



20 years of making
financial markets
work for the poor

FINScope MICRO, SMALL AND MEDIUM ENTERPRISES SURVEY ZIMBABWE 2022

TOPLINE FINDINGS

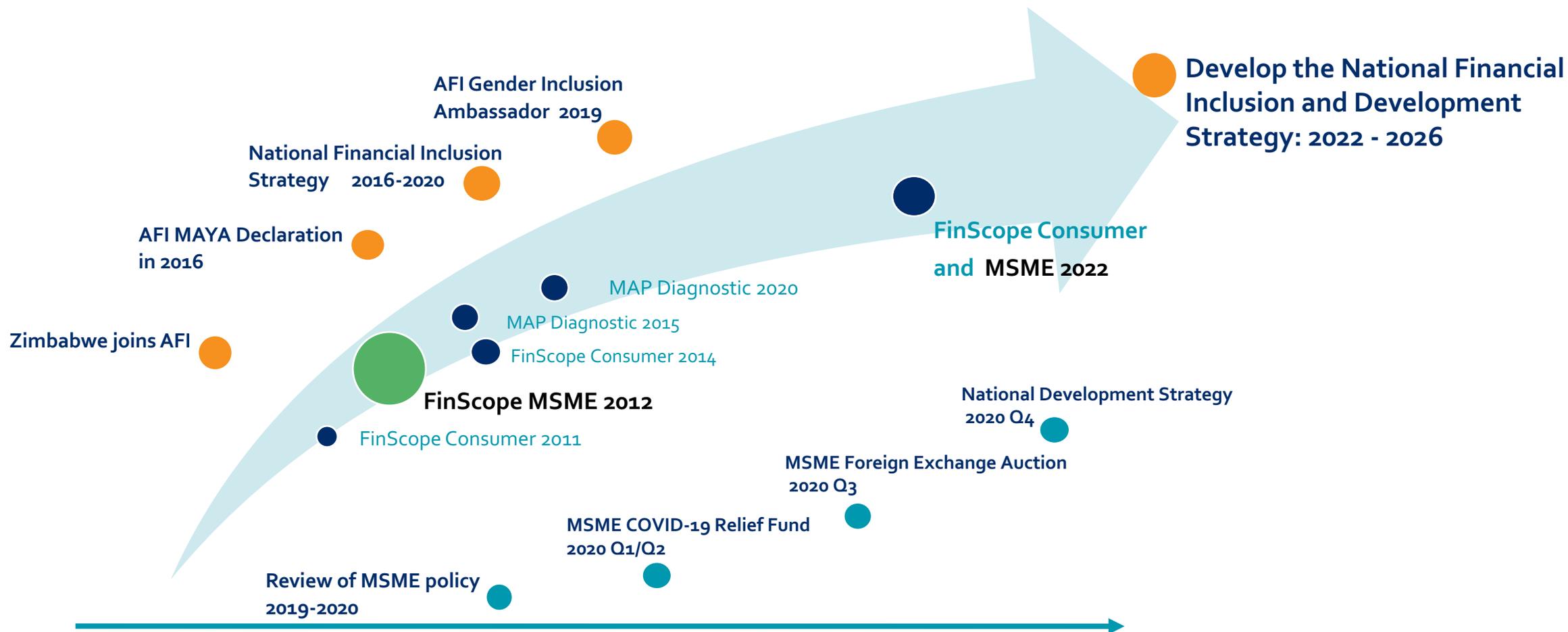
September 2022

FinScope

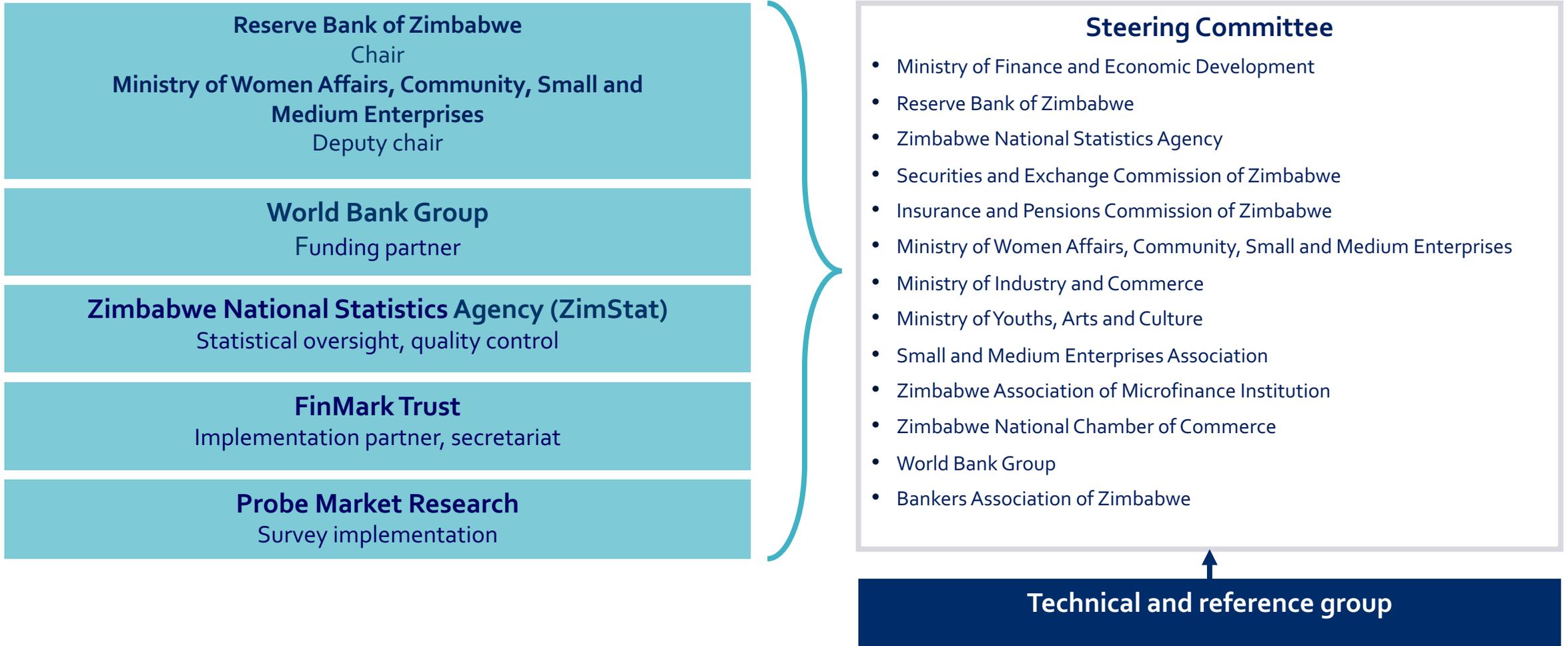
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Financial inclusion and MSME development



Partnering for MSME development



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

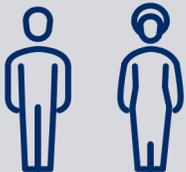


Methodology

Methodology: two critical stages to define desired universe

Respondent profile

- 18 years or older
- Consider themselves to be business owners/generating an income through small business activities
- Employing less than 75 employees



Sample and methodology

- The sample was drawn by **Zimbabwe National Statistics Agency (ZimStat)** and is representative at national and settlement (urban and rural) levels using geospatial modelling
- Computer-assisted personal interviewing (CAPI)
- Fieldwork was conducted by Probe Market Research (February 2022 and May 2022) and 3,265 interviews were successfully completed

Quality control and data validation

- **Quality control/field checks** conducted by **ZimStat** and **FinMark Trust**
- Data validation against census data and any other data sources
- Weighting of the data conducted by **ZimStat** and **FMT**



Data collection process

Description	Details
Methodology	Computer-assisted personal interviews (CAPI)
Respondents interview (Definition of MSME owners)	<p>Survey of MSME owners, defined as individuals who are:</p> <ul style="list-style-type: none"> • 18 years or older • Consider themselves to be business owners/generating an income through small business activities • Employing less than 75 employees • Nationally representative sample
Number of interviews completed (n)	n=3,265
Questionnaire design	The MSME survey questionnaire was designed to gather information on MSME business owners in Zimbabwe and it was based on the FinMark Trust MSME Model with input from the technical committee
Questionnaire length	67 minutes
Questionnaire translation	The survey questionnaire was developed in English and then later translated into Shona and Ndebele
Fieldwork period	February – May 2022

