

FinScope

*Micro, small and
medium enterprises
(MSME) survey
highlights*



Zimbabwe 2022



Partnering for MSME development

FinScope MSME Zimbabwe was designed to involve a range of stakeholders engaging in a comprehensive consultation process. This enriches the survey and ensures appropriateness and stakeholder buy-in. The Reserve Bank of Zimbabwe chaired the steering committee which comprised the Ministry of Finance and Economic Development, Zimbabwe National Statistics Agency, Securities and Exchange Commission of Zimbabwe, Insurance and Pensions Commission of Zimbabwe, Ministry of Women Affairs, Community, Small and Medium Enterprises, Small and Medium Enterprises Association, Zimbabwe Association of Microfinance Institution, The World Bank, and the Bankers Association of Zimbabwe with expert technical assistance and project management from FinMark Trust. The data was collected by Probe Market Research with statistical oversight (sampling and weighting) and data collection quality control from Zimbabwe National Statistics Agency (ZIMSTAT).

This survey was financed by the Zimbabwe Reconstruction Fund (ZIMREF) which is administered by The World Bank. ZIMREF's development partners include Canada, the European Union, Foreign Commonwealth and Development Office (UK), Norway, Sweden, Switzerland and The World Bank's State and Peacebuilding Fund.



The cover symbol

Through the evidence-based FinScope Survey, we hope to effect real change at country level and see the impact of financial inclusion on broader national growth and development.

The cover graphic features a flower synonymous with Zimbabwe. The flower symbolises growth and development while the circle represents inclusive growth. Each flower is an example of successful growth in a unique environment. By combining the flower with the currency symbol of Zimbabwe we represent the characteristics of the country, linking financial inclusion with successful growth.

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Introduction

The MSME sector is recognised as a significant contributor to economic growth and development and mass employment. With this knowledge, the crucial role of MSMEs in the national economy anchors on the roles of government, the business community and the public at large to harness and optimise the sector's development. Given the last comprehensive study was done in 2012, the lack of recent, holistic and reliable information about the MSME sector was identified to be a significant barrier. To better inform and guide the next National Financial Inclusion Strategy II, it is in this pursuit that the Government of Zimbabwe initiated the repeat FinScope MSME Survey Zimbabwe 2022 to the first 2012 survey.

Methodology

The FinScope MSME Survey Zimbabwe 2022 was conducted with a sample of 3265 adult business owners who were selected at the enumeration area level across the country. The sample for the survey was designed ZIMSTAT and had the following characteristics:

- 18 years or older
- Consider themselves to be business owners/ generating an income through small business activities

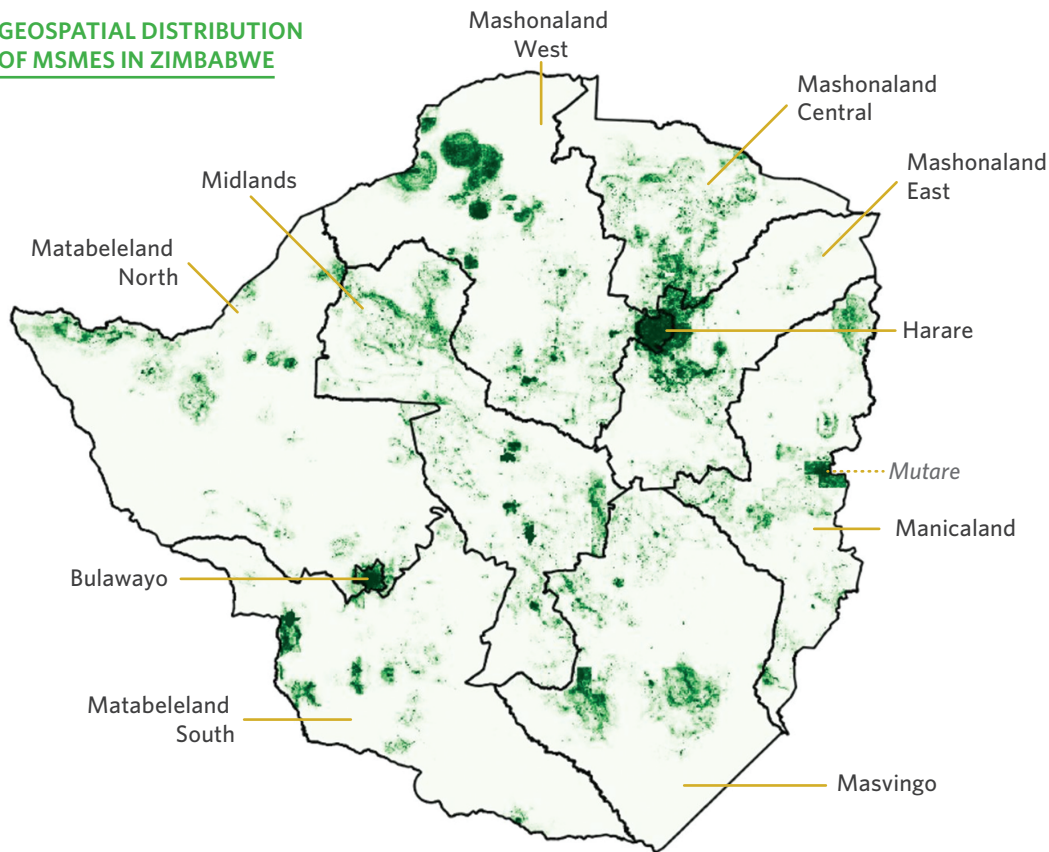
- Employing no more than 75 employees
- National, provincial and urban/rural representative sample

Survey objectives

- To assess the size and scope of micro, small, and medium enterprises (MSMEs) in Zimbabwe
- To describe the levels and landscape of access, usage and quality to financial products and services (both formal and informal) as well as track the level of financial access since 2012
- To identify the most binding constraints to MSMEs development and growth with a focus on access to financial markets
- Identify the drivers and barriers to financial access for MSMEs
- To identify and describe different market segments with specific development needs in order to stimulate segment related product innovation and assist policy response by authorities

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GEOSPATIAL DISTRIBUTION OF MSMEs IN ZIMBABWE



Using geospatial modelling, the distribution of MSMEs is concentrated in the central business districts in towns, mainly Harare, Bulawayo and Mutare. Other areas indicate commercial activity close to border posts, or along the Great Dyke.

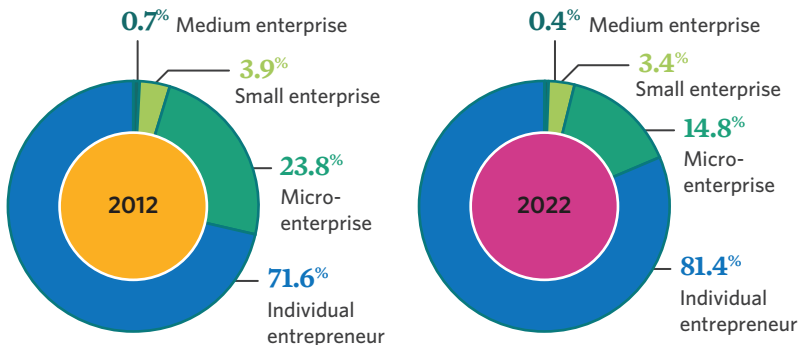
BUSINESS DEFINITION BY THE NUMBER OF EMPLOYEES

MSME size differs within sector or sub-sectors, to generalise the findings the following simplified classifications were applied to all sectors:



Employees	0	1–5	6–30	31–75
Value of assets (USD)	10 000	10 000	250 000	500 000
Turnover (USD)	30 000	Up to 30 000	30 001–500 000	500 001–1 000 000

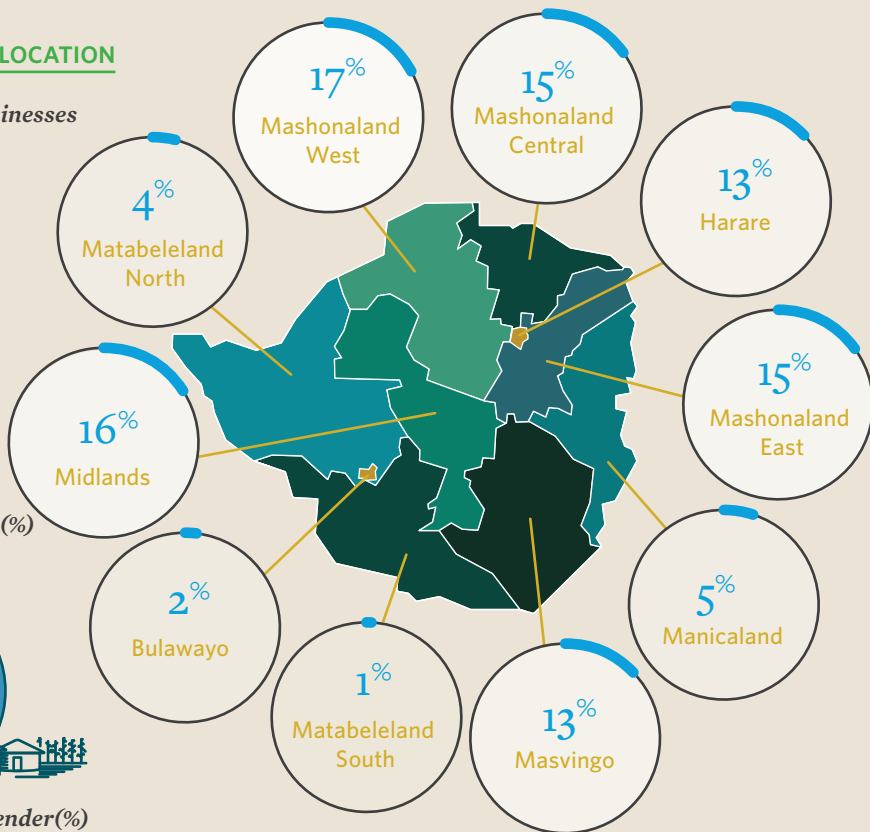
NB: Mining and quarrying (USD 3 million) and construction (USD 2 million) have higher turnover thresholds to determine enterprise size. This also applies to the value of assets where the energy sector in addition to the mining and construction sector have higher thresholds of USD50 000 (micro), USD 1 million (small) and USD 2 million (medium).



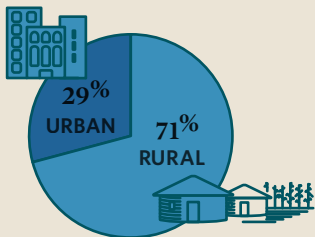
There is a higher proportion of individual entrepreneurs in 2022. However, we see more employees being absorbed by a relatively smaller number of businesses, on average.

MSME SECTOR BY LOCATION

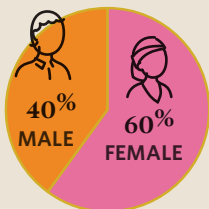
Distribution of businesses by province (%)



Distribution of businesses by area (%)

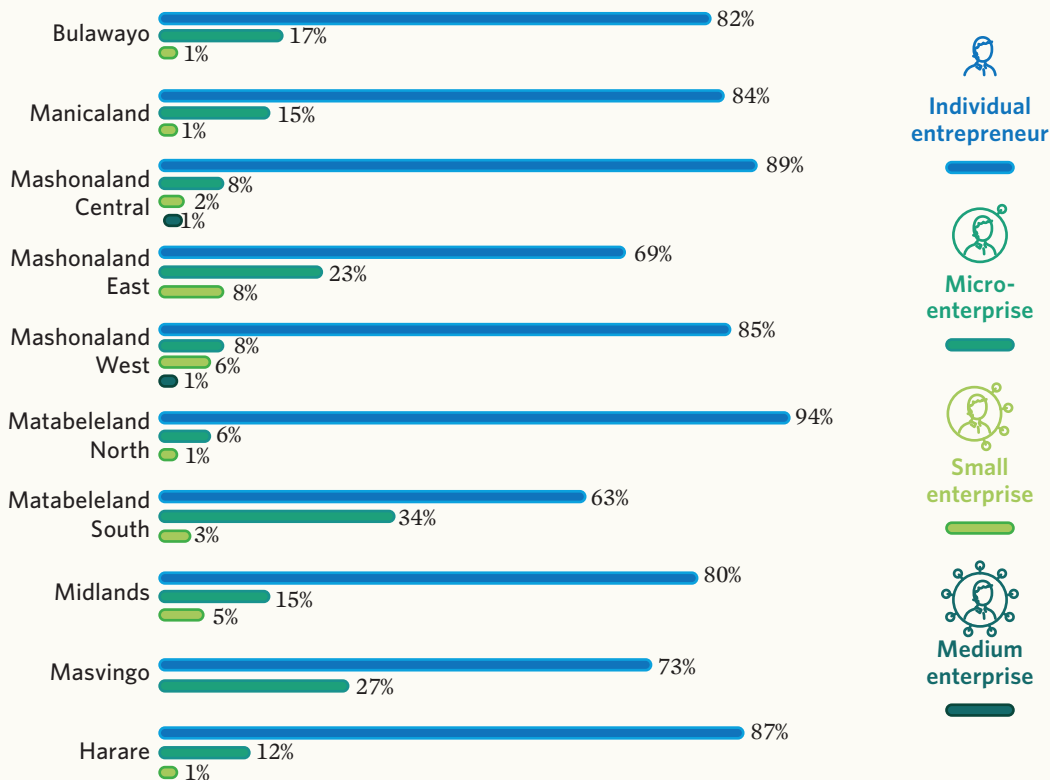


MSME owner by gender (%)



Looking at gender, a higher proportion of female business owners reside in rural areas (72%) compared to males (69%). With the exception of the midlands province (45%), most provinces have a higher female proportion of 2 females to one male, on average.

