMEs report that the bank asked for additional information never (22%), once (32%) or twice (27%)

Disbursal

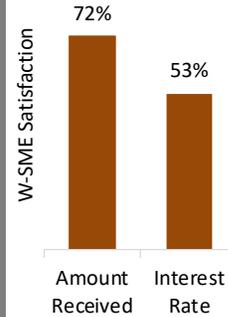
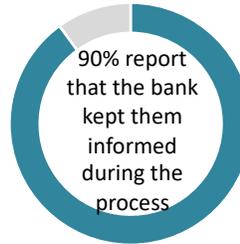
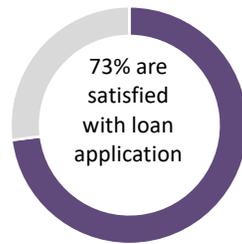
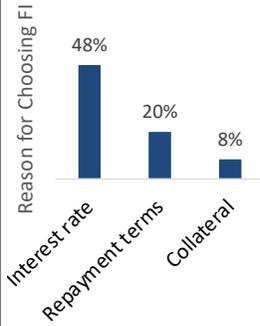


- Disbursal largely took less than 30 days, but 19% report it took anywhere from up to 60 days to more than 3 months

Repayment



- Many W-SMEs reported that they had made a few late payments and the bank called them to make a plan for catching up
- Monitoring from the FSP varied with some FSPs visiting multiple times, others not at all



Positive Experiences



W-SMEs value having a relationship with the bank and are likely to choose a FSP based on word of mouth from trusted sources

Customers are largely satisfied with the length of the application forms (73%)

Communication from the bank among those W-SMEs that were successful in borrowing is largely positive

Customers are largely satisfied with the time between applying for the loan and receiving the funds (69%)

In qualitative interviews, W-SMEs reported that banks were understanding when they needed to make late payments, allowing an additional 5 days to pay

69% satisfied with waiting time to hear if approved

Negative Experiences



Commercial banks are seen as being unwilling to extend credit to W-SMEs. Few W-SMEs receive loans from the bank at which they do their primary banking

W-SMEs believe interest rates are too high, discouraging them from borrowing

Collateral preferred by FSPs is not compatible with typical business assets owned by W-SMEs.

In qualitative interviews, W-SMEs reported that they were not able to borrow because they never heard back from the bank.

20% of W-SMEs that had a loan application rejected reported that no reason was given by the bank.

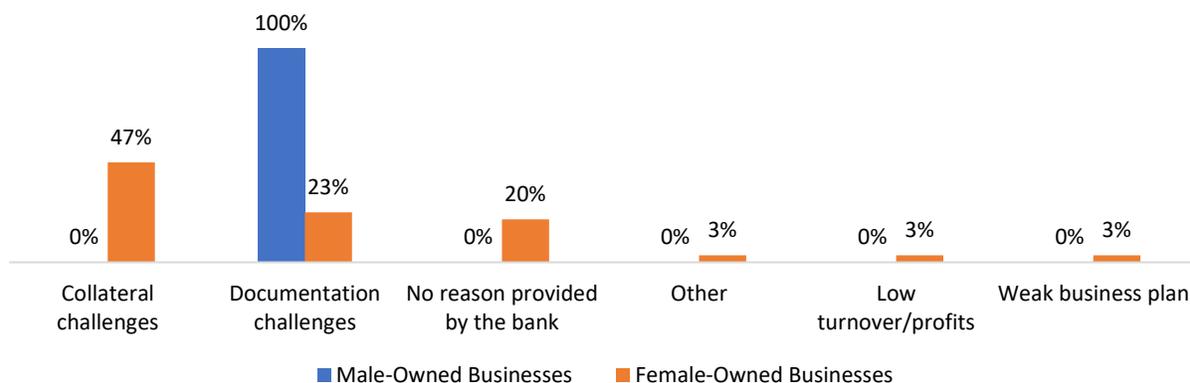
End-to-end processing times frequently exceeded two weeks, which caused a burden for the W-SMEs that needed more urgent funds

W-SMEs see interest rates and fees charged as being too high

Many W-SMEs reported having no grace period. Making payments was difficult given economic downturn from COVID-19.

Collateral challenges were the most common reasons for having a loan application rejected among women-led SMEs, while men-led SMEs struggled most with documentation. 23% of women-led SMEs have had a loan application rejected by a bank or MFI, compared to only 13% of men-led SMEs. Among W-SMEs, the most common reasons for rejection were collateral challenges (47%), followed by documentation challenges (23%). While the majority of W-SMEs report that they have collateral against which they could borrow (80% report having property), lack of title deeds makes it difficult to use property as collateral. Many W-SMEs reported that they own personal vehicles and household equipment, but that banks typically do not view this as acceptable collateral.³⁴

Figure 50. Reason for Loan Application Rejection



Among those that have not borrowed in the past, almost three quarters of W-SMEs report that they have never applied for a loan. W-SMEs consistently mentioned that the cost of borrowing was prohibitively high. In qualitative interviews with W-SMEs, the most frequently mentioned reasons for not wanting to borrow were high interest rates. W-SMEs also mentioned that commercial banks were not interested in providing financing to small businesses. In particular, women reported that banks are hesitant to support them in industries that are typically male-dominated, despite these being high growth potential industries.

We have chosen not to take out credit as credit is very expensive. It defeats the point of the investment as you then struggle to service the loan.
-Woman Entrepreneur

Zambian banks are not receptive to SMEs, they are happy to offer transactional solutions, ...however, they are averse to offering tailored SME credit products
-Woman Entrepreneur

Survey results indicate that among those who will not borrow, high interest rates, fear of inability to repay, preference for not owing money, and collateral requirements are the most common reasons W-SMEs do not plan to borrow. Women entrepreneurs are more likely than men entrepreneurs to report that they prefer not to owe money. Unsurprisingly, small businesses

³⁴ Despite the development of the Movable Property Registry System, FSPs remain reluctant to engage in movable asset based lending.

appear to be more constrained by high interest rates, fear of inability to repay, and high collateral requirements, while medium-sized businesses typically report that they don't need a loan as their business is running fine. While SMEs in the agriculture and wholesale and retail trade sectors are most concerned with the ability to repay, those in the manufacturing, accommodation and food services, education, and other service activities are most concerned with high interest rates. Sectors with the highest proportion reporting collateral challenges are agriculture and accommodation and food services.

Figure 51. Reasons for Not Wanting a Loan

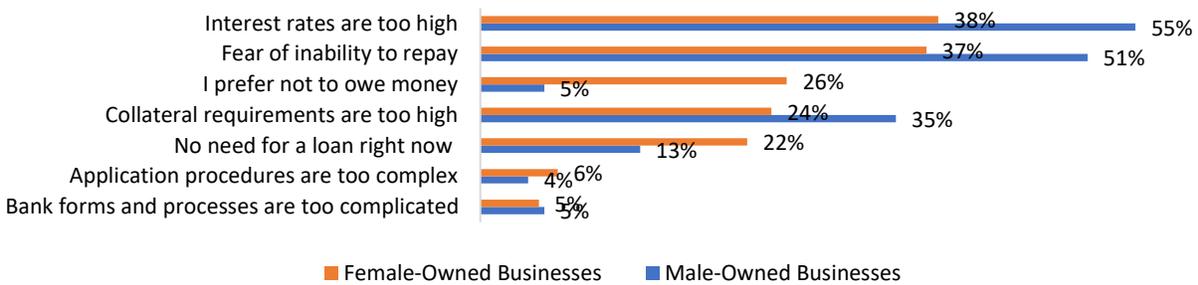


Figure 52. Reasons for Not Wanting a Loan by Business Size ³⁵

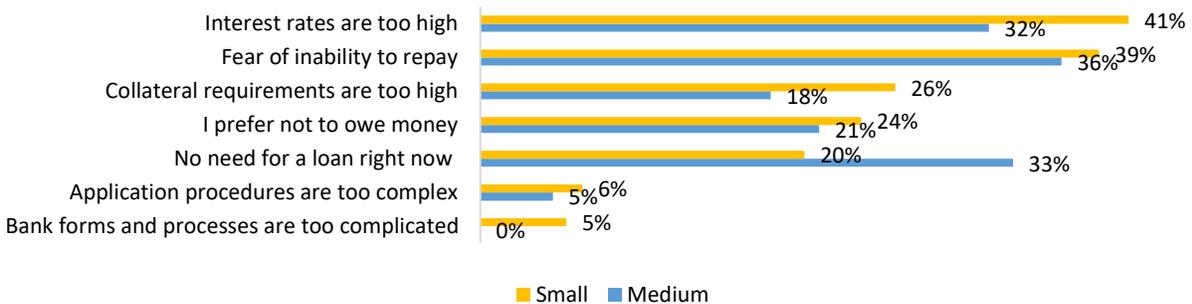


Table 8: Top Reason for Not Wanting a Loan by Sector ³⁶

Sector	Top Reason for not borrowing
Agriculture	Fear of inability to repay
Accommodation and Food Services	Interest rates are too high
Education	Interest rates are too high
Manufacturing	Interest rates are too high
Wholesale & Retail Trade	Fear of inability to repay
Other service activities	Interest rates are too high