2022 vs 2012 sampling methodology

2022

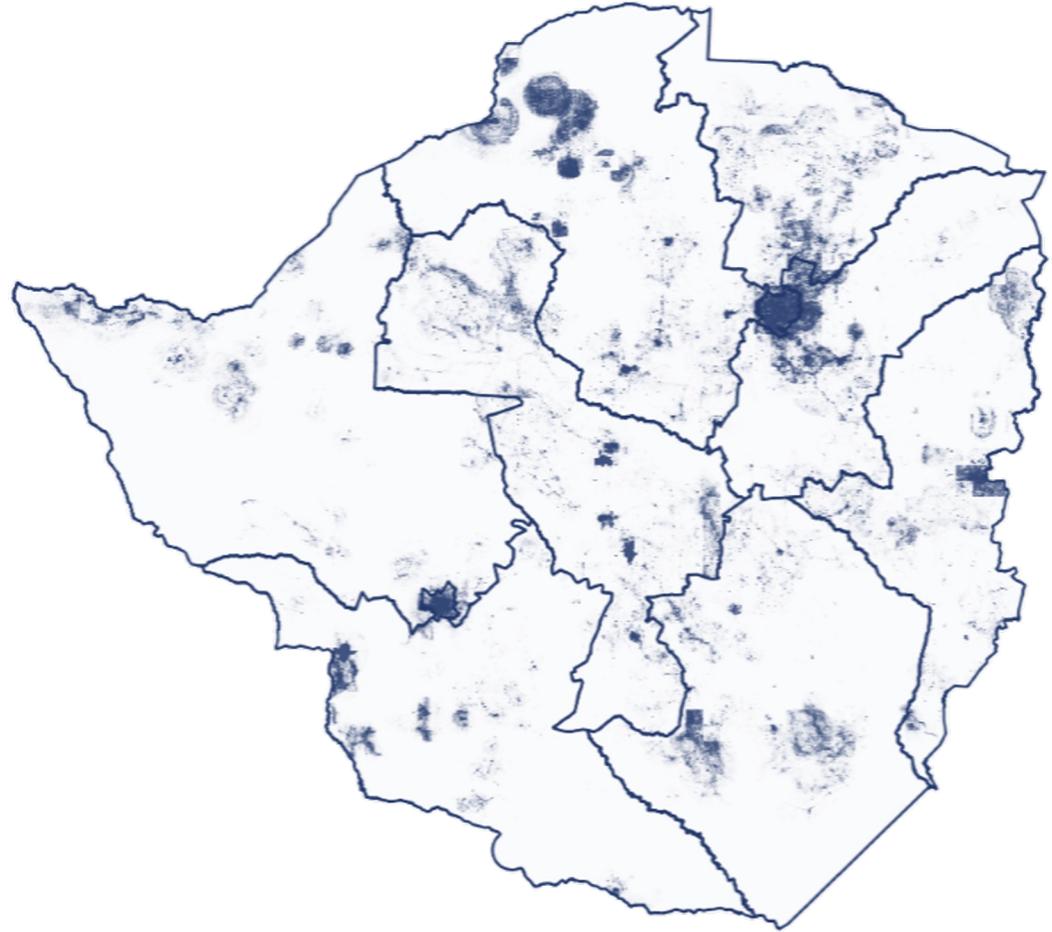
- Business premise and household-based sampling
- 388 EAs with 3,265 sample size
- Listed 21,062 households with 8,565 business owners
- Listed 3,375 business premises
- Average of 31 business owners per EA

2012

- Household-based sampling
- 500 EAs with 3,222 sample size
- Listed over 57,000 households as it was household-based to identify business owners (create a sample frame)
- No listing of business premises

Geospatial distribution of MSMEs

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



MSME definition in accordance with the SME act

MSME size is determined by the number of employees + turnover + value of assets*

- A weighting system defined in the SME Act where the number of employees, turnover and value of assets will result in a score that outlines the size of the enterprise
- Any score of—
 - (a) ten points or more disqualifies the enterprise concerned for the purposes of this Act;
 - (b) eight or nine points qualifies the enterprise concerned as a 'medium enterprise';
 - (c) five, six or seven points qualifies the enterprise concerned as a 'small enterprise';
 - (d) three or four points qualifies the enterprise concerned as a 'micro- enterprise'.
- **Due to the data and information shared by business owners, these three indicators were relaxed to one (number of employees) as the data on the value of assets and turnover was highly biased and less accurate. A de facto approach was applied in line with the 2012 survey.**

Defining MSMEs for the FS MSME survey 2022

MSME size differs within sectors or sub-sectors, to generalise the findings the following simplified classifications are suggested to be applied to all sectors:

Category	Employees	Turnover (USD)
Individual entrepreneur (0 employees) (a subset of micro)	0	30,000
Micro-enterprise	1 to 5	Up to 30,000
Small enterprise	6 to 30	30,001 – 500,000
Medium enterprise	31 to 75	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 value of assets where the energy sector in addition to the mining and construction sector have higher thresholds of USD 50,000 (micro), USD 1 million (small) and USD 2 million (medium).