MSME SIZE BY PROVINCE

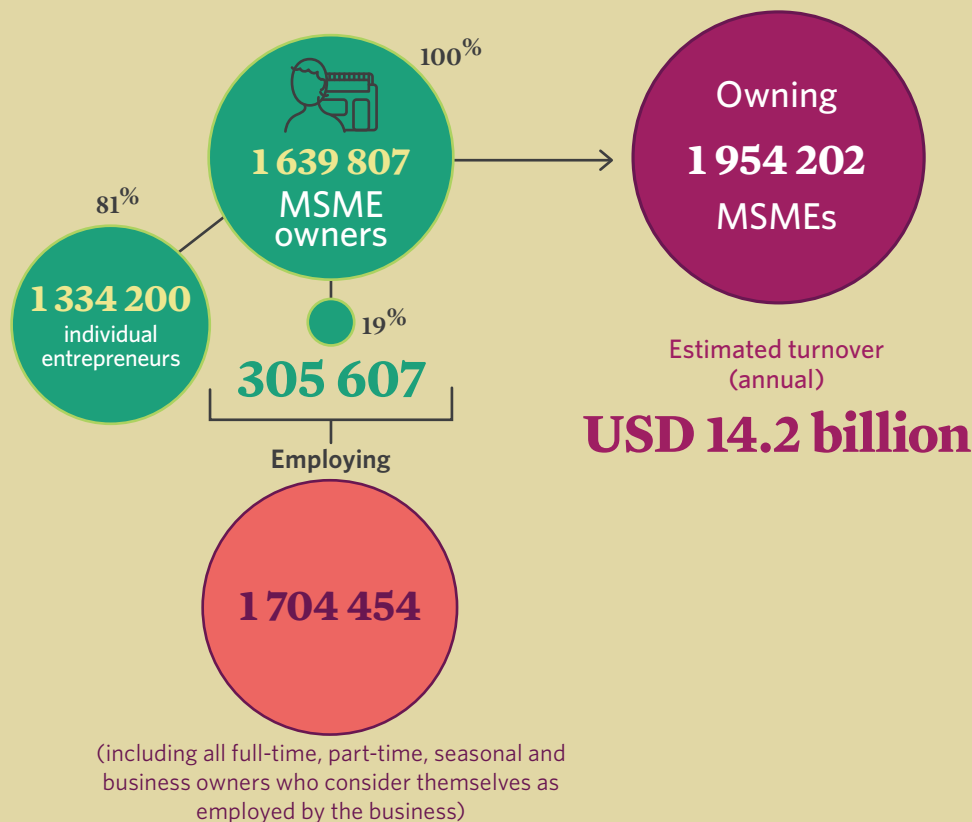


Business size by province reveals that Matabeleland North (94%), Mashonaland Central (89%), Harare (87%) and Mashonaland West (86%) have the highest proportion of individual entrepreneurs while Matabeleland South (63%) has the lowest proportion of individual entrepreneurs.

SIZE AND SCOPE OF THE MSME SECTOR

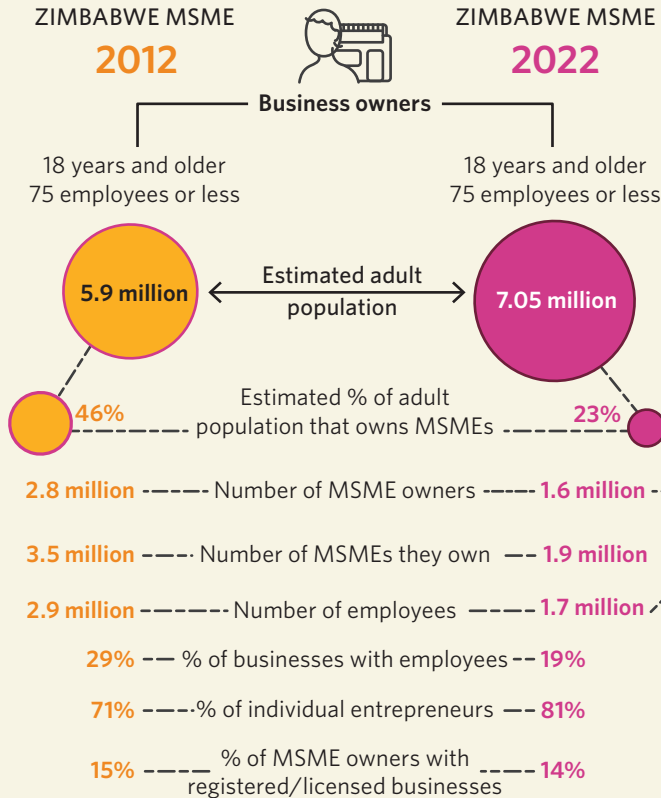
3 344 261 people work in the sector

(this number includes 1 334 200 individual entrepreneurs and 305 607 other business owners with 1 704 454 employees)



SIZE AND SCOPE OF THE MSME SECTOR

Coverage comparison



NOTE:

In 2022 the survey focused more on enterprises and excluded survivalists businesses, resulting in fewer MSMEs having more than double the number of employees compared to 2012.

Using the 2012 extended MSME definition there would be:

2.7 million business owners and sector employing **3 million** adults.

Source: FinScope Consumer Survey 2022 and FinScope MSME Survey 2022 results.

SIZE AND SECTORIAL DISTRIBUTION OF THE MSME SECTOR



SECTOR BY MAIN ACTIVITY OR SERVICE (%)



Agriculture/farming
643 314 business owners (BO)



Wholesale/retail
611 583 BO



Tourism
86 300 BO



Manufacturing
80 349 BO

Other service activities
76 762 BO



Business services
60 796 BO



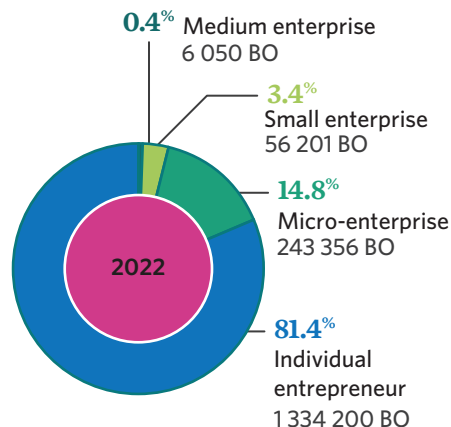
Community & household
27 252 BO



Construction
28 817 BO

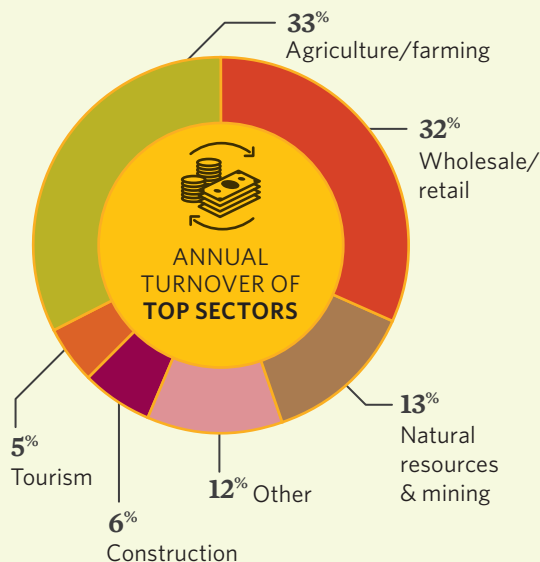


Natural resources & mining
24 634 BO



MSME TURNOVER BY SECTOR

	Total annual turnover (USD)	Mean annual turnover (USD)
Agriculture/ farming	4.6 billion	7 500
Wholesale/retail	4.6 billion	8 060
Natural resources & Mining	1.6 billion	70 500
Construction	915 million	50 680
Tourism	748 million	17 690
Other service activities	586 million	8 410
Manufacturing	500 million	7 740
Business services	256 million	5 470
Community & household	284 million	11 200



MSME TURNOVER BY SECTOR

Total MSME Profit
(value addition):

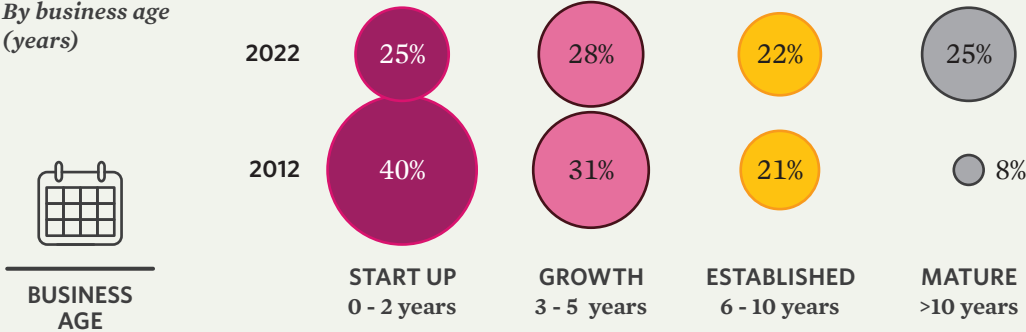


USD
8.6 billion

Value addition was calculated using the sum of turnover less the sum of expenses of the sector.

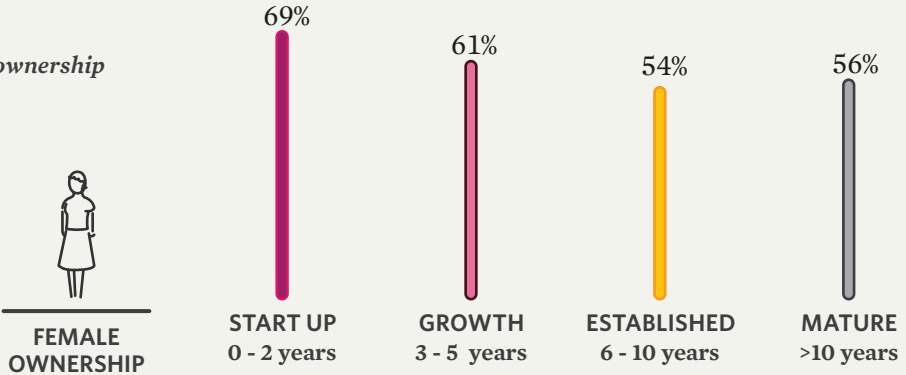
BUSINESS LIFE CYCLE

*By business age
(years)*



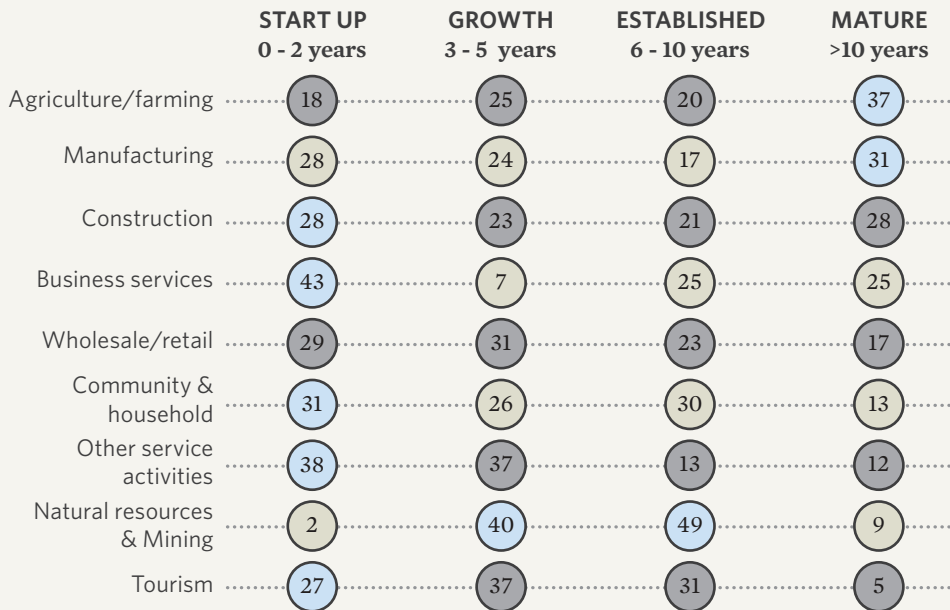
The proportion of start-ups has decreased in 2022 as we see a higher proportion of MSMEs in the mature phase of the business lifecycle. The businesses in the growth and established phases remain stable between 2012 and 2022.

By female ownership



The proportion of female business owners tend to decline as the firm grows in the business lifecycle. More female owners in start up phase - 69% versus 56% in the mature phase.