³⁵ Statistics for female-owned businesses only

³⁶ Statistics for female-owned businesses only

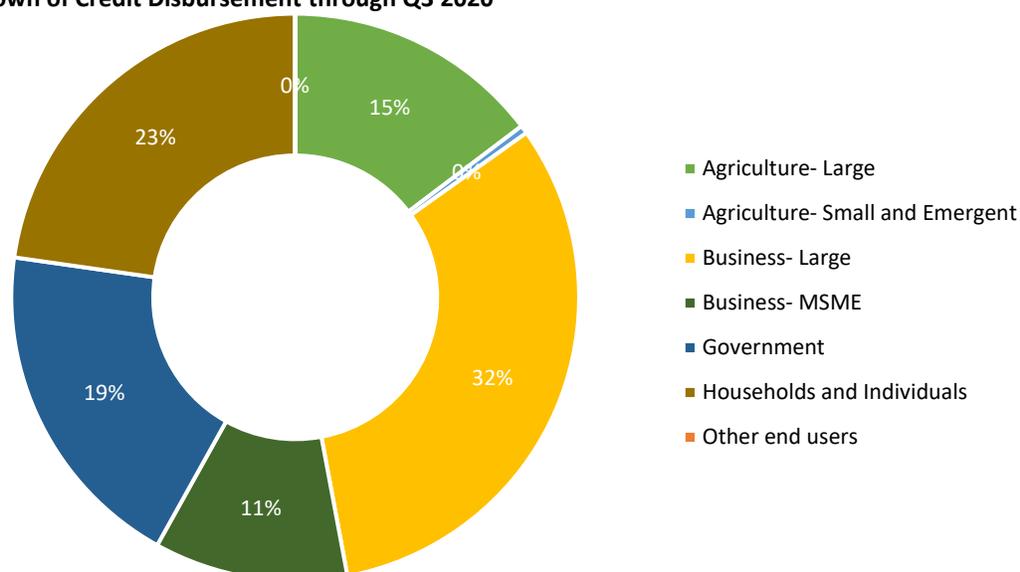
5. Supply-Side Analysis

5.1. CURRENT SUPPLY OF W-SME FINANCE

The **Zambian financial sector consists of 18 registered commercial banks, 32 microfinance institutions (MFIs) and a number of other non-banking financial institutions.**³⁷ The registered non-banking financial institutions sector consists of 2 building societies, 1 credit reference bureau, 1 development finance institution, 7 leasing and finance companies, 1 savings and credit institution, 32 microfinance institutions, 73 bureau de change, and 7 liquidated institutions.³⁸ In 2019, the domestic credit to private sector as a percent of GDP was 16%.³⁹

Bank lending is concentrated on large corporates and W-SMEs remain underserved by the formal financial sector. In 2020, more than 30% of the value of loans disbursed went to large businesses and another 15% to large agricultural enterprises. This was followed by households and individuals (23%).⁴⁰ Only 11% of loans were disbursed to MSMEs. Of this, less than 25% went to businesses with female ownership, indicating that approximately 2% of bank portfolios are distributed to women-owned small businesses. Accordingly, the formal financial sector, combining commercial banks, MFIs and other NBFIs, serves only a small portion of the W-SME segment. According to FinScope 2020, only 58.6% of women have access to formal financial services.⁴¹ Instead, women tend to rely on informal sources, such as chilimbas⁴².

Figure 53: Breakdown of Credit Disbursement through Q3 2020



Source: Bank of Zambia CMMP Q3 2020

³⁷ Bank of Zambia. Registered Commercial Banks. 2018. Available at: boz.zm/RegisteredBanks2018.pdf.

³⁸ Bank of Zambia. List of NBFIs. 2020. Available at: <https://www.boz.zm/ListofNBFIsasat30October2020.pdf>.

³⁹ The World Bank. Zambia Domestic credit to private sector (% of GDP)

⁴⁰ Bank of Zambia. Credit Market Monitoring Report Data Q3 2020.

⁴¹ FSDZambia FinScope 2020 Top Line Findings

⁴² Informal community groups, primarily women's groups, that engage in a rotating savings and credit scheme.

There is limited gender differentiation of products in the market. Most commercial banks have standard products offered to all types of businesses and do not differentiate for SMEs or women entrepreneurs. There are few tailor-made products and services for women and financial institutions typically do not adapt their pitch to the particular needs of W-SMEs. A few institutions have developed products targeted to women. For example, with support from IFC, AccessBank has developed several female-targeted products, including the W-Power Loan and W Current Account. Stanbic Bank also has a product called the Anakazi Banking, which focuses on both increased access to finance and capacity building for women entrepreneurs. This includes training, mentorship and networking events to build knowledge in business management and access to markets, as well as assistance in business formalization. Table 9 below lists banks that offer products specifically targeted for women.

Table 9: Banks with Women-Targeted Products

Bank	Product
Stanbic Bank	Anakazi Banking – combination of banking products and capacity building for selected women entrepreneurs
AccessBank	<p>W Power Loan – term loans and working capital loans</p> <ul style="list-style-type: none"> • available to women-owned businesses (at least 50% female ownership), managed by a woman • Business must be in operation for at least 1 year • Eligible clients can access 10% of their annual turnover <p>W Current Account aimed at Professional, Family, and Business Women aged 21 years and above. Features include:</p> <ul style="list-style-type: none"> • K250 opening balance and K250 operating balance with no maintenance fees

Source: Information provided by banks and collected from the websites of banks, valid November 2020

AccessBank and Stanbic have also both launched competitions to support women entrepreneurs. AccessBank Zambia launched the Womenpreneur Pitch-a-ton Africa 2020, which provides up to ZMW 235,000 (18,217 USD) in financial grants and a capacity building program aimed at empowering women entrepreneurs. It is designed as a 3-month program incorporating pitching sessions and 8 weeks of training in collaboration with the IFC.⁴³ Stanbic Bank is encouraging women fund managers to apply to join the African Women Leadership Fund initiative (AWLF), which aims to raise up to \$1 billion over 10 years for women fund managers. Stanbic Zambia has announced that it will be training women to run the fund who will, in turn, identify female-run businesses in whom to invest.⁴⁴

Banks are offering digital financial solutions for SMEs, but traditional channels still dominate. Digital penetration is increasing in Zambia but remains low compared to neighboring countries. Among the Zambian population 15 and older, 45% own a mobile phone, 13% own a smartphone

⁴³ <https://zambia.accessbankplc.com/pages/media/access-news/Access-Bank-Excites-Female-SMEs-across-Africa-with.aspx>

⁴⁴ <https://www.stanbicbank.co.zm/zambia/personal/about-us/news/Stanbic-encourages-women-fund-managers-to-apply-for-awlf>

and 14% have access to the internet.⁴⁵ Banks have begun to offer digital solutions for paying bills, making deposits, and even getting small loans. However, banks still deliver their services mainly via brick-and-mortar structures, such as branches, agents, and ATMs. The main hurdle to expanding access to finance for businesses through digital financial solutions is the reluctance of W-SMEs to switch to these services. Zambia is still a cash-based economy and FSPs reported that many W-SME owners are reluctant to use mobile and internet banking solutions because they don't trust these options; rather, they prefer to go into the bank branch.

5.2. W-SME DEVELOPMENT LANDSCAPE

Table 10: W-SME Development Stakeholders and Programs

Ministry of Gender and Child Development	Ministry of Commerce, Trade and Industry (MCTI)	Zambia Federation of Associations of Women in Business		Zambia Development Agency
Focus on social protection, rather than entrepreneurship	Programs focused on MSMEs, but no gender focus	Skills Training Programs: training programs to develop/improve skills of W-SMEs to operate their businesses efficiently, profitably, and sustainably	Financial inclusion: Aimed rural women that do not have access to commercial banks to them with the formal financial sector	BDS Services provided to SMEs, including linkages to FSPs upon completion of capacity building No gender-focused programs
Agriculture Development Through Value Chain Enhancement (ADVANCE): jointly implemented ⁴⁶ empowerment program designed to aggregate and coordinate Government efforts towards women, men, and youth empowerment				
Bank of Zambia				
FAMOS: in partnership with the International Labour Organisation (ILO), rolling out the Female and Male Operated Small Enterprises (FAMOS) check tool in four commercial banks	Program with FMO aimed at offering capacity building for women entrepreneurs	Hosting Global Banking Alliance for Women (GBA) training, which supported launch of Stanbic's targeted products	Policy reforms: Endorsement of Denarau Action Plan as a member of the Alliance for Financial Inclusion and pushing for sex disaggregated data collection among commercial banks	Endorsed African Development Bank's AfDB's Affirmative Finance Action for Women in Africa (AFAWA) program
SheTrades Zambia: program aimed at enhancing their competitiveness and strengthening their market linkages partners with MCTI and ZDA				

Source: Key Informant Interviews and websites of relevant agencies, valid November 2020

Women entrepreneurs and SME owners face greater obstacles in accessing training, networks, and information. Non-financial services are provided by several governmental and non-governmental agencies. Government agencies play a crucial role in providing support and development services to MSMEs. The main government arms creating policy and programs in the

⁴⁵ World Bank (2020), "Accelerating Digital Transformation in Zambia: Digital Economy Diagnostic Report"

⁴⁶ Implementing partners include Ministry of Gender; Ministry of Agriculture; Ministry of Fisheries and Livestock; Ministry of Youths, Sports and Child Development; Ministry of Commerce, Trade and Industries; and Ministry of Chiefs and Traditional Affairs.

W-SME sector include the Ministry of Gender and Child Development and the Ministry of Commerce, Trade, and Industry. In Zambia, the importance of the MSME sector is recognized through The Micro, Small, and Medium Enterprise Development Policy,⁴⁷ but it is largely gender blind. There is also a Gender Policy⁴⁸, but it is mainly focused on the social protection of women, rather than on empowering women through entrepreneurship. In addition, NGOs and the private sector provide similar support services. Yet there are few programs tailored for female entrepreneurs and women report greater difficulties accessing such programs. In the survey, 58% of W-SMEs had participated in some kind of training.

The Zambia Federation of Associations of Women in Business (ZFAWB) was formed to promote women’s entrepreneurship activities. The Federation was established in 1993 to support the privatization process away from state-owned enterprises, as it was determined that women were not prepared to become business owners. The Federation targets women across all sectors and works both with individual entrepreneurs and women’s associations, cooperatives, and other organizations. ZFAWB has 5 programs focused on (i) advocacy (ii) capacity building (iii) access to markets (iv) financial inclusion and (v) network building.

The Bank of Zambia also has several initiatives aimed at improving financial inclusion among women. In partnership with the International Labour Organisation (ILO), the BoZ is in the process of rolling out the Female and Male Operated Small Enterprises (FAMOS) check tool in four commercial banks. This check aims to provide a systematic assessment of the extent to which the institutions target and serve women entrepreneurs, their needs and their potentialities. The BoZ has also partnered with the Global Banking Alliance to host events aimed at providing commercial banks with the tools to build innovative, comprehensive programs that deliver to women the tools they need to succeed, including access to capital, information, education and markets. In particular, this program has supported the launch of Stanbic’s Anakazi product targeted at women. BoZ has also partnered with FMO to offering capacity building for women entrepreneurs. As a member of the Alliance for Financial Inclusion (AFI), BoZ has endorsed the Denarau Action Plan, which promotes the development and implementation of smart policies and regulations to create an enabling environment that accelerates women’s financial inclusion with the objective of halving the gender gap in financial inclusion.⁴⁹ Part of this has included supporting the collection and dissemination of sex-disaggregated data, however, there remains a need to standardize and make public this data. For example for the current Targeted Medium Term Refinancing Facility, the sex-disaggregated data is not part of the regular reporting.