Limitations and gaps

- While all monetary values were asked for in United States Dollar, due to a multi-currency economy the values reported may suffer conversion differences or biases due to conversion rates, etc.
- As a perception study, no actual proof of ownership of various assets, business financials, educational attainments or products and services was requested.
- Survey errors and constraints will exist in survey data due to errors in respondent recollection and accuracy despite strict processes being followed at each point in administering the survey.
- Due to differences in methodology, comparison to 2012 is possible but should be limited to key variables considering the population of business owners has been refined by the SME Act definition
- The differences in the approach used in 2022 and 2012 also result in differences in the estimation of the number of small business owners. Due to improvements in technology and available data, comparison to the total business owner population in 2012 should be exercised with caution.



Understanding the business

MSME population estimates

Listing database created during data collection (focused less on survivalists eg hawkers)

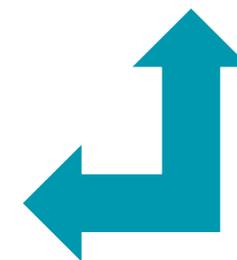
Modelling re-done with listing data to produce new estimates

Results were weighted to the Zimbabwe population estimates together with the geospatial model estimates



1,6 million business owners (18 years and older) population

Focus was on the MSME population sampled from both business premises and households



Size, scope and sectorial distribution

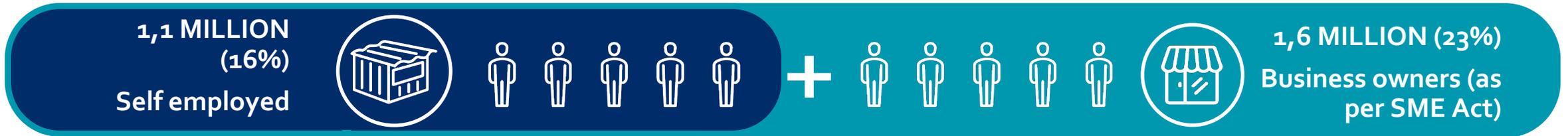
- The MSME sector is broad and spans from one-man survivalists (eg hawkers) to the self-employed to enterprises. It is important to note that various definitions can be applied in understanding the size of the sector and its scope.
- To improve the measurement of MSMEs, the study deliberately focused more on the high-impact segments of the MSME economy, a higher focus was paid to entrepreneurs and operational businesses and less on survivalists. Those self-employed, such as consultants, that do not view themselves as an enterprise were not included in the study.
- The sector definitions have been aligned to the current SME act although slight naming differences may occur to allow cross-country comparison.

Extended MSME definition: incorporating self-employed

There are about **1.1 million self-employed adults PLUS 1.6 million business owners/entrepreneurs.**

Self-employed (source: FinScope Consumer Survey 2022)

Business owners (source: FinScope MSME Survey 2022)



As both surveys are perception based, the main difference between the two is the definition and population of interest ie **consumer (all adults) vs business owners/entrepreneurs.**
In consumer surveys, the self-employed are defined as adults that may or may not own a business creating an overlap with the MSME survey.

Using the 2012 extended MSME definition we would have about **2,7 million business owners and sectors employing 3 million adults.**

To apply the new definition in line with the focus of the SME Act and study objectives:

1,639,807

business owners employing 1,7 million employees in 2022

Size, scope and sectorial distribution



MSME owners

1,639,807

There is an overlap with the FinScope Consumer survey self-employed number of **1,1 million** self-employed as that covers more survivalists. **This broadened definition will add to 2,7 million business owners.**



Employing

1,704,454

employees

- 1 302 535 full-time employees
- 44 945 part-time employees
- 19 275 seasonal employees
- 337 699 business owners who consider themselves employees

N/B: Using the **2012 definition**, total employment is **3 006 562**.