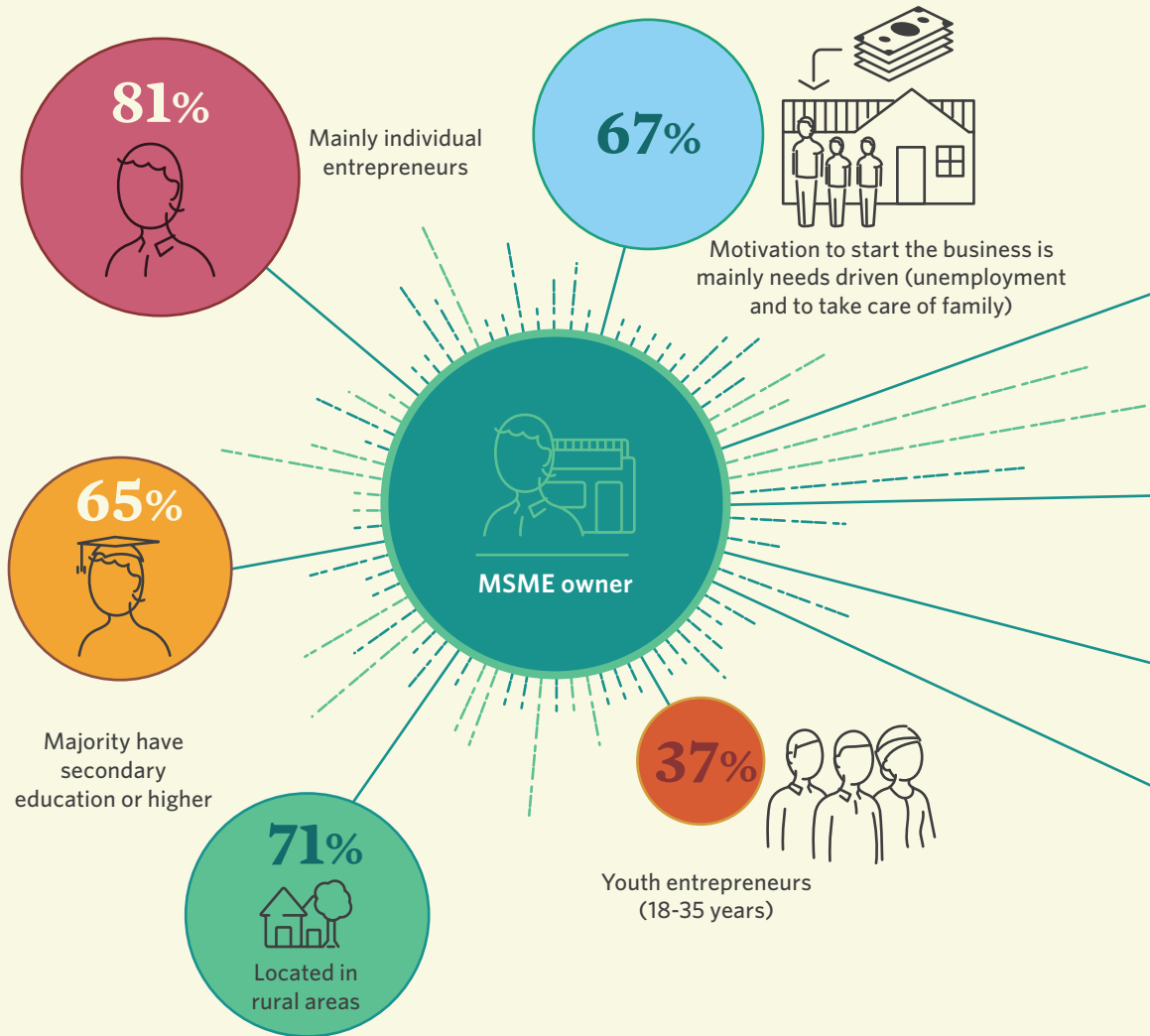
By sector



The agriculture/farming sector has the highest proportion of its businesses in the mature phase. This may explain the high profit margins as experience helps in developing skills, creating stable value chains and building cost efficiencies.

With the pandemic being experienced in the past 2 years, those businesses in the start-up phase show a higher proportion in the business services, retail, construction, and community/household sectors which also show to be

highly negatively impacted. Drivers for these sectors may well be high profitability, low start-up costs, or other opportunities. Interesting to note mining sector has most of its businesses in the growth and established phases.



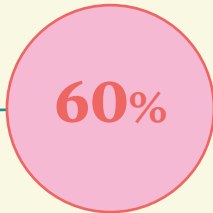
SIZE AND SCOPE OF THE MSME SECTOR

MSME owners



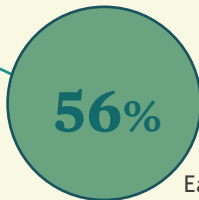
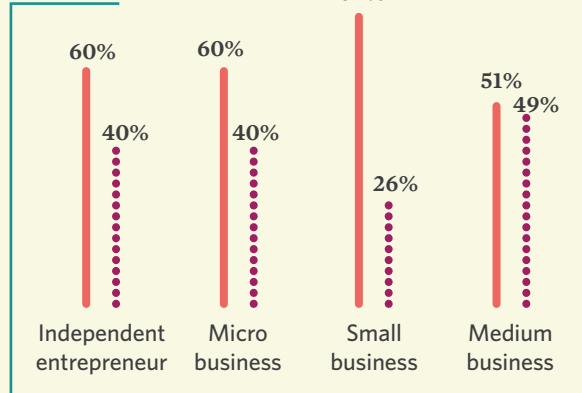
82%

Business is their main source of income



60%

Are females (most females are micro businesses or smaller - 96%)



56%

Earn USD \$200 per month or less

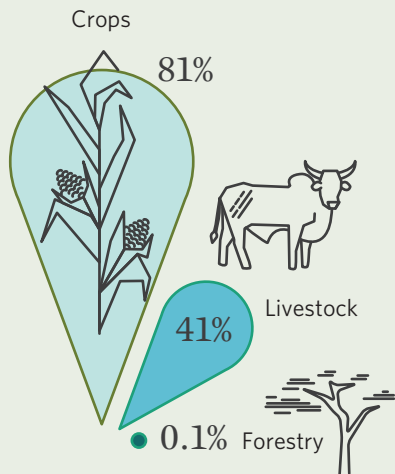


33%

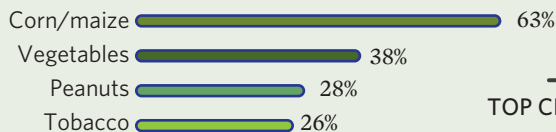
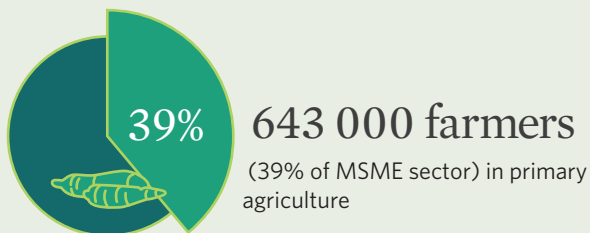


Work more than 8 hours a day on their business

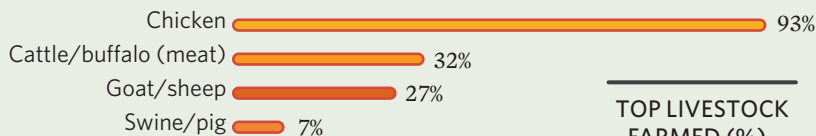
AGRICULTURE AND FARMING



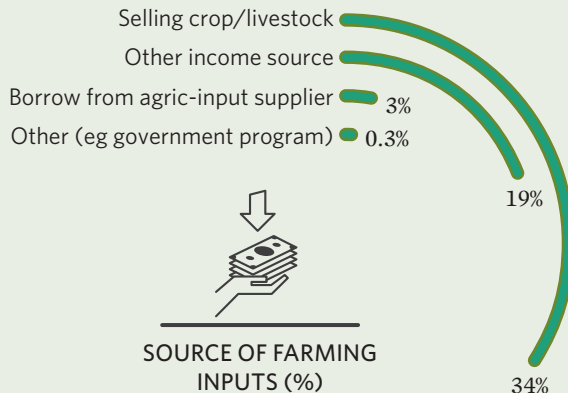
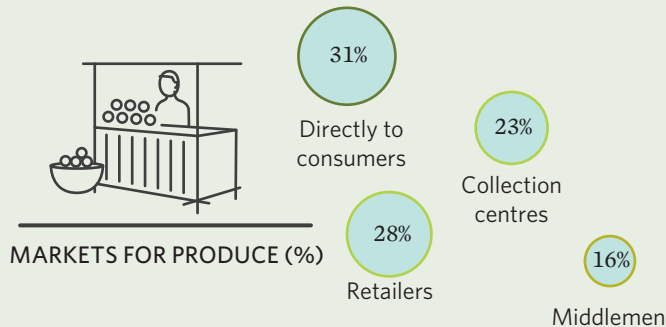
FARMING SECTOR (%)



TOP CROPS FARMED (%)



TOP LIVESTOCK
FARMED (%)



The markets for farm produce are spread across different players from direct consumers to retailers.

Inputs to farming show retained earnings from selling farm produce being the most common capital source. Formal credit is not common with under 3% of farmers accessing these facilities as a source of working capital.

MINING AND NATURAL RESOURCES



24 000 MSMEs

(2% of MSME sector)

involved in mining

|

17% ARE FORMAL



Independent entrepreneur

53%

Micro-enterprise

32%

Small enterprise

16%



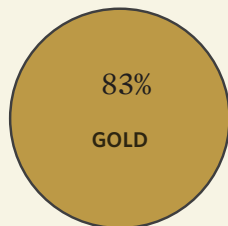
28%
FEMALE



72%
MALE



MOST COMMON
MINERALS MINED (%)



8%



PRECIOUS
STONE

9%



OTHER
UNSPECIFIED

Mashonaland Central



Harare

29%

Mashonaland East

16%

Midlands

13%

Bulawayo

2%

Mashonaland West

1%

Manicaland

1%

Matabeleland North

0.4%

Matabeleland South

0.2%

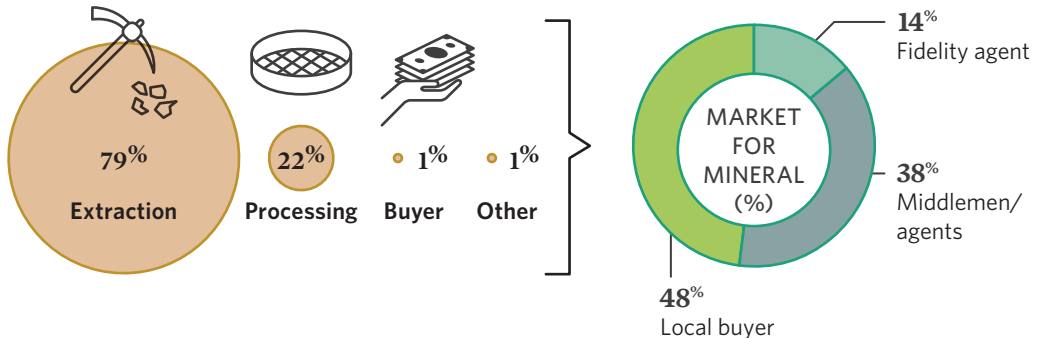
Masvingo

0.1%

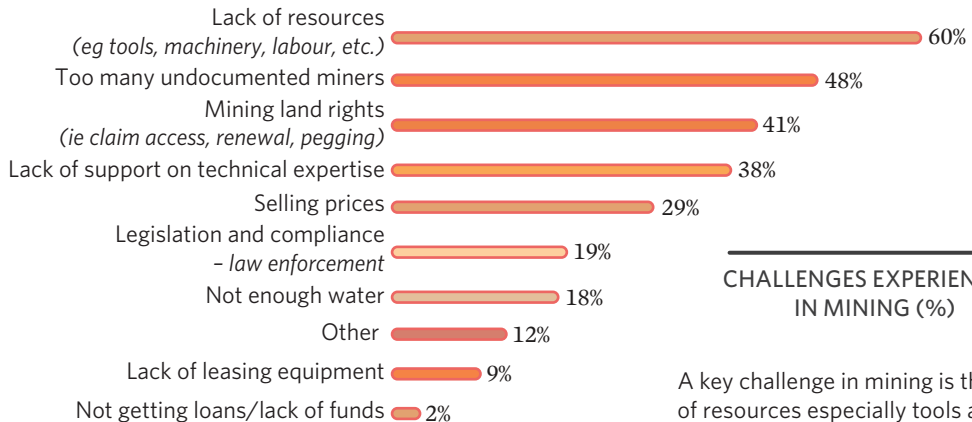


MINING BY PROVINCE (%)

MINING AND NATURAL RESOURCES



Most MSME miners are in the extraction phase with 1 in 5 being in the processing phase.



A key challenge in mining is the lack of resources especially tools and technical expertise.

LEGAL STRUCTURE



14%

Formal MSME sector (228 991)

6% MSMEs registered and
14% licenced

Formal value addition is **USD3.1 billion**
(calculated from the total profit)



Informal value addition is **USD5.4 billion**
(calculated from total profit)



86%

Informal MSME sector (1 408 203)

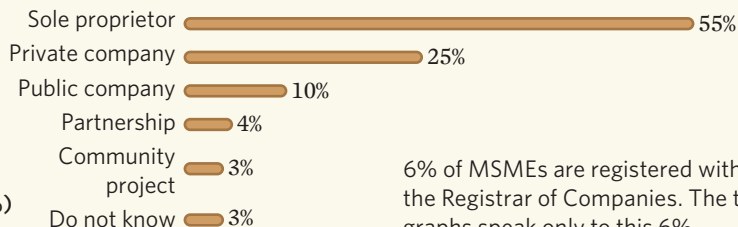
Registration



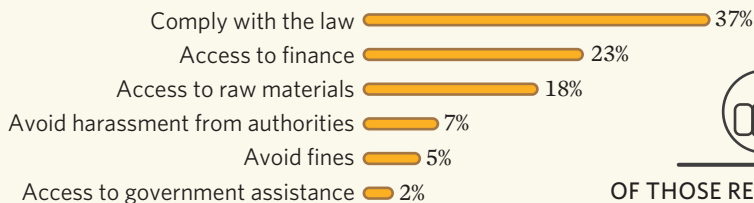
86% of businesses are not registered/licensed



14% Only 1 in 7 MSMEs is formally registered or has a trading license



6% of MSMEs are registered with the Registrar of Companies. The two graphs speak only to this 6%.