⁴⁷ Republic of Zambia Ministry of Commerce, Trade and Industry, “The Micro, Small and Medium Enterprise Development Policy”.

⁴⁸ Republic of Zambia Ministry of Gender and Child Development, “National Gender Policy”.

⁴⁹ Alliance for Financial Inclusion (2016) Denarau Action Plan.

5.3. SUPPLY-SIDE BOTTLENECKS



Lack of Proper
Documentation



Low Financial
Literacy



Lack of Proper
Business Practices



Lack of Collateral

Banks report high Know Your Customer (KYC) costs associated with W-SMEs, as small businesses often do not keep financial records and do not conduct their activities through banks. W-SMEs tend not to formalize their financial and management practices and not to invest in accountants or consultants due to the cost. FSPs also reported that there is a misperception among MSMEs that there is a tax implication on funds deposited. According to FSPs, this misunderstanding makes MSMEs reluctant to run their business transactions through their accounts making it difficult to assess a customer's transactional behavior and to reconcile transactions with the financials provided. Additionally, W-SME owners often lack official documents required by banks to open accounts or to borrow. These include business registration, National Registration Card, and birth certificate. Additionally, high perceived risks by banks due to SMEs' lower levels of formality of business operations and lack of documentation have led to high cost of lending, which discourages lenders to lend to W-SMEs.

Low financial literacy among W-SMEs impedes the ability of banks to serve W-SMEs. Women tend to have lower levels of financial literacy and limited understanding of financial institutions and products. Due to low levels of general and financial literacy, their knowledge of the benefits of using a bank account and the requirements to open an account or apply for a loan is typically poor. According to stakeholder interviews, women in Zambia tend to be intimidated by financial institutions. Thus, women entrepreneurs are less likely to conduct their business transactions through a bank, thereby establishing a banking relationship that can facilitate borrowing. Additionally, FSPs report that W-SMEs tend to display poor business management structure and lack of separation between the owner and the business. W-SMEs tend to use one account for both business and personal banking.⁵⁰

There is also limited outreach to W-SMEs and low levels of knowledge about available products and services. FSPs interviewed largely reported that they have no dedicated or targeted outreach for women entrepreneurs and there is no gender differentiation in the products suggested to potential clients. The FSPs interviewed indicated an interest in developing such products, but at the time of interview largely reported that they were still in research phase to understand what those products would look like. While some banks provide financial education services, this is

⁵⁰ It should be noted that this practice of using a joint account is much more pervasive among microenterprises. In the survey conducted for this study, more than three-quarters (78%) of W-SMEs have a separate business bank account. However, the perception among FSPs extends to the W-SME sector.

limited in scope and reach. Banks consistently reported a need for greater customer education. The main topics FSPs reported that W-SMEs would need training on are (i) enhanced awareness of current products and services on the market (ii) developing good banking habits (iii) improved financial and document management and (iv) digital literacy. FSPs also reported that there was a need to simplify communication and translate it into local languages.

Inadequate collateral is a major bottleneck identified by FSPs. W-SMEs tend not to have collateral that is acceptable to the bank (equipment, commercial or residential property) or lack the documentation required. In Zambia, cultural norms regarding land ownership often prevail over legal provisions. Despite improvements in legal provisions regarding land rights, challenges persist as the changes in legal provisions apply only to statutory land, which represents only 6%-7% of the total land in Zambia.⁵¹ The vast majority of land (approximately 93%-94%) is customary land, which is held under local chiefs. Consequently, land is typically governed by patriarchal inheritance norms and most Zambian women still do not have equal land rights. The National Gender Policy (2014) stipulates that women should own at least 50% of the land allocated⁵², but in practice, this has only marginally increased women's land ownership. While women are more likely to own movable assets (such as vehicles, jewelry, household appliances and goods, etc.) and despite the improvements in the regulatory framework for accepting movable collateral, FSPs remain reluctant to increase acceptance of movable collateral, as this would require developing separate systems and infrastructure.

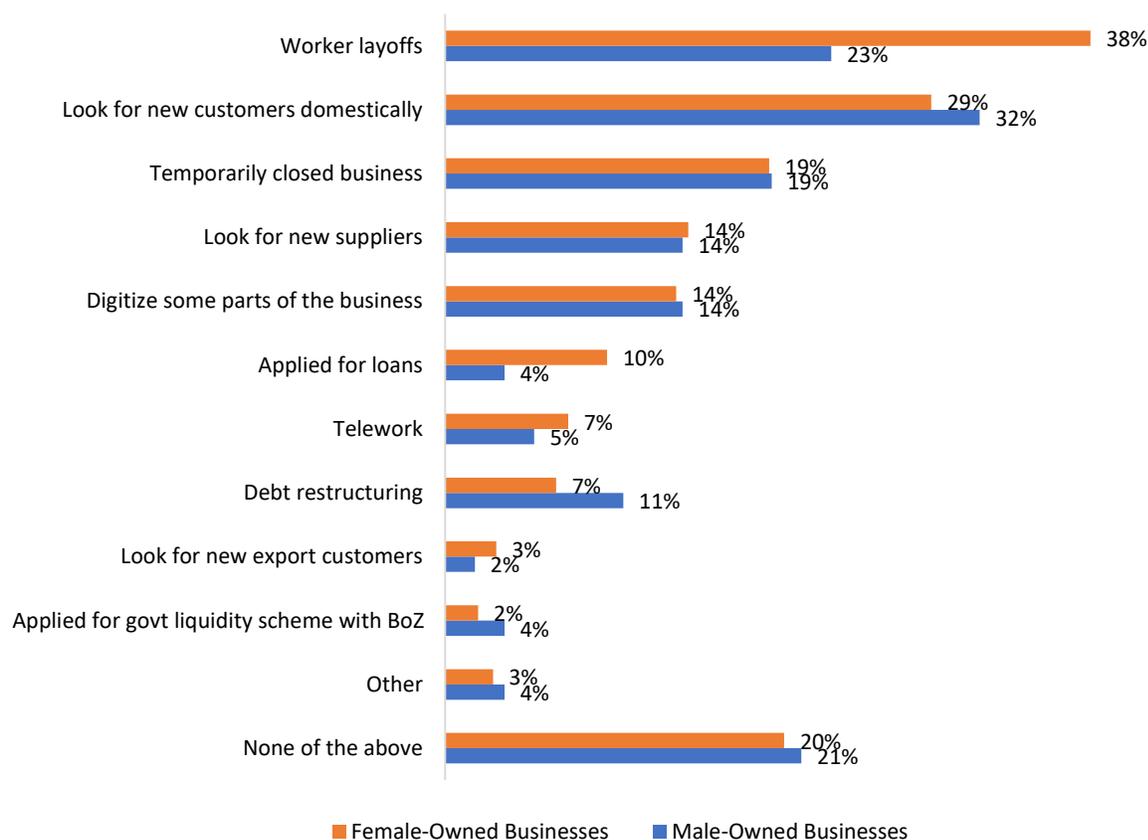
⁵¹ The Lands Act (1995), which vests land in the President, provides for the documentation and registration of land rights only for statutory land. The Lands Act does not make specific reference to gender and does not explicitly discriminate against women; however, the law does not provide for the documentation, registration or titling of land held under customary tenure.

⁵² Republic of Zambia Ministry of Gender and Child Development (2014), "National Gender Policy".

6. Impact of COVID-19

For female-owned businesses, more than a third (38%) have laid off workers. The second most common measure taken by female-owned businesses is to look for new customers domestically, (29%). For female-owned businesses, at the time of interview, 20% report that they have taken no measures against COVID-19. Only 2% of female-owned businesses report that they have applied for the government liquidity scheme, the Medium Term Refinancing Facility, with the Bank of Zambia. Very few businesses are aware of any government programs aimed at supporting businesses due to COVID-19. Only 13% of female businesses are aware of a program like this.

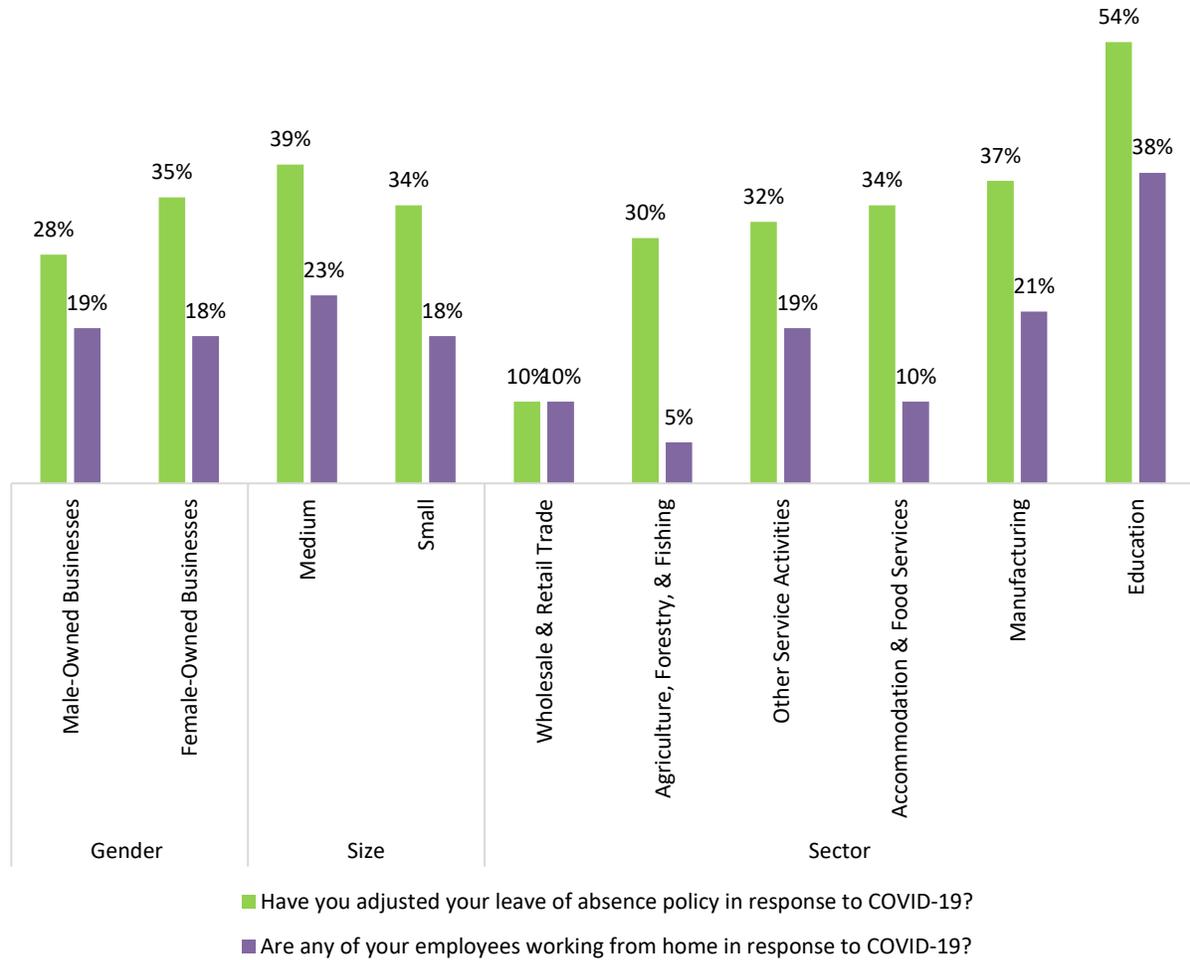
Figure 54. COVID-19 Measures Already Implemented