Owning

1,954,202

MSMEs

- 260 thousand owning more than one MSME



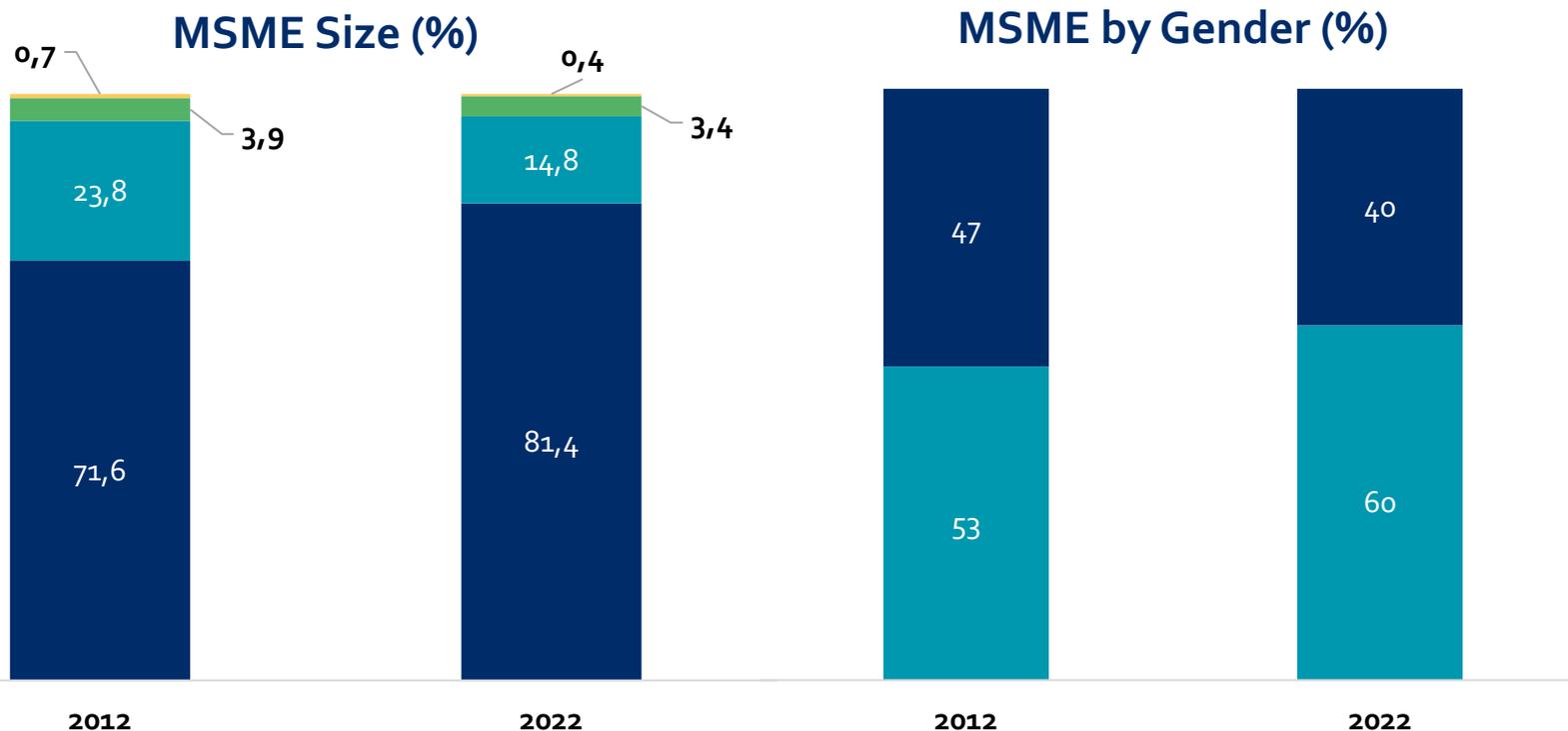
Estimated turnover (annual)

USD 14,2 billion

with

USD 8.6 billion contribution to GDP

Size and scope of the MSME sector



- Medium enterprise (31 to 75 employees)
- Small enterprise (6 to 30 employees)
- Micro-enterprise (1 to 5 employees)
- Individual entrepreneur

■ Female ■ Male

Comparing the proportions to 2012, there are more individual entrepreneurs in 2022 and fewer micro-enterprises.

There is also a higher proportion of female business owners in 2022.