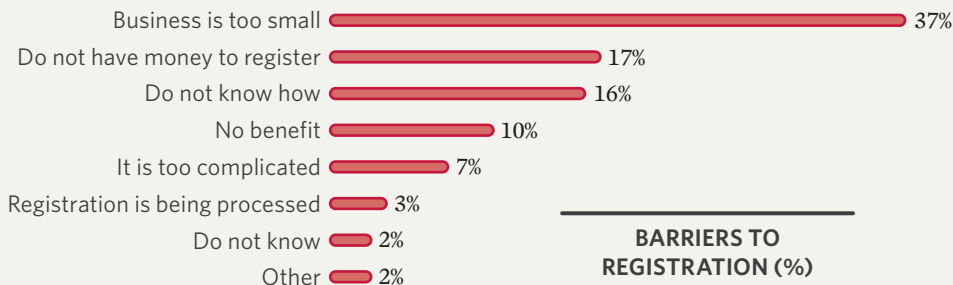
OF THOSE REGISTERED, THE PERCEIVED BENEFITS OF REGISTERING (%)

LEGAL AND COMPLIANCE

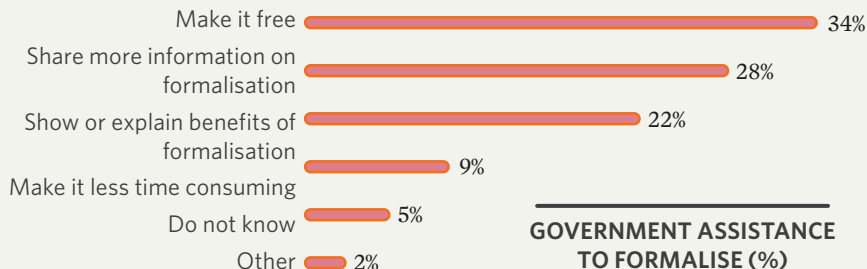


Barriers to registration and formalisation

94% of MSMEs are not registered



84% of MSMEs are informal with 71% agreeing to formalise their operations with the following assistance:

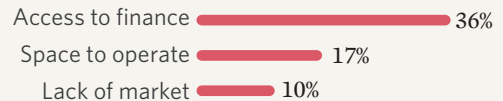
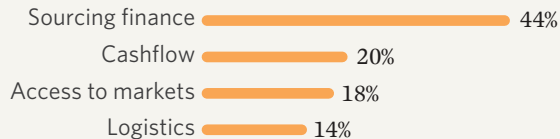
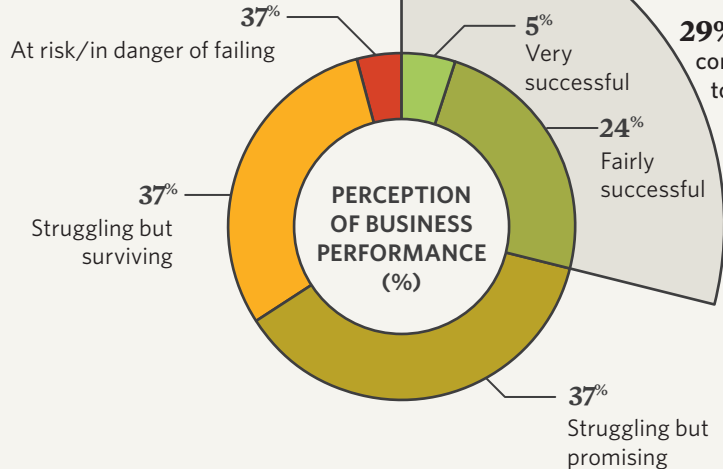


HOW BUSINESSES ARE DOING

Business challenges
and needs

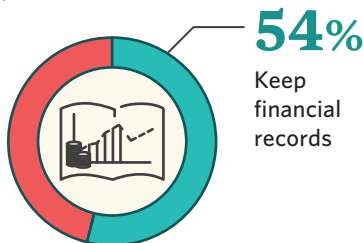


29% of MSMEs
consider their business
to be successful



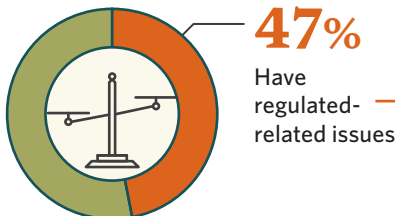
CAPACITY TO GROW & CHALLENGES

Business operational needs



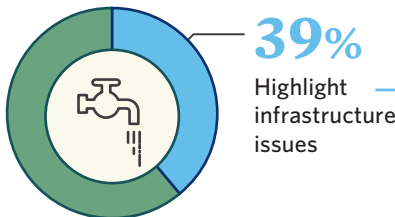
→ Of which 17% always keep records and 37% do so sometimes.
▪ *Of the 17%, 6% do so electronically*

FINANCIAL RECORD KEEPING



→ Claim laws and regulation to be an issue since they started a business.

REGULATION ISSUES

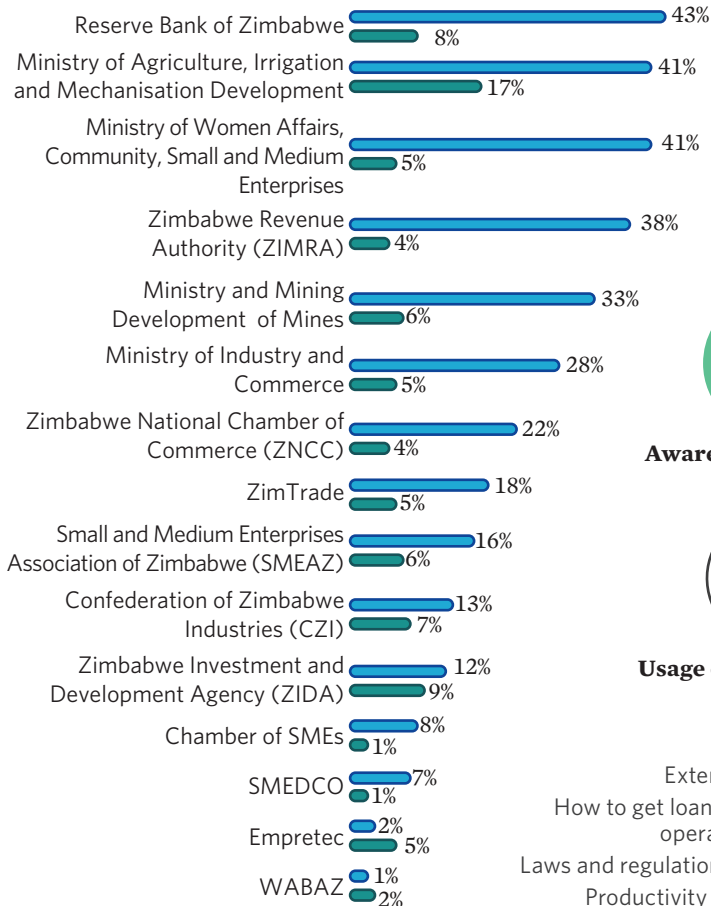


→ Lack of premises and storage.
Connection to water.

INFRASTRUCTURE ISSUES

BUSINESS SUPPORT AND AWARENESS

Business support



Aware
Used (% of those aware)

BUSINESS SUPPORT AND USAGE (%)



are aware of an organisation giving assistance or advice to MSMEs

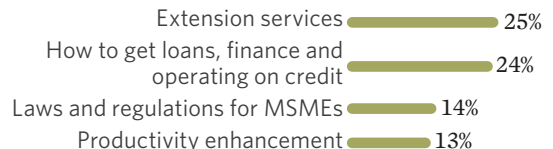
Awareness of support organisations



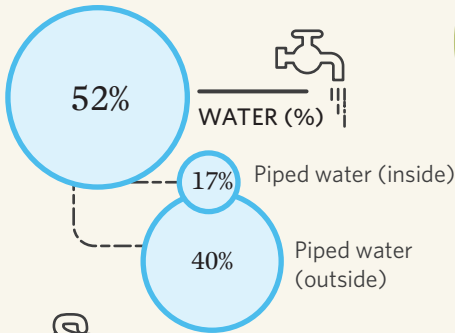
of those aware of an organisation giving business support used their service

Usage of support organisations is low

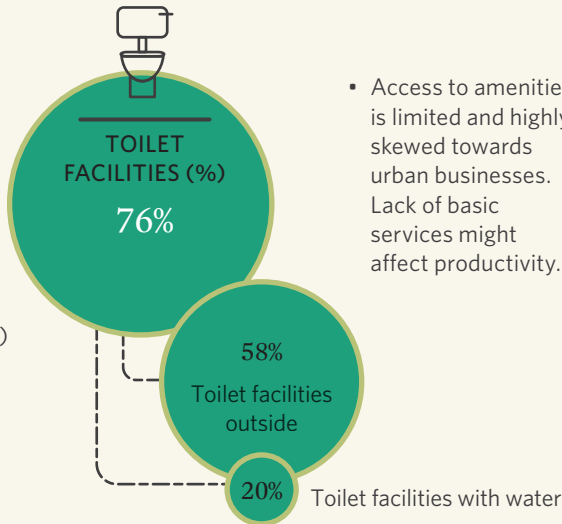
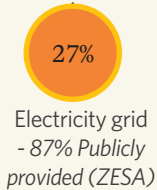
Support received



ACCESS TO AMENITIES
AND RESOURCES



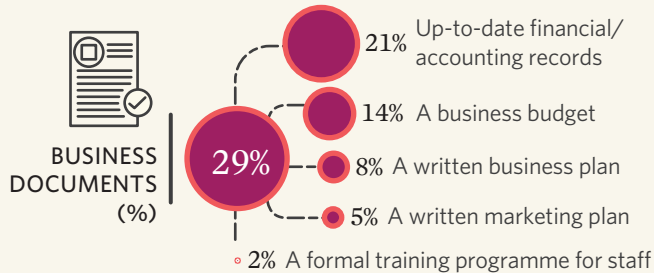
Energy is key to business growth and only 30% of the MSMEs have access to electricity.



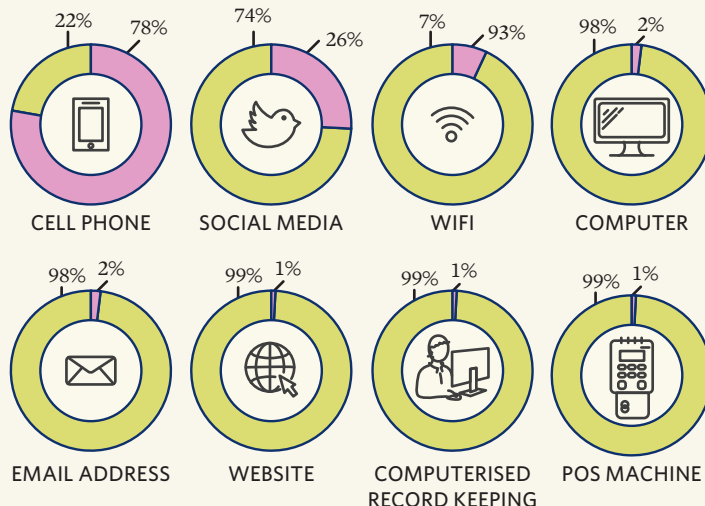
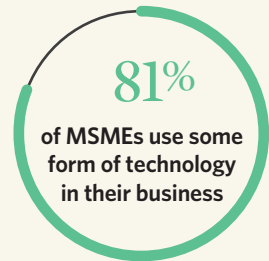
- Access to amenities is limited and highly skewed towards urban businesses. Lack of basic services might affect productivity.

Sector	Have electricity access	Proportion with electricity access that claim it is sufficient for business	Main supply of electricity
Tourism	63%	57%	ZESA 95% Solar 5%
Community & household	50%	85%	ZESA 98% Solar 2%
Other service activities	42%	82%	ZESA 100%
Manufacturing	37%	60%	ZESA 95% Solar 5%
Business services	36%	66%	ZESA 88% Solar 12%
Construction	36%	43%	ZESA 100%
Wholesale/retail	34%	61%	ZESA 89% Solar 11%
Agriculture/farming	20%	77%	ZESA 75% Solar 25%
Natural resources & mining	10%	91%	ZESA 89% Solar 11%

BUSINESS DOCUMENTS AND TECHNOLOGY



- About 71% of small businesses do not keep business documents such as accounting records, business plans among others.



USE OF TECHNOLOGY (%)

- Have access
- Do not have access

- Use of basic technology in business is driven by the ownership of the cell phone which gives access to communication and social media platforms for business.
- Productivity technologies such as machinery that improve efficiency e.g. computers, have low usage.

IMPACT OF COVID-19 ON BUSINESS



of MSMEs
were/are
classified as
Essential Service

- 23% of MSMEs were/are classified as essential services during the COVID-19 lockdown period mostly those in mining (31%), agriculture (26%) and wholesale/retail (25%).
- Two in three MSMEs considered the pandemic to have had a negative net impact on their business while others considered it positive (12%) or no major impact.