Roughly a third (35%) of female-owned businesses have adjusted their leave of absence policy due to COVID-19. Only 18% of female-owned businesses have their employees working from home. However, whether or not employees work from home depends on the sector in which the business operates. In the manufacturing sector, 21% of women-led businesses are having some employees work from home. In accommodation and food service activities and the wholesale and retail trade sectors, only 10% are working from home. However, in the Information and communications sector, 75% of women-led businesses have employees working from home. Similarly, the education sector has 38% of businesses with employees working from home and

the professional, scientific and technical activities sector has 43% of businesses with employees working from home.

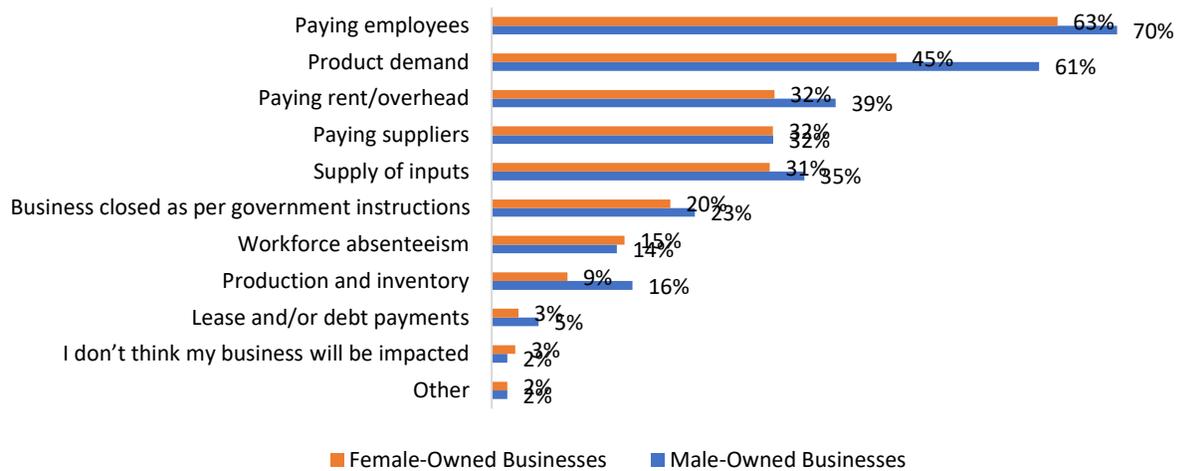
Figure 55. COVID-19 Employee Policies ⁵³



Almost all firms believe they either have been or will be impacted by COVID-19 in some way (97% of female-owned SMEs). The top two areas of concern are paying employees (reported by 63% of female-owned businesses) and product demand (45% of female-owned businesses). Among all SMEs, only 3% of female-owned SMEs are concerned that COVID-19 will impact lease or debt payments. However, for those businesses that have at least one outstanding loan or line of credit, a third (33%) of female-owned businesses are concerned about making lease and/or debt payments.

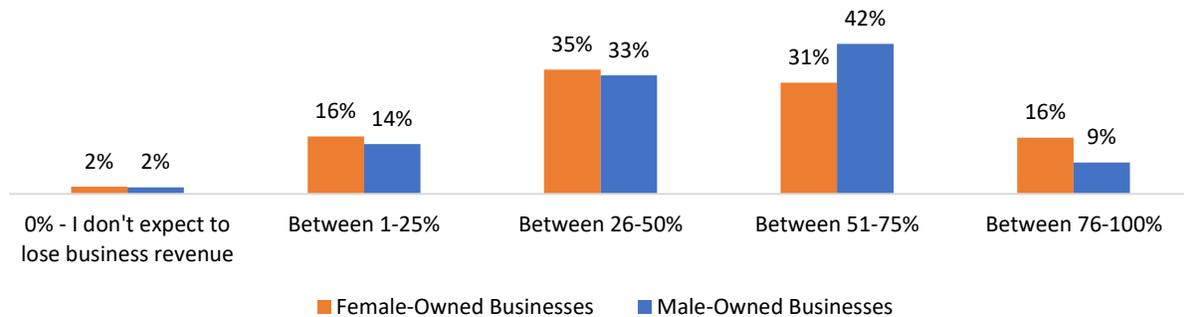
⁵³ Analysis by business size and sector are for female-owned businesses only. Analysis by sector is for the six most reported sectors only.

Figure 56. Areas of Most Concern Due to COVID-19



Female-owned businesses expect to be harder hit in terms of loss of revenue. While 16% of women-led SMEs report that they expect to lose 75-100% of revenue this year, only 9% of men-led SMEs report the same. The largest portion of male-owned businesses expect to lose between 51-75% of their revenue (42%), while the largest portion of female-owned businesses expect to lose between 26-50% of their revenue (35%). Only 2% of each group expects to maintain a normal revenue stream.⁵⁴

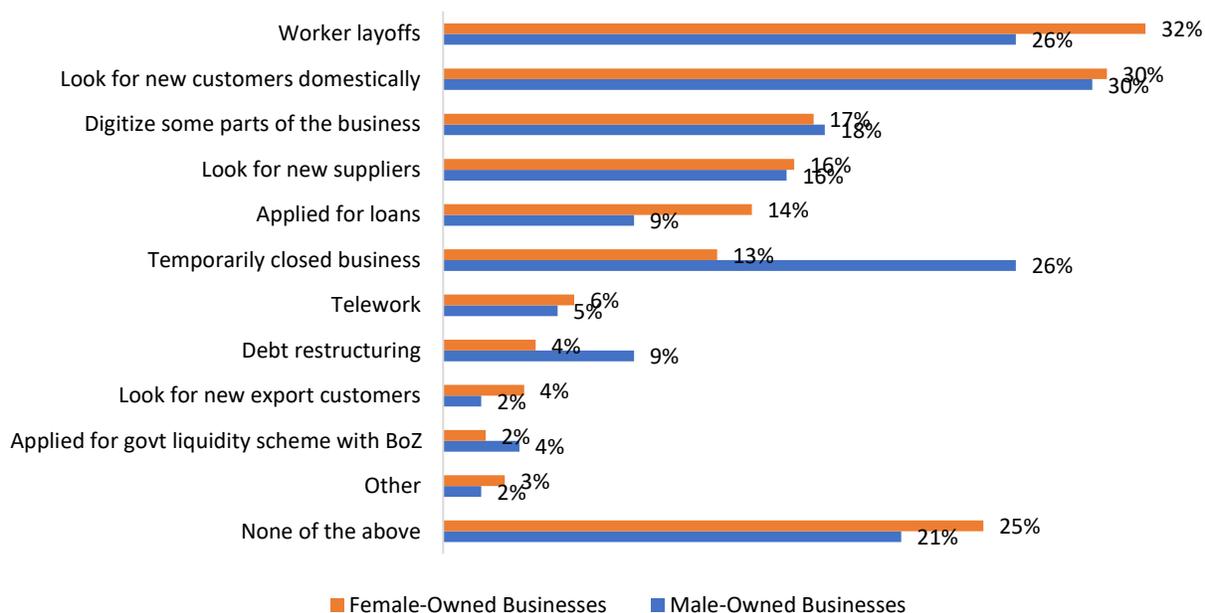
Figure 57. Anticipated Lost Revenue This Year



W-SMEs anticipate further worker layoffs and needing to look for more customers domestically. The most common measure female-owned businesses expect to take over the next year in response to COVID-19 is to lay off workers, at 32%. Almost a third (30%) of W-SMEs report plans to look for new customers domestically. Digitizing some parts of the business, looking for new suppliers, and applying for loans are all expected to increase over the next year. This represents a significant opportunity to support growth oriented W-SMEs to digitize operations, engage in e-commerce and facilitate electronic market linkages.

⁵⁴ This is consistent with findings from the World Bank Enterprise COVID-19 Follow-Up Survey which found that among women-owned SMEs, 27% had lost between 75-100% of sales compared to the same month in the year prior. Among men-owned SMEs, 22% reported this level of sales decrease.

Figure 58. Anticipated COVID-19 Measures Over the Next 12 Months



Box 3: The Supply-Side Perspective on COVID-19 Impacts

The main impact of COVID-19 on banks’ W-SME portfolio included lost interest income, an increase in loan restructuring and NPLs. Over the next 12 months, banks report that they will be adopting a more cautious strategy toward SME/W-SME lending. Many report that they have reduced the budget for the coming year and reduced loan approvals but are continuing to review loans on a case-by-case basis. Other strategies banks are adopting include:

- ❖ Buying more government securities to secure revenue streams
- ❖ Deferring interest payments and extending loan repayment periods
- ❖ Focusing on uptake of digital platforms with the now reduced business hours
- ❖ Reducing their loan approvals and setting lending caps for hard hit industries

While all banks were aware of the facility from the Bank of Zambia, at the time of interview*, none had been able to take advantage. Some of the banks reported that they had applied and had not yet heard back or were in the process of applying. The perception among the remaining banks was that the facility was not appropriate or not attractive for their SME loan customers. In particular, banks mentioned the following issues:

- ❖ In the case of customer default, the bank would still have to cover the loan with the central bank and deal with the loan recovery process with the client.
- ❖ The fund was very specific in terms of the qualification criteria, clients who can borrow and prescribed industries. This limited the number of SMEs that could access the fund.