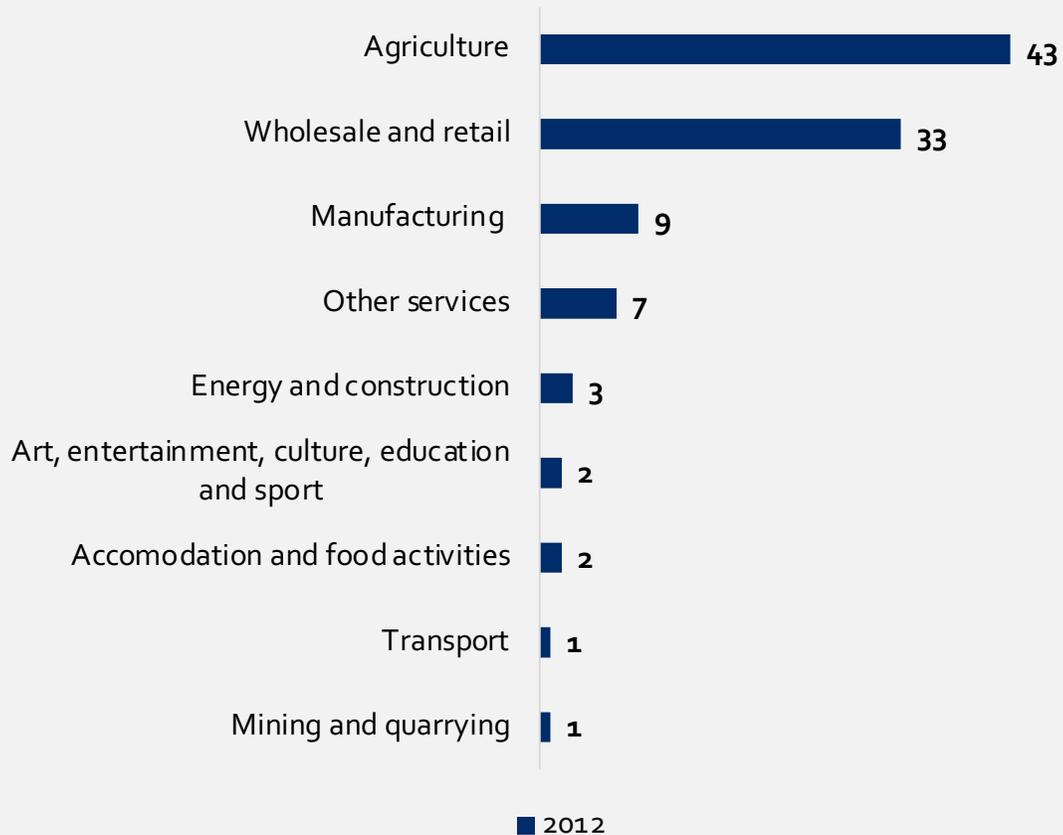
Size and sectorial distribution of the MSME sector

Sector	Number of business owners	% of MSME sector
Agriculture/farming	643,314	39.2
Wholesale/retail	611,583	37.3
Tourism	86,300	5.3
Manufacturing	80,349	4.9
Other service activities	76,762	4.7
Business services	60,796	3.7
Community and household	27,252	1.7
Construction	28,817	1.8
Natural resources & mining	24,634	1.5

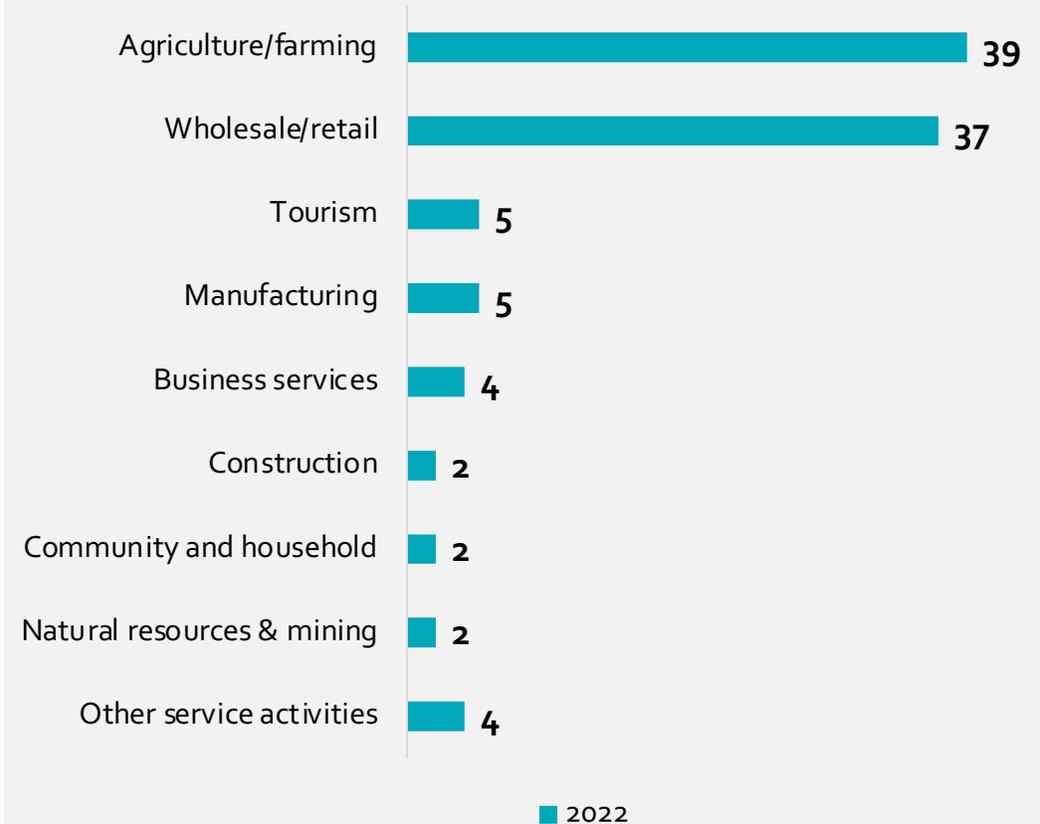
Size	Number of business owners	% of MSME sector
Individual entrepreneur	1,334,200	81.4
Micro-enterprise (1 to 5 employees)	243,356	14.8
Small enterprise (6 to 30 employees)	56,201	3.4
Medium enterprise (31 to 75 employees)	6,050	0.4