I could not operate at all due to lockdown 32%

My client/customer base was affected 29%

Temporarily closed operations due to
restrictions on interzonal movement 16%

I could not get supplies for my business 13%

NEGATIVE IMPACT ON BUSINESS (%)

- **Positive impact** was experienced mainly on increased demand for the business product or more labour at home due to lockdown, particularly in agriculture.




Started exploring new business ventures 43%

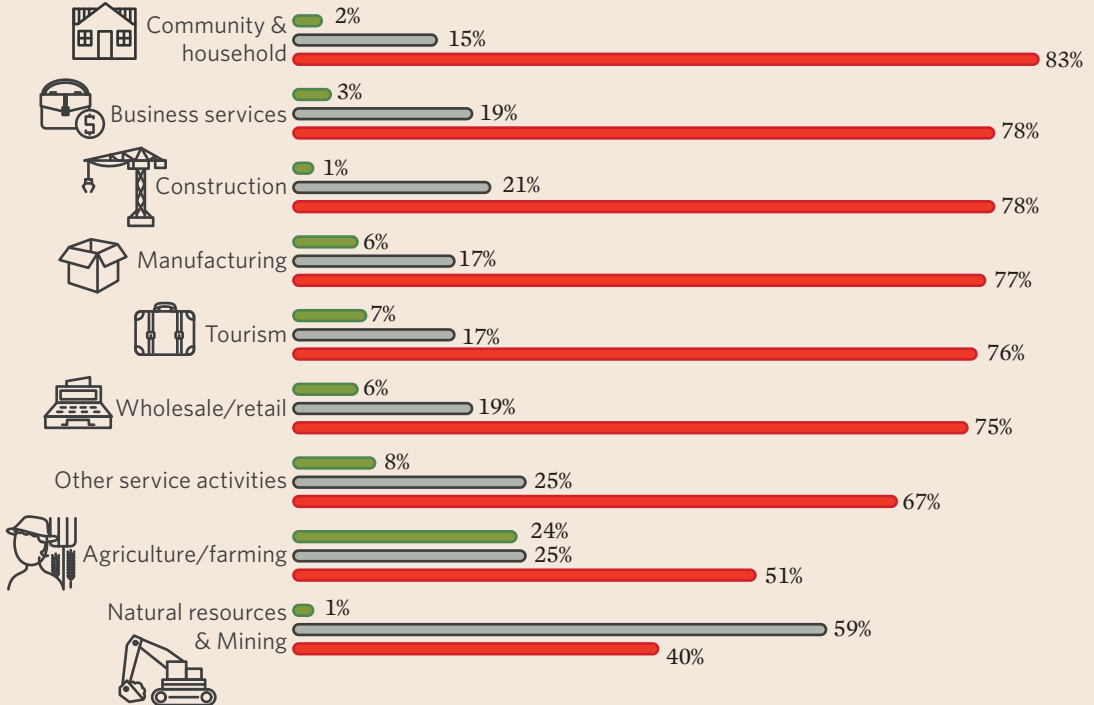
Diversified their product or service offering 25%

Applied for Government relief funds with
1% claiming to have benefitted 5%

FINANCIAL MEASURES BEING TAKEN OR CONSIDERED TO MITIGATE COVID-19 BUSINESS RISK

IMPACT OF COVID-19 ON BUSINESS

 Positive impact
 No major impact
 Negative impact



NETT IMPACT OF COVID-19
 BY SECTOR (%)

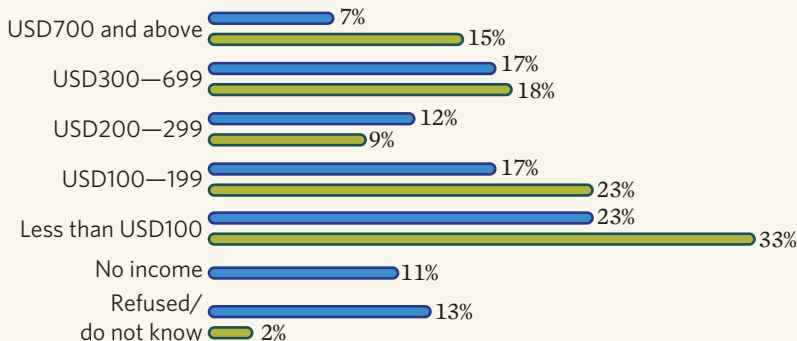
BUSINESS OWNER PERSONAL MONTHLY INCOME

of MSME owners
have the business as the only source
of income (up from 49% in 2012).

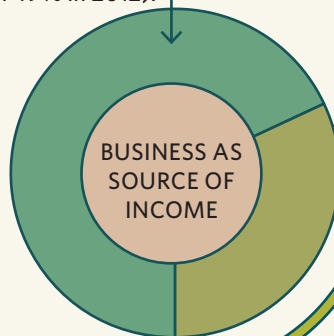
- Business owner dependency on business has increased in 2022



PERSONAL MONTHLY INCOME (%)



68%



Of the 32%

45% get money from other businesses

35% get income from spouse

10% have income from other job



There are about **302 thousand** full-time employers with **1,3 million** full-time employees (FTE) up from **235 thousand** employers with **622 thousand** FTEs in 2012.

330 thousand business owners regard themselves as employees of the business



65%
of full-time
employees are **male**



15%
of full-time
employees are
family members



49%
have **high school education**
and 39% have vocational or
university qualification



56%
are aged between
31—50 years

Employee benefits include:



99%

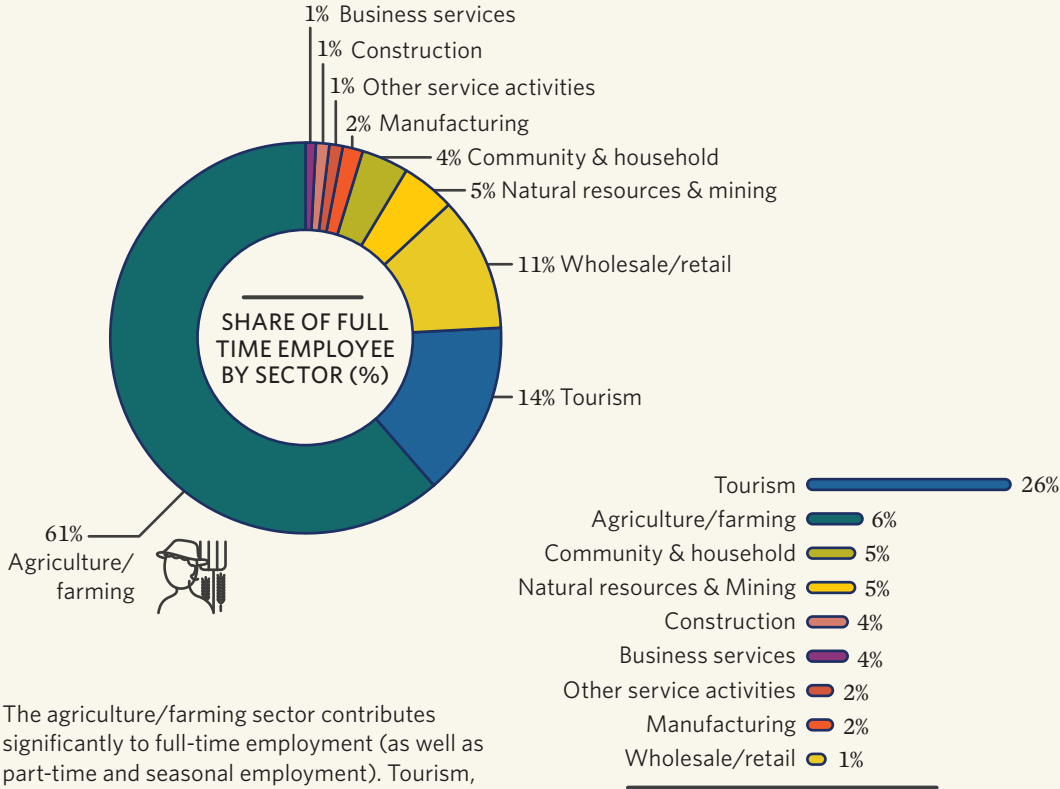
Largely paid in cash →

Accommodation 9%

Meal subsidy 5%

Transport subsidy 4%

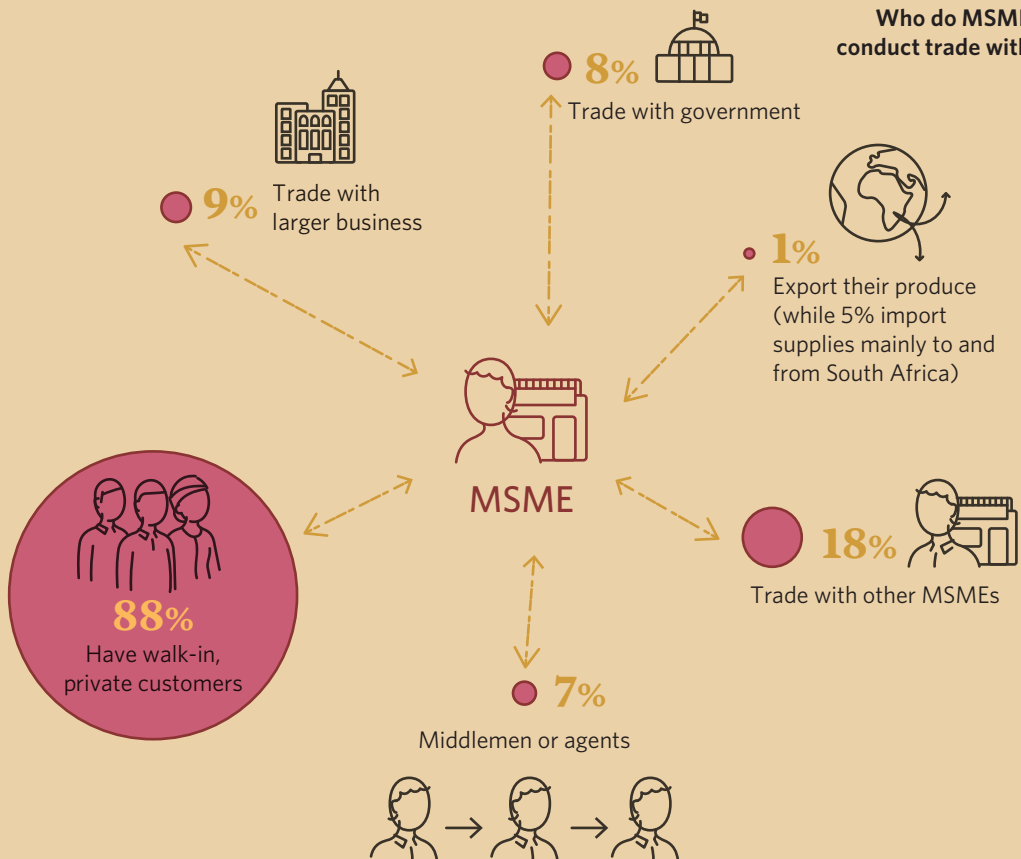
EMPLOYEES



AVERAGE NUMBER OF EMPLOYEES (FTE)

The agriculture/farming sector contributes significantly to full-time employment (as well as part-time and seasonal employment). Tourism, although much smaller than the agriculture/farming sector, has higher average employment in all sectors in the MSME space. It shows that focusing on tourism, together with agriculture/farming, community and household and mining sectors can have a huge impact by providing employment.

Who do MSMEs conduct trade with?



SUMMARY: UNDERSTANDING THE BUSINESS



- The MSME sector continues to be a key pillar for economic growth (GDP) and employment creation showing an increase in the estimated number of employees and profit (GDP) contribution of the sector up to USD 8.6 billion post the COVID-19 pandemic. It continues to absorb more female adults which is key to addressing the gender gap.



- More individual entrepreneurs recorded in 2022 indicating the sector as a source of income for many adult Zimbabweans characterised by low personal monthly income. However, this segment is also key for new entrepreneurs bringing innovative products and services with most of these (55%) being in the start-up and growth phases. Over time, growing this sector will grow the other micro, small to medium segments. However, the sector is currently dominated by individual and micro-enterprises most of which are female business owners.



- Formalisation has not improved over the past decade at 14%, with the lowest proportion being in the individual to small enterprises. The main barrier is due to business size where the enterprise is too small or lacks funds for registration. Hence, business

owners indicate a desire to formalise if the process was made free and well sensitised to inform the business on the benefits of formalisation.



- Compliance has largely been linked to formalisation as the benefits of formalisation have been mostly to comply with the law and to avoid harassment from authorities. This stigma unfortunately stifles formalisation and its benefits to the business owner or enterprise.



- Business support is key to enterprise development, growth and sustainability. Awareness of support institutions is high; however, usage is significantly lower. Efforts to improve awareness of the Chamber of SMEs and SMEDCO among others should be prioritised.



- The use of technology in the sector appears to be limited to communication devices and social media platforms for marketing purposes – all mobile phone based. Online presence of MSMEs in Zimbabwe is still in its infancy and would also require a strong digital payments infrastructure to grow it.



- The COVID-19 pandemic had a negative net impact on MSMEs particularly those sectors front-facing consumers and non-essential services such as community and household, business services, manufacturing, and construction. Mechanisms applied to cope included business and/or product diversification with 1 in 20 having applied for government relief funds.