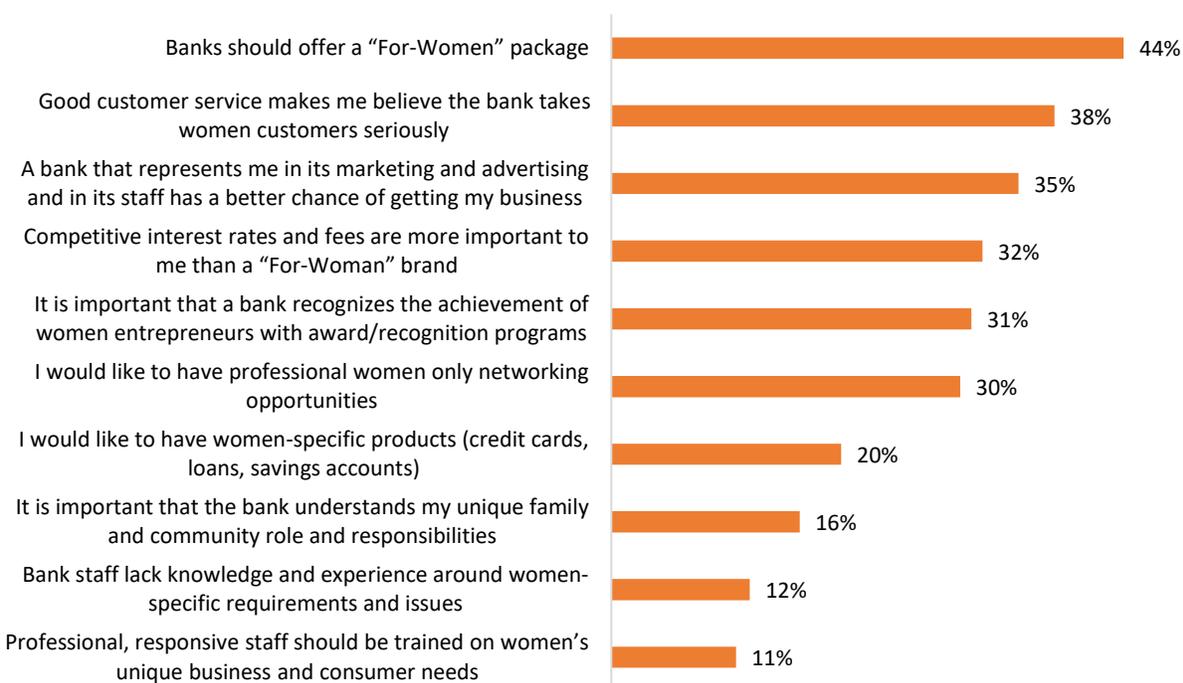
**Interviews conducted in early October 2020*

7. Opportunities for Supporting W-SMEs

7.1 FINANCIAL NEEDS OF W-SMEs

Women entrepreneurs are interested in a bank that offers a “For-Women” package, good customer service that takes women seriously, and a bank that represents them in marketing and advertising. When asked what specifically women entrepreneurs would be interested in seeing, the most common response was that banks should offer a “For-women” package. More than a third reported that good customer service makes them believe the bank takes women customers seriously (38%) and a bank that represents them in marketing and advertising and in its staff has a better chance of getting their business (35%).

Figure 59. Women-Specific Opportunities

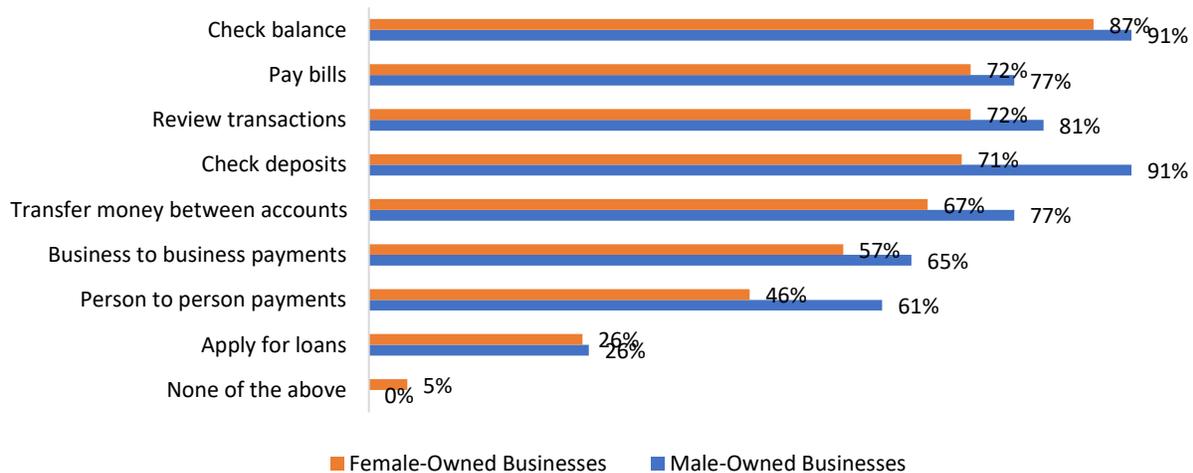


Digital banking has a low penetration rate, but the majority of W-SMEs would like to conduct transactions using digital solutions. Despite high digital penetration in the country, there is under-utilization of digital banking. Only 33% of women-led SMEs with business oriented bank accounts use mobile banking and 28% use internet banking. Yet, 60% of women-led SMEs report that they would consider opening a checking or savings account via a mobile app or bank agent. Most W-SMEs would like to use a mobile app to check their account balance (87%), pay bills (72%), review transactions (72%), and check deposits (71%) (Figure 60). Among the 5% that would not consider conducting transactions via a mobile app, the main reasons are that W-SMEs consider using an app too complicated (46%) or are concerned about security (31%).



Source: Creative Commons Unknown Author licensed under [CC BY-SA-NC](https://creativecommons.org/licenses/by-sa/4.0/)

Figure 60. Preference for Using a Mobile App



Almost 60% of W-SMEs expect to borrow money in the future. Among those that would like to borrow, but are not planning to do so, the biggest deterrent is the fear of inability to repay and the high interest rate. Among those that are planning to borrow, the vast majority would like to borrow to expand business premises (81% of women-led). This was followed by purchasing equipment and purchasing more goods. The vast majority (80% of women-led SMEs) report that they have property against which they could borrow. Vehicles and equipment are the next most common sources of collateral owned by W-SMEs (37% and 32%, respectively). When choosing a bank for borrowing, W-SMEs are most concerned with the ease of making and receiving

payments and the reliability of the bank. Interest rates and flexible repayment rates are also highly ranked.

Figure 61. Purpose of Planned Borrowing

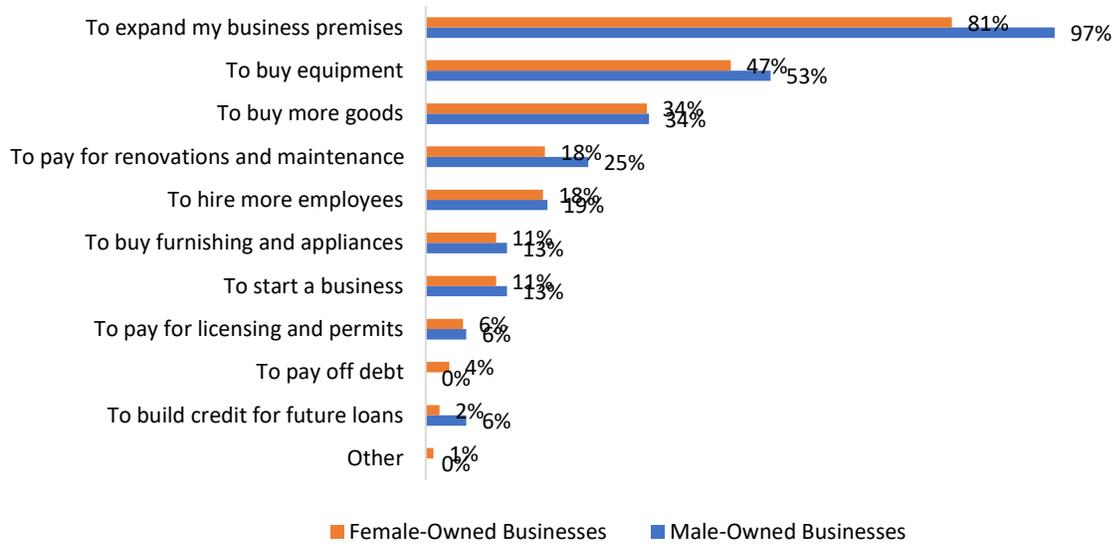
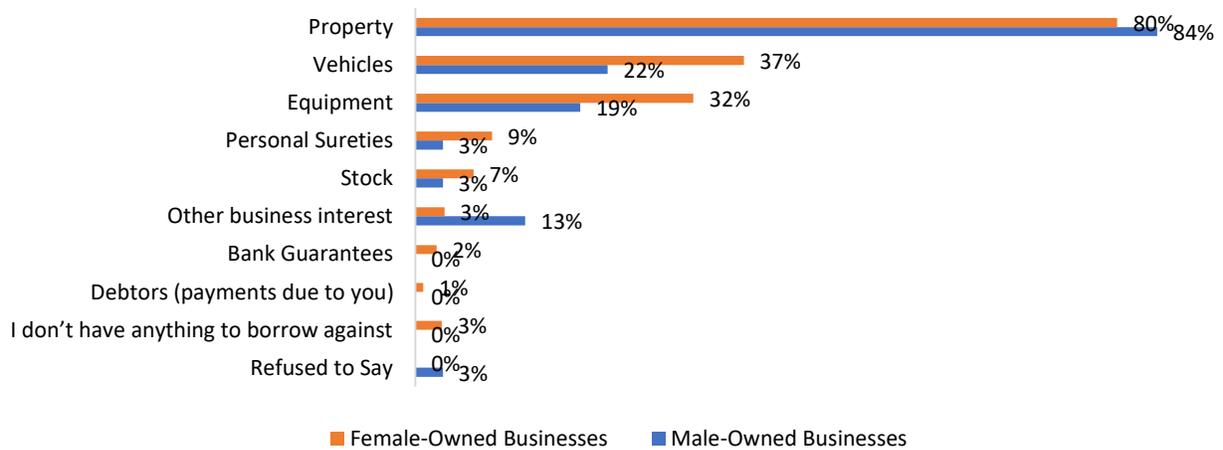
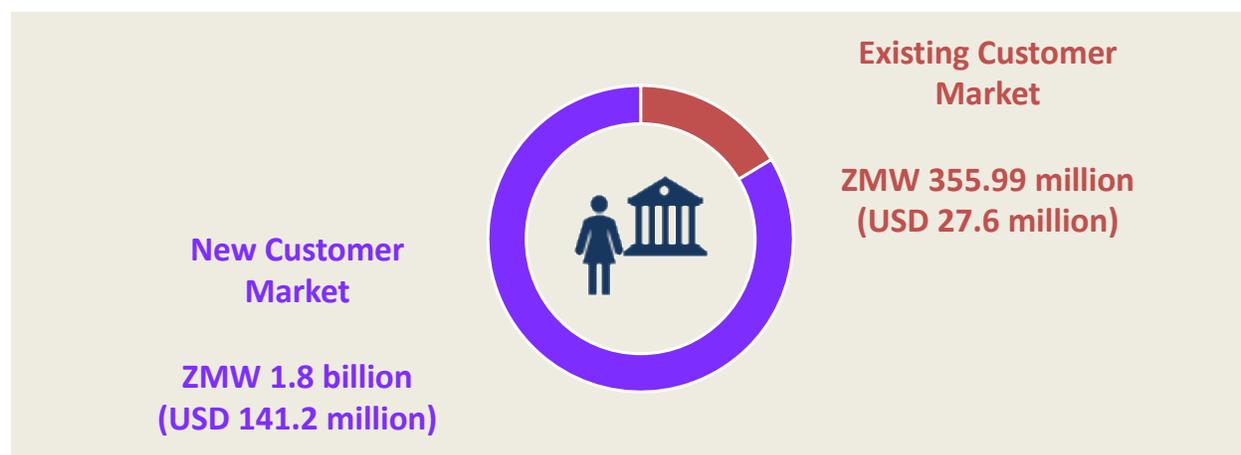