Size and sectorial distribution of the MSME sector (2)

Business sector 2012 (%)

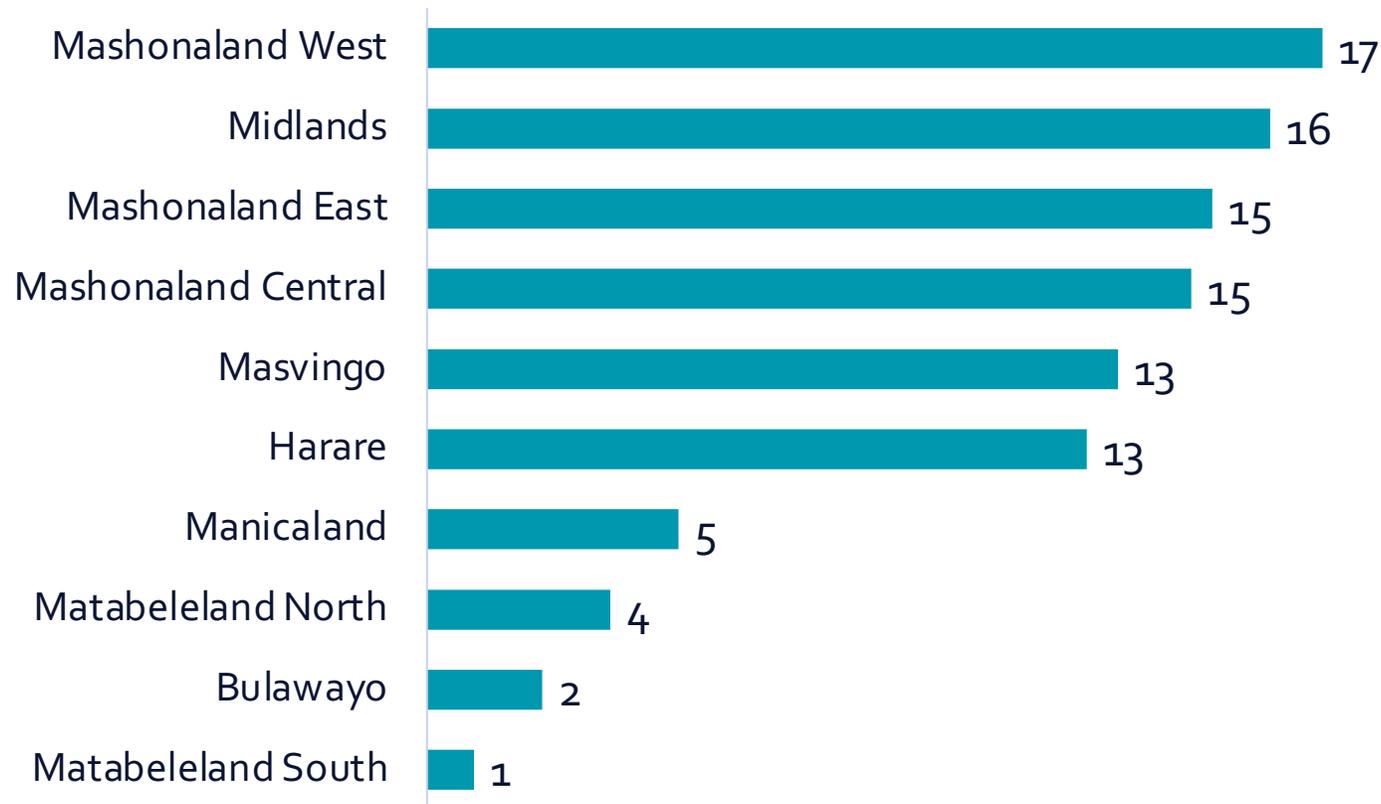


Business sector 2022 (%)