- While most MSMEs deal with the public consumers, some are involved in value chains that link to other MSMEs, large businesses and government. There is a dampened sentiment that large businesses have created opportunities for MSMEs which points to a need for supplier development programmes to uplift the sector into high(er) value chains.



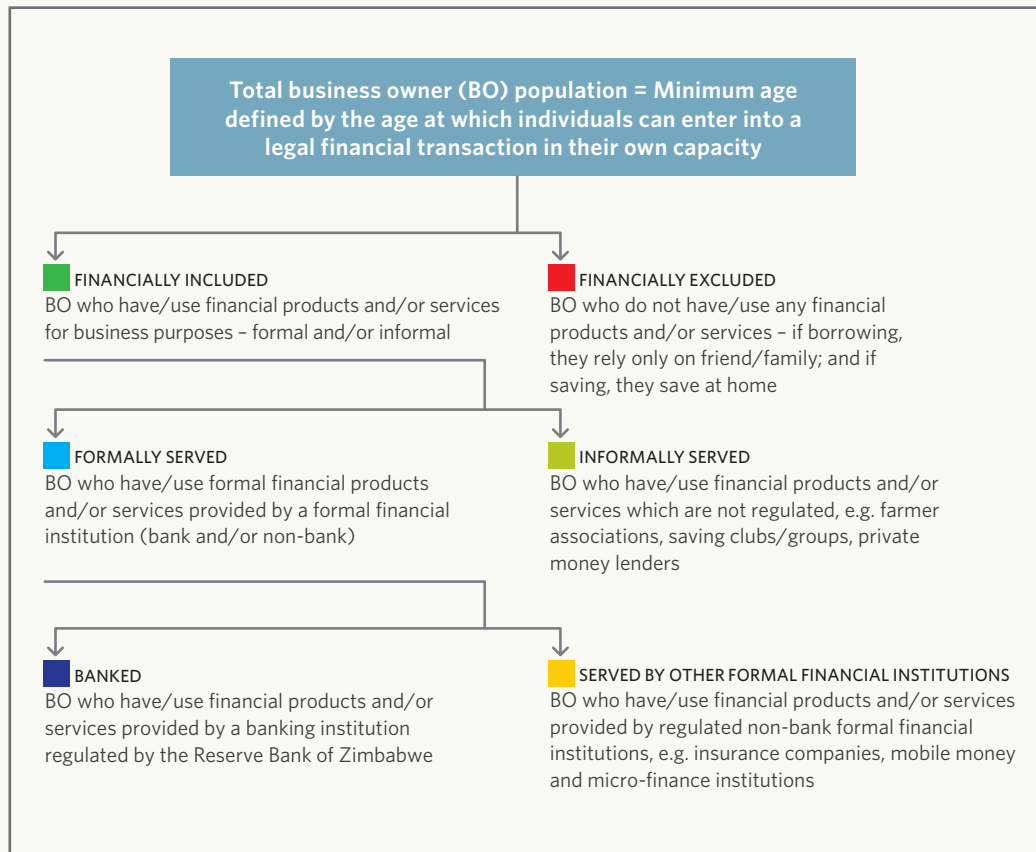
- There is optimism shared in the perceived business performance. However, business challenges continue to flag access to finance issues relating to sourcing and cost of funding together with cashflow challenges being operational and growth challenges. Products that speak to these business needs are required.



- Access to energy is highlighted as a constraint as only 30% of MSMEs have access to electricity. Nearly 2 in 5 MSMEs highlight infrastructure issues concerning a lack of business premises and storage.

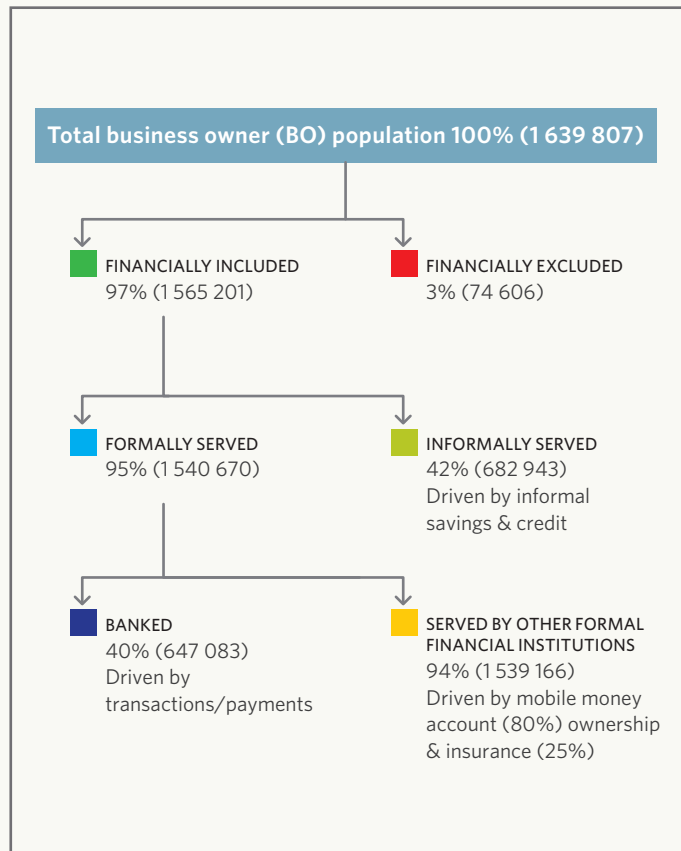
FINANCIAL INCLUSION

Financial inclusion - Framework





Financial Inclusion of Zimbabwean MSMEs (with overlaps)

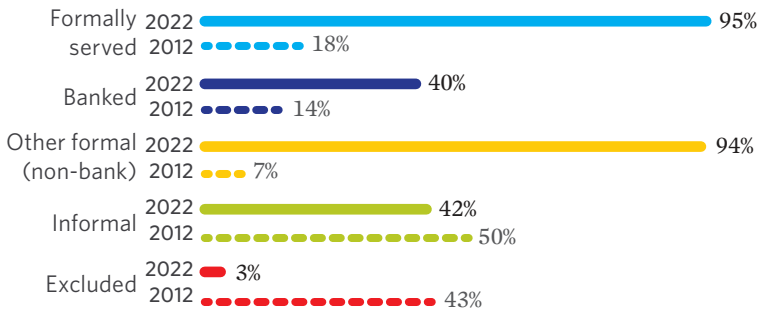


‘Formal’ is a category classifying products or services as regulated or supervised by a formal institution or any other formal regulator/agency. This is also synonymous with ‘other formal’ or ‘other formal (non-bank)’ to differentiate it from the banked which are mostly commercial and development banks.

FINANCIAL INCLUSION

Overall levels of financial inclusion, overlaps and MSME Financial Access Strand

Overalls with overlaps



Access Strand

In constructing this Strand, the overlaps in financial product/ services usage are removed, resulting in the following segments:

Financial exclusion among business owners has decreased by 40 percentage points.

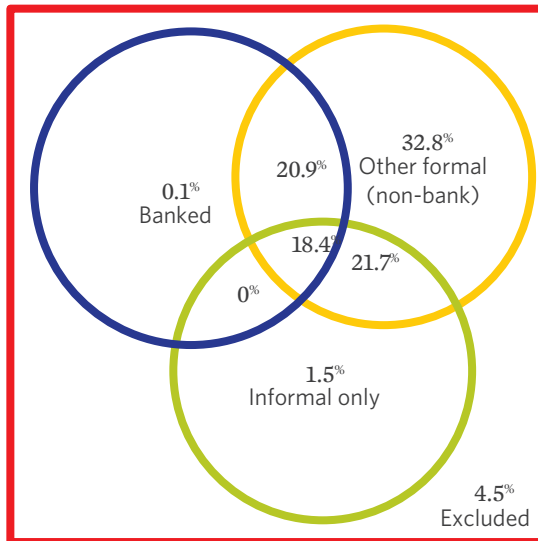
- Uptake of informal financial products among business owners who do not use formal products has decreased by 8 percentage points.
- Uptake of other formal (non-bank) products/services among business owners has

- ballooned to 94%. Business owners might also be using informal products or services.
- A notable increase of business owners who have/use commercial bank products/ services to two in every five business owners.





Overlaps



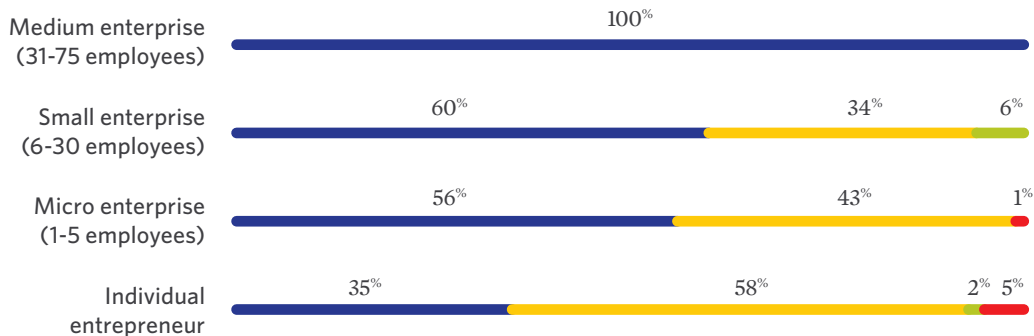
'Business owners generally use a combination of financial products and services to meet their financial needs'.

- Only 0.1% of business owners rely exclusively on banking services.
- Around 40% use a combination of formal and informal mechanisms to manage their business financial needs, thus indicating that their needs are not fully met by the formal sector alone.
- About 2% of the business owners rely ONLY on informal mechanisms such as savings groups and loan sharks.

Due to rounding off, exclusion is reported as 3%.

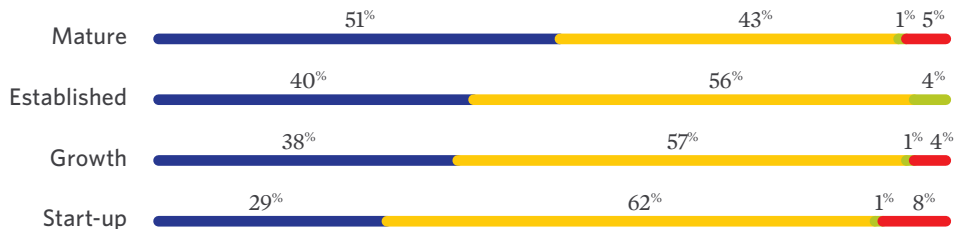
ACCESS STRANDS

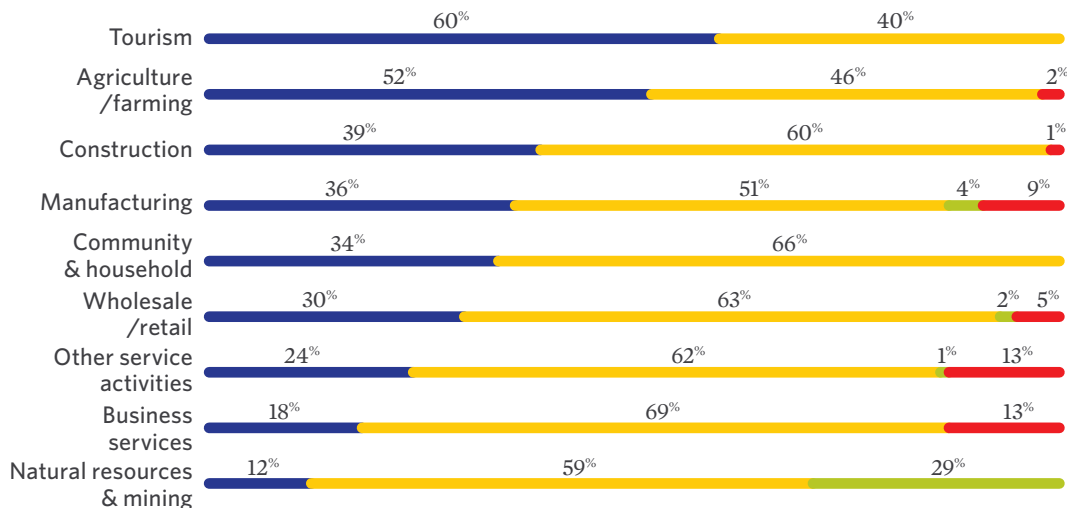
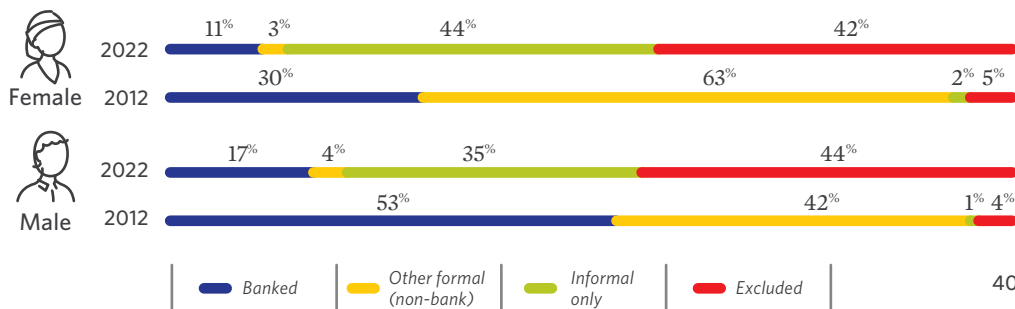
Access Strand by MSME size



- The smaller the business the less likely it is that the business owner uses/has banking products to manage the business's finances.