Figure 62. Available Collateral



7.2 MARKET POTENTIAL

The total size of the W-SME market for loans is estimated at approximately ZMW 2.2 billion (USD 168.8 million)⁵⁵



The existing customer market is estimated to be ZMW 355.99 million (USD 27.6 million). The potential existing market is defined as those W-SMEs that have previously applied for a loan but were rejected. This market was estimated based on the following formula where *existing market* is the estimated market size; *potential value of rejected loans* is the value of the loans denied to W-SMEs, which has been extrapolated from the value of credit disbursements to the W-SME segment based on data from the Bank of Zambia Credit Market Monitoring Report for the year 2019⁵⁶, and *% rejected* is the proportion of W-SMEs that report they have had loans rejected in the W-SME survey conducted for this study.

$$\text{existing market} = \text{potential value of rejected loans} * \% \text{ rejected}$$

Existing Customer Market	
Current disbursement of loans to W-SMEs (businesses with 5-300 employees) <i>Data Source: BoZ Credit Market Monitoring Report Q4 2019</i>	ZMW 1,547,800,926
Proportion of W-SMEs that have applied for loan and had their application rejected <i>Data Source: W-SME Survey</i>	23%
Existing Customer Market	ZMW 355,994,213 (USD 27,596,451)

⁵⁵ Approximation based on extrapolations from Bank of Zambia Credit Market Monitoring data on current lending to W-SMEs combined with W-SME survey data on firm's internal calculations of future borrowing needs.

⁵⁶ Bank of Zambia. Credit Market Monitoring Report Data Q4 2019.

The new customer market is estimated to be ZMW 1.8 billion (USD 141.2 million). The potential new customer market is defined as those SMEs that have not previously applied for a loan but are planning to borrow in the future. This market was estimated based on the following formula where *new market* is the estimated market size; *# W – SMEs* is the total number of SMEs in the country, extrapolated from Enterprise Surveys 2019⁵⁷ and BoZ data⁵⁸ and then multiplied by the proportion of SMEs in Enterprise Surveys that are women-owned or led; *% planning to borrow* is the proportion of W-SMEs in the W-SME survey that report they have plans to borrow; *average loan size* is the average loan amount expected by W-SMEs in the survey.

$$\text{new market} = \# W - \text{SMEs} * \% \text{ planning to borrow} * \text{average loan size}$$

New Customer Market	
Total number of W-SMEs <i>Data Source: BoZ Credit Market Monitoring Report Q4 2019; World Bank Enterprise Surveys Zambia 2019</i>	15,439
% that plan to borrow in the future <i>Data Source: W-SME Survey</i>	59%
Average loan size <i>Data Source: W-SME Survey Firms' Internal Calculations</i>	ZMW 200,000 (USD 15,504)
New Customer Market	ZMW 1,821,753,101 (USD 141,221,171)

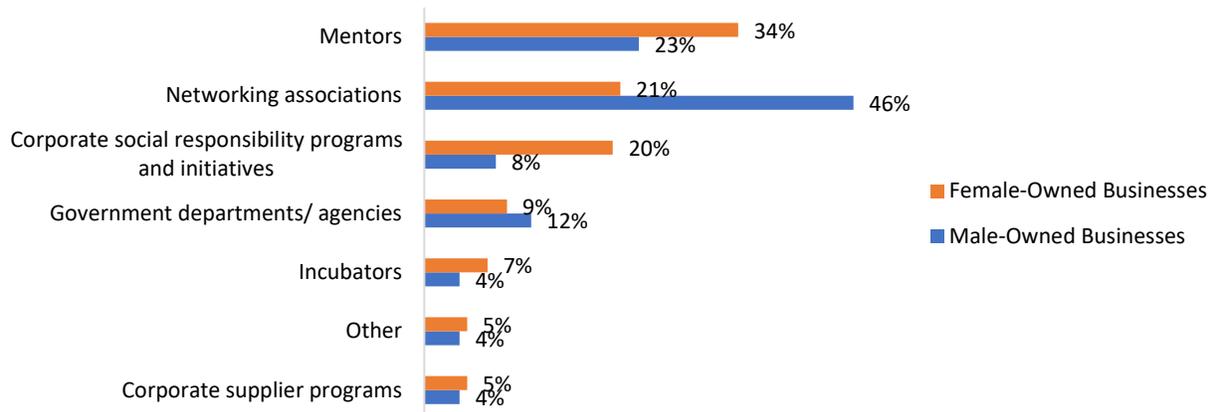
7.3 NON-FINANCIAL NEEDS OF W-SMEs

The majority (58%) of W-SMEs have not received any formal training and instead rely on informal sources for business and financial advice. When starting the business, 63% of W-SMEs received financial advice from family and 52% from friends. Only 3% received advice from a bank. Among those that have had some sort of training, the most common topics include expanding the business, customer relations, and accounting and bookkeeping. Among W-SMEs, this training comes mainly from mentors (34%), networking associations (21%), and corporate responsibility programs (20%). Awareness of and participation in government programs is similarly low, with 28% of W-SMEs reporting they are aware of government initiatives, programs, or funding, but only 1% reporting they have ever participated in any such trainings. This indicates that support offered may not be suitable for women entrepreneurs' needs or logistics may be preventing access.

⁵⁷ World Bank. Enterprise Surveys Zambia 2019.

⁵⁸ Bank of Zambia. Credit Market Monitoring Report Data Q4 2019.

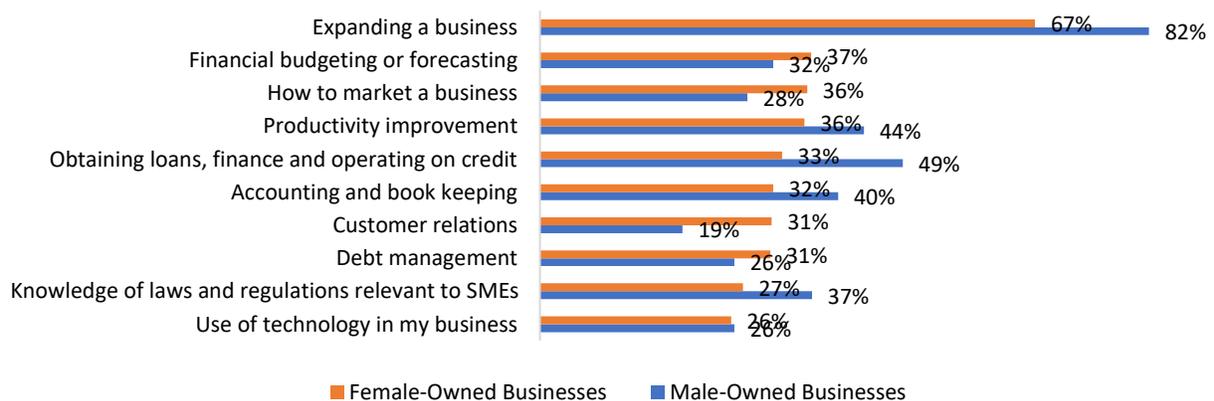
Figure 63. Source of Previous Training



There is a need for capacity building of W-SMEs related to access to finance. Only 15% of W-SMEs report that their bank offers training or tools for the business and 14% have received training on obtaining loans, finance, and operating on credit. While only 12% of those that received training on access to finance subsequently tried to access finance, 80% of those that did were successful. This indicates a significant gap that FSPs could fill to support W-SMEs with financial education designed to help them access credit. Such an approach would also have the benefit of allowing FSPs to build a pipeline of viable businesses.

Business development services will be critical to supporting women entrepreneurs. The biggest challenges reported by women-led SMEs in starting their businesses include too many competitors, not enough customers, and raising awareness of products and services. These are key challenges that women need support through appropriately designed business development services. Women SMEs would like to receive training in expanding their businesses, financial budgeting/forecasting, and how to market a business and obtaining loans, finance, and operating on credit. The majority of the W-SMEs would like to receive such training through face-to-face interactions (65%) or online (24%). Over a quarter of both male and female-owned SMEs (26% each) report they want training on the use of technology in their business.

Figure 64. Training Needs



8. Conclusions & Recommendations

Figure 65: Key Insights

ZMW 2.2 billion
(USD 168.8 million)

Women-led SMEs represent a large untapped market opportunity

Women-led SMEs are underserved in terms of bank credit products. Only 23% have taken a loan from a bank, but 59% report wanting to take a loan in the future. This represents an important and fast-growing segment and represents substantial demand for bank financing that is currently unmet.