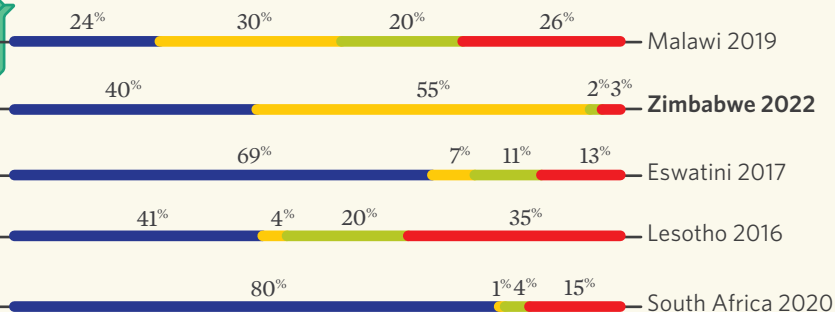
Access Strand by business life cycle



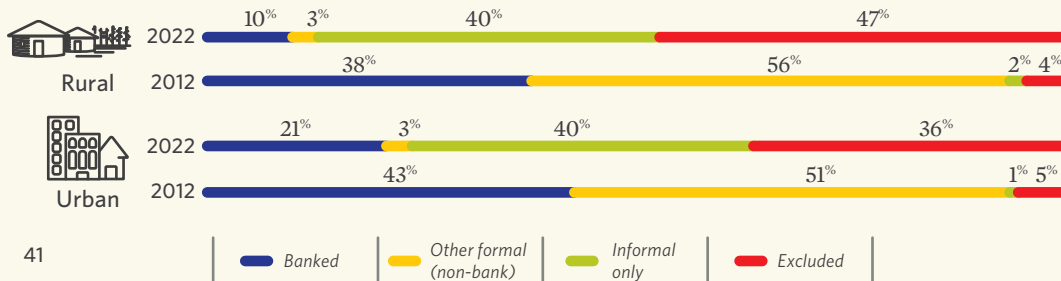
Financial inclusion by sector*Access Strand by MSME owner's gender*

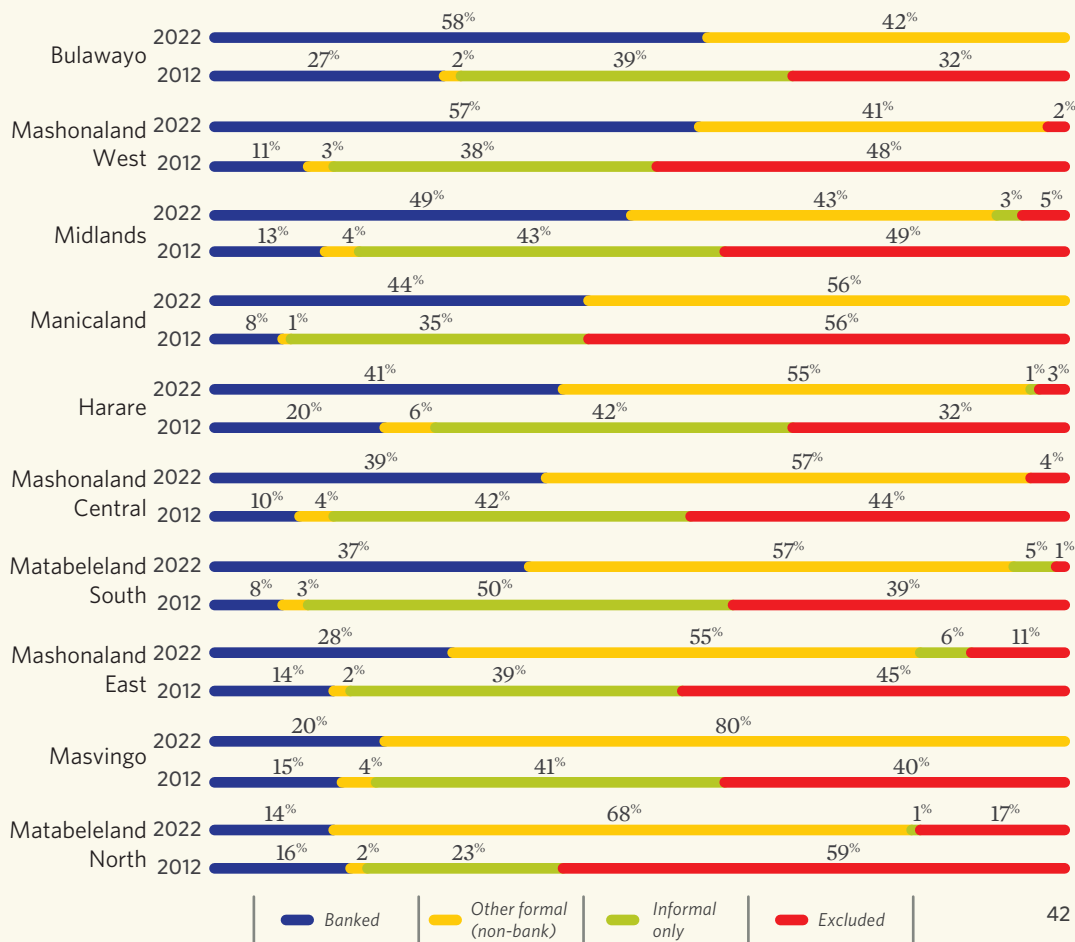
ACCESS STRANDS

Access Strand by country comparison



Financial inclusion by MSME distribution: area type



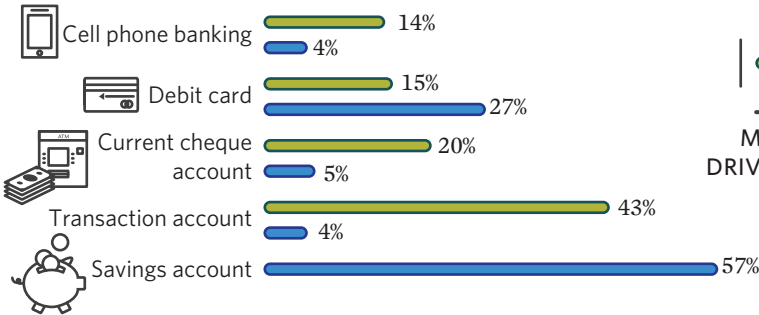
Financial inclusion by MSME distribution: Province

LANDSCAPE PRODUCTS



Banking
Drivers and needs

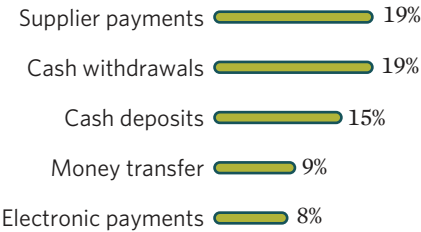
- One in three banked businesses use bank digital financial services i.e. electronic transfers, online banking, etc.



2022 2012

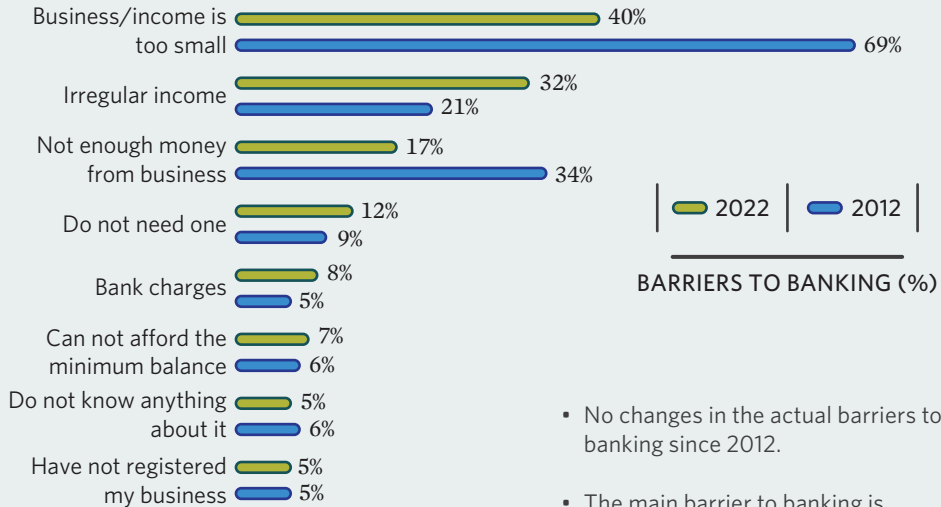
MAIN BANK PRODUCTS
DRIVING TRANSACTIONS (%)

- 2022: Banked business owner population increased to 40% largely driven by transactions.
- While bank account access has increased among the business owner population, usage for business purposes is lower i.e., only 3% of the banked business owners have the account in the name of the business.**
- 3% of the banked population use a bank account in the name of the business. Bank access is mostly through a personal account.



MAIN TRANSACTIONS
PERFORMED IN 2022 (%)

Banking
Barriers

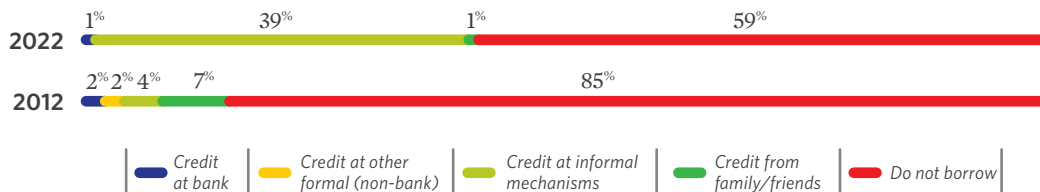


- No changes in the actual barriers to banking since 2012.
- The main barrier to banking is business size. Not surprisingly, **the most unbanked** business owners are **individual entrepreneurs**
- Irregular income (personal and business) is mentioned as a barrier which points to the frequency business owners get income. Bank accounts run on a month-to-month basis.

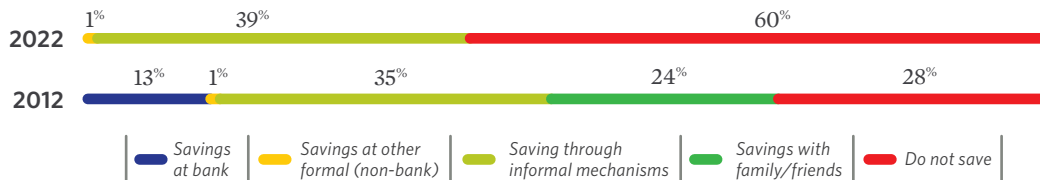
FINANCIAL INCLUSION: OVERVIEW



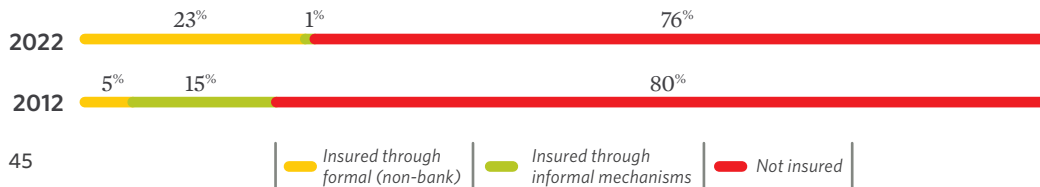
Credit Strand



Savings Strand



Insurance Strand



Savings and investments (%)



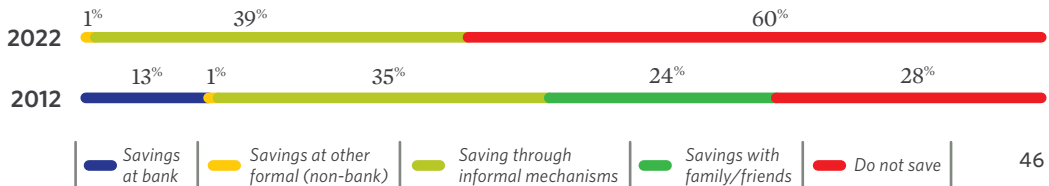
Overalls with overlaps



Savings Strand

In constructing this Strand, the overlaps in financial product/services usage are removed.

- 60% of business owners do not save. A 32 percentage point decline since 2012.
- A huge decline in the percentage of business owners saving exclusively at home. No business owners are saving at home from 24% in 2012.
- A sharp decline in the uptake of savings products from the bank. Only 0.3% of business owners have/use formal savings products from a commercial bank from 13% in 2012.