Women-led SMEs face significant challenges to access to finance and business growth

Lack of documentation
Lack of collateral
High transaction costs
Lower financial literacy
Socio-cultural norms

Women-led businesses face a variety of challenges that make their access to finance and ability to start and grow their businesses more difficult. Solutions should be designed considering their unique experience.



Women-led SMEs need financial education

Interviews with both supply and demand-side stakeholders indicated a significant need for greater financial education to help women better manage their businesses and make them “investor-ready”. Among W-SMEs, priority areas of training include expanding a business (67%), financial budgeting (37%), marketing a business (36%), and obtaining loans, finance and operating on credit (36%).



Women-led SMEs want to use digital financial services

W-SMEs are highly banked, but most banking transactions are conducted through traditional channels. Yet, there is high demand for expansion of digital financial services among women entrepreneurs. Among W-SMEs, 87% would use DFS to check their balance, 72% to pay bills and review transactions, and 71% to check deposits.



Women-led SMEs value service quality

Women-led SMEs place a premium on good customer service and consistently report it as one of the most important aspects in choosing a bank. 51% of W-SMEs chose their main bank because it offers consistently good service and 63% would choose a new bank for this same reason.

Figure 66: Summary of Recommendations

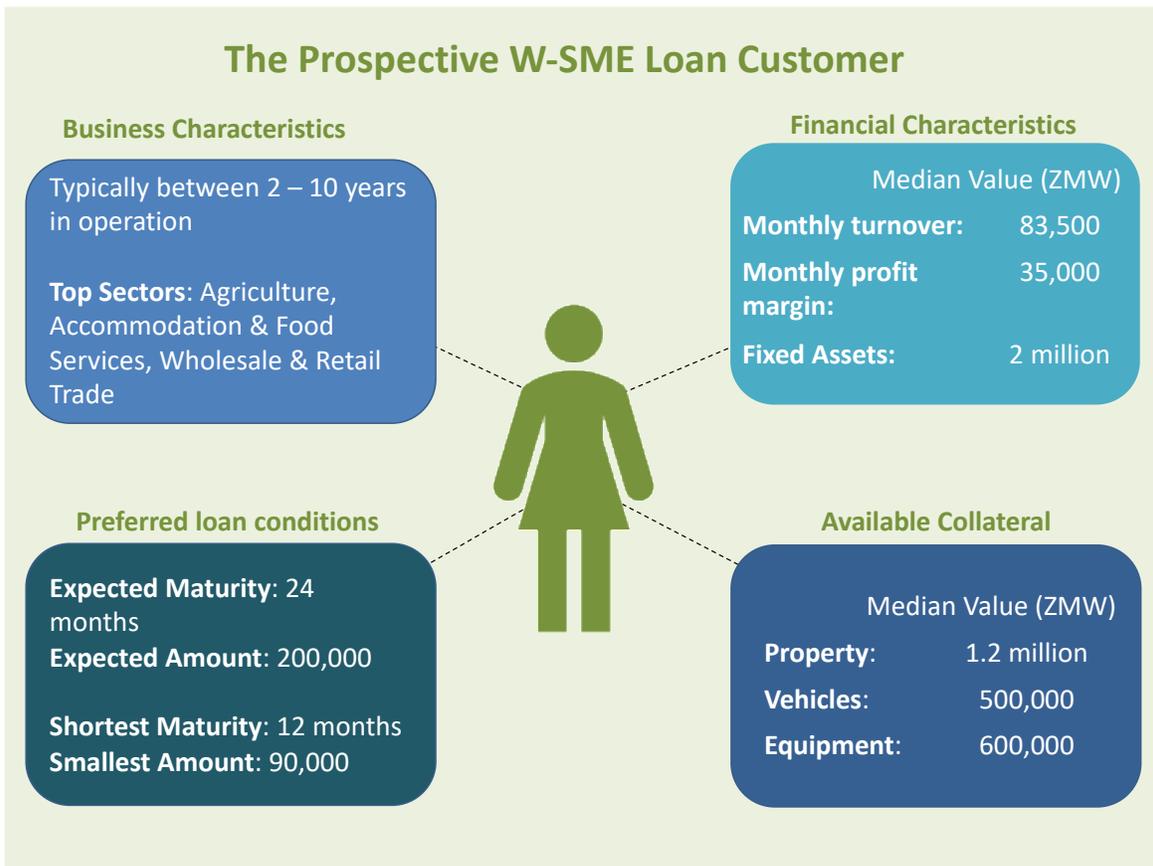


There is a need to recognize W-SMEs as a distinct and strategic customer segment and design tailored products to meet their needs. There are few tailored products in the market and W-SMEs interviewed indicated that they believe commercial banks do not understand their business. FSPs should recognize women-owned SMEs as a distinct segment requiring a tailored value proposition. W-SMEs have less access to bank loans and, when successful, tend to receive lower amounts, indicating women entrepreneurs are currently being under-served by the formal financial sector. An effective value proposition for W-SMEs will be centered on two pillars (1) financial services and (2) non-financial services. Survey results indicate that there are many opportunities for improving the financial service offering for women, including:

- ❖ *Tailored “For Women” products:* Surveyed W-SMEs agreed that they would like to see banks offer “For-women” products. FSPs should consider tailoring products to the situation and needs of women entrepreneurs, such as products to harness their proclivity to save through incremental loans, leasing, preferential interest rates, and tailored marketing campaigns. Products should also consider key constraints to women’s ability to access finance including lack of proper documentation, lack of collateral and more limited mobility. “For Women” products could thus be designed around aspects, such as accepting management account versus audited financials for smaller threshold loan amounts, having lower collateral requirements, or offering “Clean Credit Loans” that have no collateral requirements, and digital delivery channels.
- ❖ *Wider acceptance of movable collateral.* While 80% of W-SMEs report that they have property, the majority of women entrepreneurs do not possess registered title deeds that are required by banks. Collateral challenges were the most common reason for W-SMEs to have a loan application rejected (47%). Broadening the scope of what is accepted as collateral would improve the ability of women to access credit, as 37% report having vehicles and 32% equipment. Increasing acceptance of movable collateral will also involve integrating new structures and banking infrastructure, including raising awareness among FSPs on the methodology for movable asset-based lending, valuation of movable assets, and movable collateral management. Strengthening the ecosystem for movable asset-based lending, including by lowering fees for registration with PACRA and establishing interconnections among different registry systems, could also strengthen incentives for FSPs to grow this segment of their business.
- ❖ *Simplified products.* Financial literacy tends to be lower among W-SMEs and among those that would like to borrow but are not planning to, 6% report that it is because application

procedures are too complex and 5% because bank forms are too complicated. FSPs should consider improving their services by simplifying loan application procedures and document requirements, streamlining processes, and being more transparent about fees.

- ❖ *Women tellers, relationship managers, and help desks.* Qualitative interviews indicate that women entrepreneurs tend to be more intimidated to approach the bank, as they typically have less experience with the formal financial sector and lower levels of financial literacy. Women business owners surveyed are also significantly less likely to use relationship managers than men business owners. Offering dedicated desks to answer questions and provide women with information about different types of products can improve customer satisfaction and uptake of products.
- ❖ *Offer packages and strengthen customer outreach.* Almost all of the W-SMEs surveyed currently have a bank account that they use for the business. Beyond current and savings accounts, however, W-SMEs use few services. This represents an opportunity for cross-sell and providing packages to incentivize W-SME clients to conduct more of their transactions through formal financial institutions. FSPs should consider loyalty programs offering small rewards each time women use their accounts.



The second pillar of an effective value proposition focuses on providing financial education and other non-financial services. Survey results, as well as stakeholder interviews, emphasized the importance of financial education to alleviate the problems associated with the low level of financial literacy among W-SMEs. Only 1% of W-SMEs have participated in government programs and only 42% have received any type of training, mainly from mentors. Yet, 65% of W-SMEs report that they keep financial statements and 41% have management accounts. Well-designed non-financial services can be critical for increasing the inclusion of women entrepreneurs into the formal financial sector. These kinds of services can also be a profitable investment for FSPs. Data show that offering non-financial services can grow the W-SME loan portfolio thereby increasing interest income, increasing the share of wallet through cross-sell, deposit volume and fee income, increasing customer loyalty, and reducing NPLs among W-SME clients.

Figure 67: Potential Return on Investment from Offering Non-Financial Services to Women Entrepreneurs



Source: FMO and IFC (2020). “Non-Financial Services: The Key to Unlocking the Growth Potential of Women-led Small and Medium Enterprises for Banks”

Non-financial services can be delivered in many different forms. Results from this study indicate that women entrepreneurs in Zambia would benefit from:

- ❖ *Trainings/Seminars:* W-SME consistently reported needing training on business and financial management. Many women remain reluctant to borrow because they do not understand the process and do not feel comfortable approaching the bank. Education provided to W-SME clients could be materialized in the form of women-specific workshops that review topics such as proper financial record keeping, business registration processes and costs, budget management, profit reinvestment, the loan process, and alternative financing options (such as the use of movable collateral, equity financing), etc.
- ❖ *Mentoring:* Mentoring is a supportive learning relationship between an experienced leader who shares knowledge, skills and know-how. Advice and mentoring could be in the form of one-on-one sessions with coaches, accountants, and legal experts that can tailor the bank's information output to the individual W-SME client to inform business decisions.
- ❖ *Networking:* FSPs can offer networking opportunity that enable women entrepreneurs to connect to the local business community. Peer-to-peer learning through active

networking is key to ensuring a continuous process of improvement and learning. Peer-to-peer learning enables business enablers to communicate in a less formal, often more frequent, and more cooperative environment. It encourages them to learn from each other through sharing their own experiences, asking questions, soliciting and receiving other opinions, problem-solving and recommending solutions. Networking events can also connect women entrepreneurs to buyers, suppliers and potential mentors.

- ❖ *Business Management Tools:* Non-financial services can also be offered to support W-SMEs by offering automated business management tools. These could potentially include business planning, cash flow, invoicing solutions and payroll solutions. These solutions can also provide additional linkages between FSPs and customers and provide FSPs with valuable data on business dynamics of SME customers.
- ❖ *Web Portal:* A web portal for women can be designed that facilitates and builds on in-person NFS. For example, an online networking platform can be developed that allows women entrepreneurs to connect with each other, experts and advisors virtually. The portal can also offer tools and simple advisory services to support implementation of good business practices.

FSPs should collect & track sex-disaggregated data on SME performance. Developing a value proposition for an individual bank requires understanding the current client base. For this, it is critical to collect, analyze, and track indicators (i. e., approval, repayment, revenue growth, expansion into new markets) by gender. Many FSPs reported that they believed women to be better borrowers. This is also borne out by data collected by BoZ which indicate that women had better repayment behavior than men.⁵⁹ Women-owned small businesses had the lowest rate of non-performing loans, between 1-3%, which was approximately 17 percentage point lower than similar rates for male-owned businesses. Yet, there is limited access to or use of sex-disaggregated data, which would allow FSPs to build a better risk profile for their W-SME customers and match supply accordingly. The Women’s World Banking Gender Performance Indicators are a good starting point to enable FSPs to measure and track how well they currently serve women and can be adapted to focus on W-SMEs.

Table 11: Gender Performance Indicators

	Indicators
Outreach	Women clients as a percent of total clients
	New women clients as a percent of total new clients
	Women clients as a percent of the addressable market
	Women clients as a percent of total women served by comparable providers in the market
Products	Percent of women clients accessing two or more distinct types of voluntary financial products
	Product growth, by gender

⁵⁹ Bank of Zambia (2019) Speech by The Bank of Zambia Deputy Governor Administration Dr. Tukiya Kankasa – Mabula: Dissemination of Results of Baseline Survey – Framework For Collection of Sex-Disaggregated Data

Service Quality	Client retention rate, by gender Percent of women clients, by loan cycle or by join year
	Client satisfaction score, by gender
	Percent of clients with inquiries or complaints, by gender
Institutional Indicators	Percent of women board members, staff, senior management, middle management, and front-line staff
	Staff promotion and attrition rates, by gender
Outcomes	Percent of loan portfolio and average loan balance by gender
	Portfolio at Risk > 30 days, by gender
	Percent of women clients who attend financial education programs

Source: Women’s World Bank (2013) “Gender Performance Indicators: How well are we serving women?”

There is potential for expanding through strengthening of digital offering. W-SMEs in Zambia expressed significant interest in digital financial services. In qualitative interviews, many W-SMEs reported that they often use their banks’ digital offerings and would appreciate being able to do even more, including deposits and international transfer digitally, rather than having to go to a bank branch. Digital solutions also present an opportunity to support women entrepreneurs to overcome some of their major constraints, such as time and mobility limitations, and discrimination as entrepreneurs due to cultural and social norms. Tapping into this market by expanding the digital offering has significant benefits potential for FSPs and W-SMEs, for example, through reducing the cost of distributing payments, facilitating real-time and scalable payments, and mitigating cash-handling risks such as theft and fraud, and enabling transparent and traceable transactions. Digital financial services are even more critical given the safety precautions both W-SMEs and FSPs are taking given the current situation of COVID-19.

Partnering with mobile network operators can allow financial institutions to tap into the mobile payment market and increase use of payment products. Use of mobile payment systems has increased significantly over the past decade and as of September 2020 represented a market of more than ZMW 71 billion (USD 3.4 billion*). Additionally, by tracking transactions done via mobile payment services, financial institutions can collect data on financial history of individuals and SMEs that can be used to develop a credit history. This can be used in credit analysis of individual borrowers and more generally to develop credit scoring tools.

	2015	2016	2017	2018	2019
Volume	62,516,656	105,934,181	172,429,911	303,955,243	552,638,552
Value (ZMW Millions)	2,070	3,561	7,288	22,196	49,456

Source: Bank of Zambia Mobile Money Statistics

*Based on current exchange rate of 20.8 ZMW per USD

FSPs should also consider investing in gender sensitization training for staff. Good customer service is consistently reported as one of the most important aspects in choosing a bank and yet, most W-SMEs believe banks don’t understand their business. Word of mouth marketing, brand building, and customer experience are critical in Zambia, as many W-SMEs choose a bank based

on previous relationships or recommendations from other business owners, friends, or family. FSPs should consider implementing gender sensitization training within their organizations to ensure that all staff understand the specific barriers women face, the market opportunities for women, the types of products and services offered and the FSPs' value proposition for women and can communicate with women in a way that encourages engagement.

Annex 1: Summary of Qualitative Interviews

Demand-Side

Qualitative W-SME Interviews

Location	
Lusaka	11
Kitwe	3
Chipata	2
Ndola	1
Solwezi	1
Total	18

Customer Journey Mapping W-SME Interviews

Location	
Lusaka	7
Kitwe	1
Total	8

Supply-Side

Institution
FINCA
Zanaco
AccessBank
Ecobank

Ecosystem Actors

Institution
Zambia Federation of Associations of Women in Business
Zambia Development Agency

Annex 1: Sampling Methodology

The objective of the survey was to collect and analyze high quality gender disaggregated data on usage of financial services, profile of women-led businesses and skills to design evidence-based interventions to address the gender gap in financial services and promote women entrepreneurship. The survey universe included women and men owned small and medium-sized enterprises in Zambia, with a focus on women-owned or led SMEs and a control group of men-owned and led SMEs sampled for comparison purposes.

As there is no national database of SMEs with information on gender of the owner, the sampling frame was built through a combination of sources, including:

- list of SMEs obtained from Zambia Revenue Authority (ZRA)
- list of SMEs obtained from Patents and Companies Registration Agency (PACRA)
- Block enumeration within enumeration areas (EAs), knocking door to door to carry out a census-like scoping.
- snowballing approach asking respondents to refer other similar businesses (suppliers, customers, friends, etc.)

The W-SME survey employed a stratified two-stage cluster sampling methodology. The sampling was implemented in four steps: (i) defined strata based on regions, (ii) randomly selected several representative localities covering selected regions, (iii) randomly selected a sample of SMEs within each locality as per step ii, and (iv) selected a person from each SMEs who is responsible for the business's finances, typically the business owner. The sample adhered to quotas by region, business size, and sector. The quotas were based on the proportion of businesses found in each region in the Small and Medium Enterprises Surveys collected by the Ministry of Commerce, Trade and Industry⁶⁰ and the World Bank Enterprise Surveys 2019.⁶¹

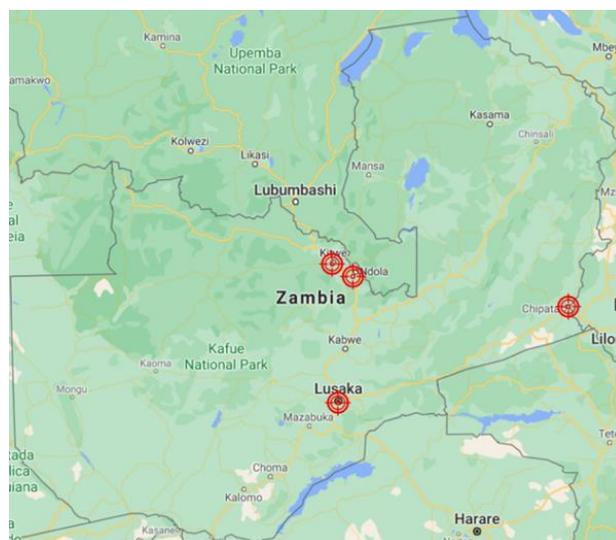


Table 12: Final Sample Breakdown Stratified by Size and Province

	Small	Medium	Total
Lusaka	258	26	284
Copperbelt	170	18	188
Eastern	137	12	149
Total	565	56	621

⁶⁰ Republic of Zambia Ministry of Commerce, Trade and Industry. *Small and Medium Enterprises Survey 2003-2004 Final Report*.

⁶¹ World Bank Enterprise Surveys Zambia 2019

The survey had the aim to understand the constraints, challenges and opportunities for women entrepreneurs to access finance and grow their businesses. Thus, a quota of 500 women-owned or led businesses was set to ensure a sample size large enough to generate statistically robust analysis. Gender of the owner was defined according to the We-Fi Zambia definition, which defines a business as woman owned or led if it meets the following criteria:

1. > 50% owned by a woman/women; or
2. \geq 20% owned by a woman/women, and:
 - a. has \geq 1 woman as CEO/COO (President/Vice-President); and
 - b. has \geq 30% of the board of directors comprised of women, where a board exists

Table 13: Final Sample Breakdown Stratified by Gender of Owner

	Small	Medium	Total
Women-owned	517	47	564
Men-owned	48	9	57
Total	565	56	621

Given that the sampling frame built for this survey did not contain complete information on all businesses, the survey was implemented in two phases: a screener and a survey. The screener had multiple purposes; first, it served to determine the ‘eligibility’ of entities by confirming or obtaining sampling information on size, location, sector and gender. It was also used to obtain consent for the survey and set an appointment for the interview.

The survey itself was carried out in two stages: pilot and roll-out. The training was delivered as a combination of classroom sessions, interview simulations and role playing. The objective of the training was to ensure that the enumerators and supervisors understood the content of the survey, as well as logical order between questions, valid skips, etc., were able to conduct interviews accurately, and were familiar with the tablets, including the Survey Solutions software. Following the training, a short pilot was conducted and issues and feedback from the training and pilot were incorporated into the survey questionnaire prior to roll-out. Roll-out of the survey took place between July - September 2020.

The survey implementation faced several challenges as a result of the market environment and economic downturn caused by COVID-19. First, the sample size of women-owned SMEs was relatively large in comparison to the survey universe. Thus, the sample size, particularly of women-owned medium-sized enterprises, was close to a census, requiring near full participation from businesses of this type in the selected provinces. This posed a challenge because it was difficult to find and obtain positive responses from these businesses. Additionally, survey interviews were conducted while many businesses were closed or operating below full capacity due to the COVID-19 pandemic. This increased the difficulty of finding the respondents and also increased reluctance to participate in a face-to-face interview. Several measures were put in place to ensure safety of the survey team and respondents, including:

- Monitoring their own health daily;

- Asking about respondents' health; asking the respondents if anyone is sick in the family before starting an interview.
- Using face masks; covering the mouth and nose while in public or with the respondents.
- Avoiding close contact; maintaining minimum 6-foot distance from the respondents.
- Avoiding closed rooms; if feasible, conducting the survey outside.
- Not accepting food or drinks from respondents; Enumerators were required bring their own food/drinks and not share with others.
- Washing hands often and/or using hand sanitizer; Hand sanitizer or disinfecting alcohol was provided to the enumerators.