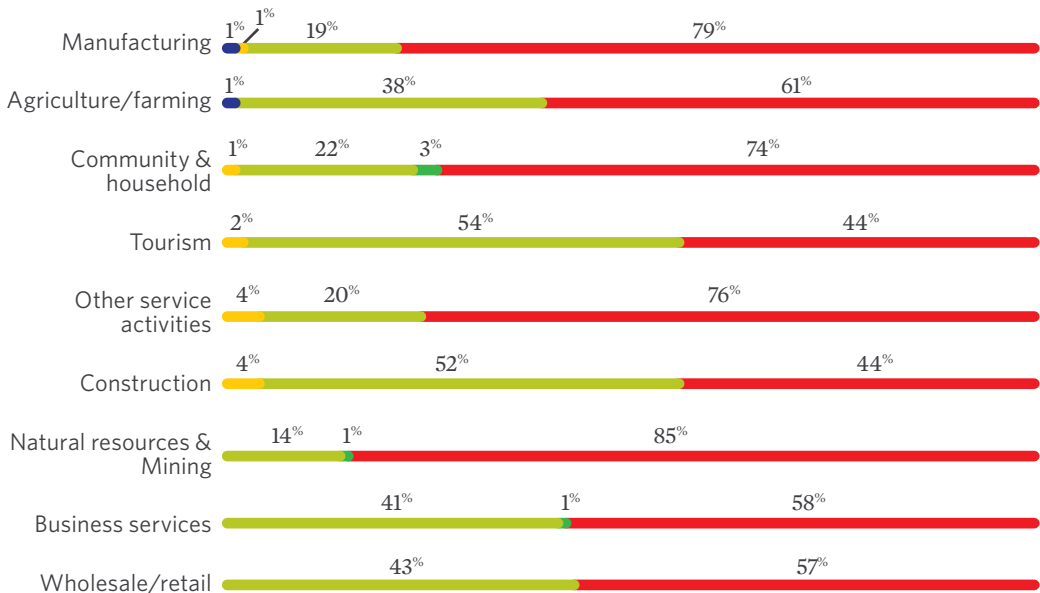


FINANCIAL INCLUSION



Access to savings and investment by sector

- Uptake of investment products such as money market accounts or shares is very low at 0.2%



Borrowing and credit



Overalls with overlaps



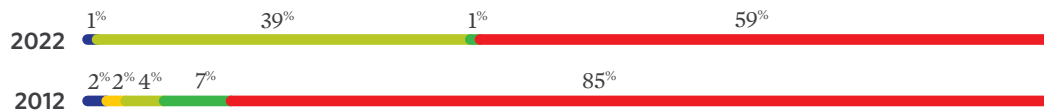
Credit Strand

In constructing this strand, the overlaps in financial product/ services usage are removed.

- 59% of business owners did not borrow money in 2022. There is a 26 percentage point increase in business owners who

- borrowed from 2012.
- There is a drop in the proportion of business owners who borrow from family and friends to 1% in 2022 from 7% in 2012.
- A 35 percentage point increase in the usage of only informal credit mechanisms.

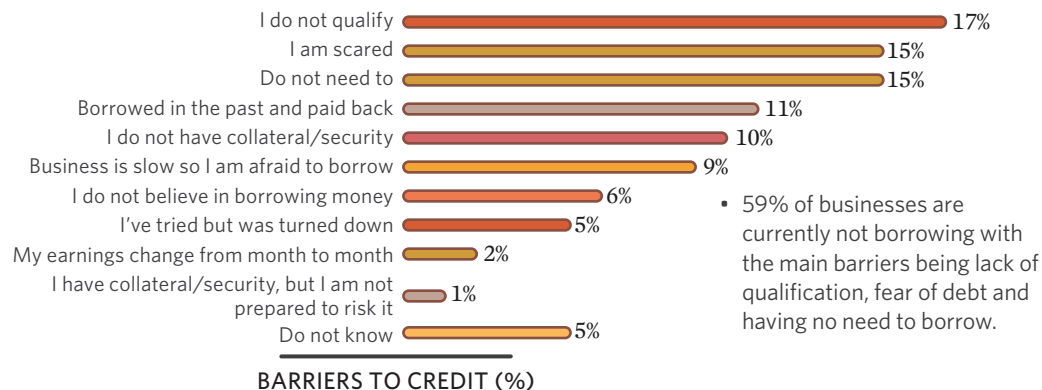
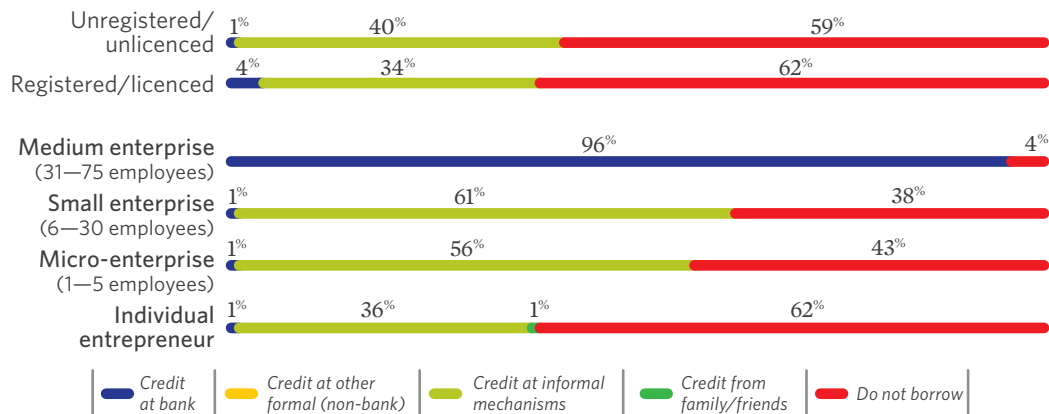
- There was no current borrowing from other formal (non-bank) institutions in 2022.
- Bank credit dropped to 1% in 2022 from 2% in 2012 indicating a drop in formal credit in 2022.

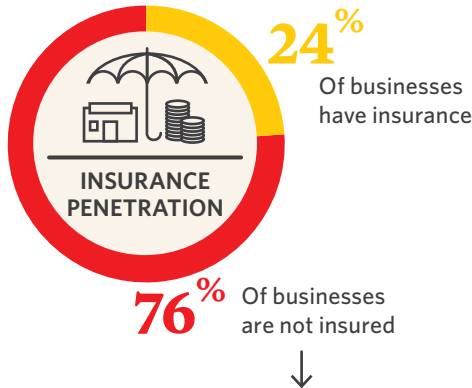


LANDSCAPE PRODUCTS

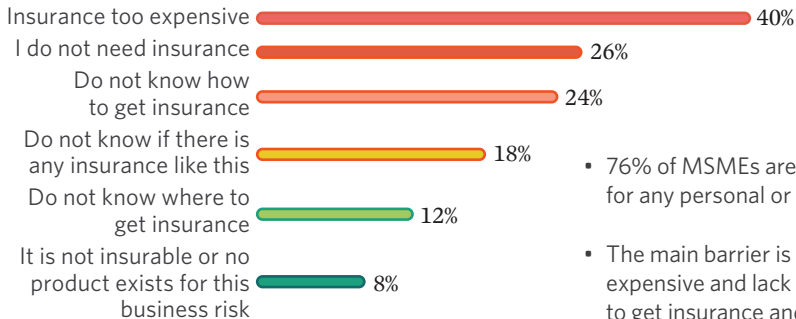


Borrowing and credit by formalisation and business size





Insurance barriers for business owners:

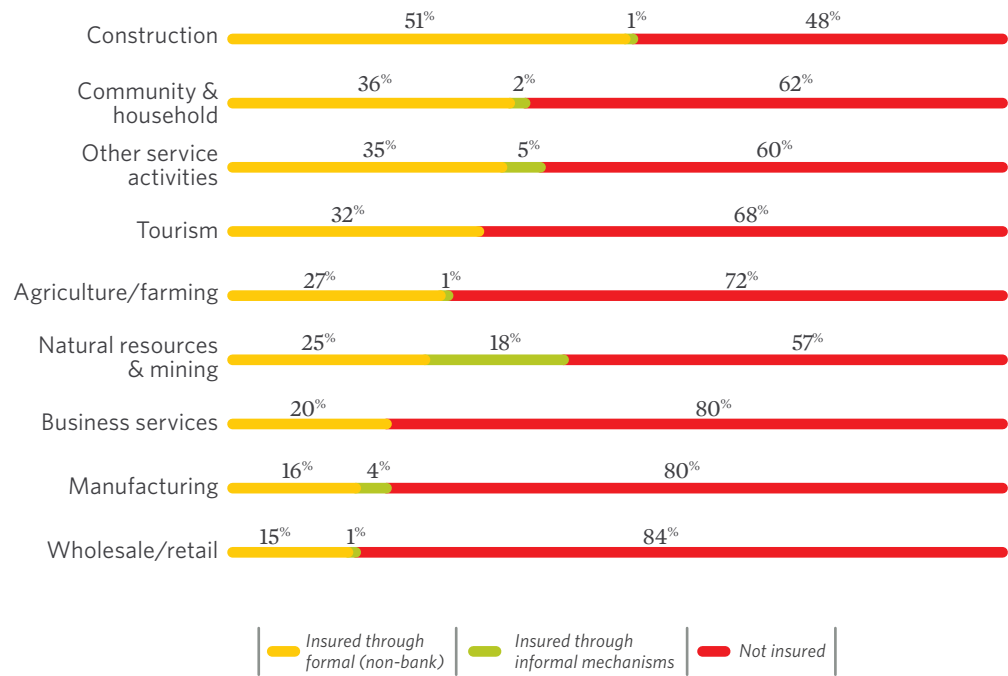


- Formal insurance is up from 5% to 23% mostly being personal insurance driven by:
 - Life insurance cover (10%)
 - Medical aid (36%)
 - Funeral plan or cover (76%)
 - Motor vehicle cover (10%)
- 4% of MSMEs have business insurance with 74% being compulsory cover.
- The use of informal insurance alone has dropped from 15% to 1% with the main product being burial society.
- 76% of MSMEs are currently not covered for any personal or property risk.
- The main barrier is that insurance is expensive and lack of information on how to get insurance and types of insurance relevant to the MSMEs.

LANDSCAPE PRODUCTS



Access to insurance by sector



LANDSCAPE PRODUCTS



Banking



Savings
& investments



Borrowing
& credit



Insurance
& risk management

40% are banked but only 3% use an account in the name of the business

40% save, mainly through informal groups (98%)

41% borrow, mainly from informal (97%)

24% are insured (4% for business), mainly through funeral plan or life cover (76%) medical aid cover (36%)

PRODUCT UPTAKE

43%
Growth/sustainability
20% Liquidity

39% to grow the business
23% for when they need the funds
21% for the future

30% to grow the business
32% for personal reasons

Insurance cover is mainly driven by funeral cover and is not insuring the business risk or assets (if any). 75% of insured agree insurance is important for business and 59% often suffer losses that are insurable.

NEED

40% Business/income is too small
32% income is too irregular

49% business is not making enough to save
26% money is invested back in

17% do not qualify for credit
15% do not need credit
15% fear borrowing

40% insurance too expensive
26% claim they do not need insurance
24% do not know how to get insurance

BARRIERS

CONCLUSION



General

- The SME Act is quite descriptive on how to determine MSME size. However, given the high informality and unverified turnover and value of assets, this classification is difficult to apply.
- There is no improvement in the proportion of formal to informal MSMEs. Formalisation faces a myriad of challenges particularly linked to the association with compliance. Lack of information and few perceived benefits of registering businesses dampen efforts to formalise. Government assistance is welcomed through making the registration process free and more information being shared on formalisation.
- The MSME sector offers significant employment and contributes to the country's GDP. Challenges faced by the sector include sourcing finance, cash flow and complying with laws and regulation.
- Despite the impact of the COVID-19 pandemic, business resilience mechanisms pursued were internal i.e., looking for new business or new product offering with only 5% of the MSMEs pursuing government relief funds.



Product uptake

- Access and usage of formal financial products are limited to transactional (payments) and risk mitigation. Both bank and mobile money services show high levels of users transacting although with lower digital financial service usage in bank products compared to mobile money. Insurance cover is for the business owner and not the business assets and is largely driven by funeral plan/cover and medical aid. Access to formal credit or savings platforms is quite low.
- Linked to formalisation, most business owners owning formal products and services access these in their personal capacity - a phenomenon common to most start-ups and/or sole entrepreneurs. Understanding the risks associated with these types of businesses (and lack of registration) and tailoring formal products that speak to the business may improve the transition from personal to business products.
- Access to finance has been highlighted as a major obstacle and yet most excluded business owners not accessing credit state the lack of qualifying for the credit as the most common barrier. This may very well be linked

to the higher proportion of businesses being individual and micro enterprises in nature and may not have the necessary requirements for accessing formal credit which may result in higher access in informal mechanisms

- Informal savings and credit mechanisms such as round/mukando have at least one in three (37%) business owners using them for either business savings or credit needs. Understanding the social capital and value systems that these savings and credit groups operate in may unpack insights for how some formal products or offerings are designed.



Financial inclusion

- Financial inclusion has improved among the MSME owner population in Zimbabwe in the past decade in the first tier of access. However, findings show that this is largely through transactional products as both access to formal credit and savings have lowered. This may be reflective of the tight economic situation where businesses are using all their investments to sustain or grow their business.
- Access to finance is still a key issue that has been highlighted as both a growth and operational obstacle for businesses. Coupled

with low formalisation, prospects to get formal funding are low. Breaking down access to finance to tangible products that speak to business needs is still a gap.

- Overlaps have shown that business owners use both banking and mobile money together with under 1% of the business owners being solely reliant on bank products alone. This points to the interoperability between banking and non-banking products such as mobile money which have improved the access to formal products.
- The main drivers of the formally included business owners are banking and mobile money products and services which are largely used for payments with banking (42%), mobile money (75%) and insurance having one in four business owners being formally insured.
- A few areas to be explored in the context of financial inclusion include extended access to credit through formal institutions such as MFIs, increased digital financial payments between customers and businesses as well as with suppliers, cashflow management products and improved risk mitigation mechanisms.



Haiti

FinScope MSME Survey

Comprehensive study focusing on individual entrepreneurs, and owners of micro-, small- and medium enterprises (MSMEs) and their financial services needs.

○ Completed

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Zimbabwe 2022 please contact:

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