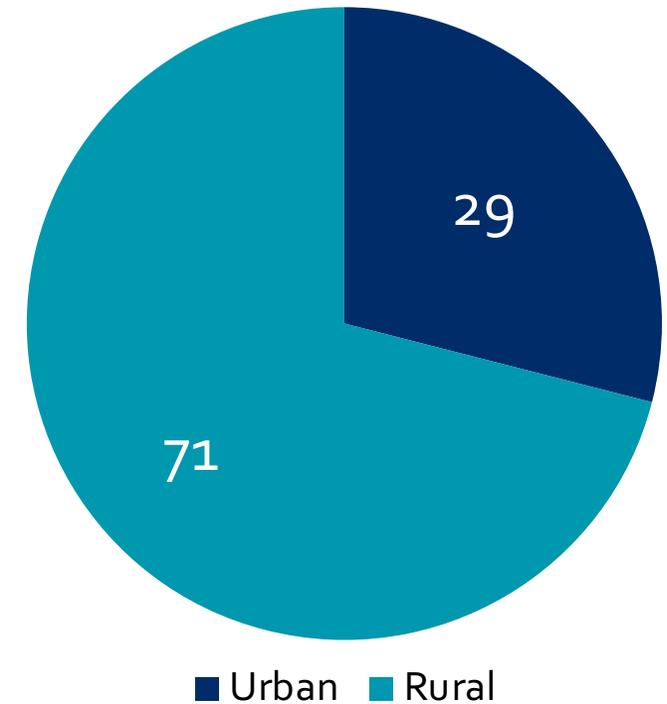


MSME sector by location

MSME by province (%)



MSME by area (%)



State of formalisation

14% Formal enterprises ie, either registered and/or licensed

- **14%** Licensed enterprises with trading or licensing permit from council/municipality
- **6%** Registered enterprises with the registrar of companies

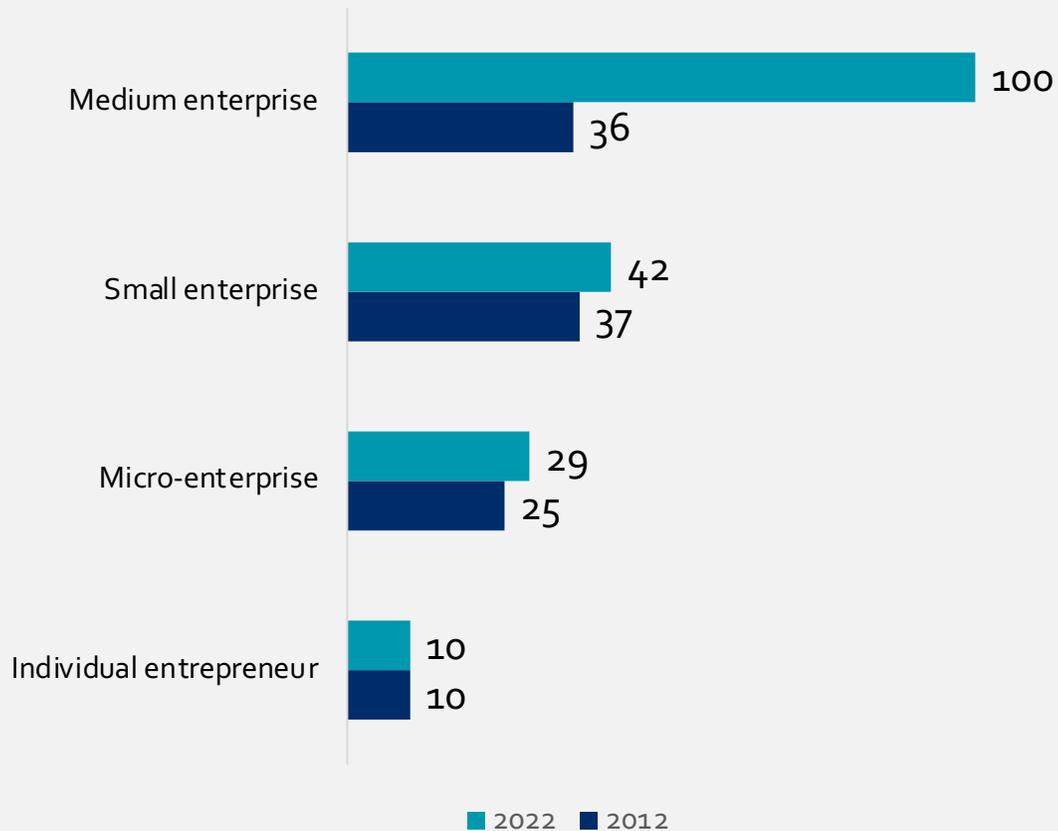
Of those registered, the perceived benefits of registering:

- Comply with the law (**37%**)
- Access to finance (**23%**)
- Access to raw materials (**18%**)
- Avoid harassment from authorities (**7%**)
- Avoid fines (**5%**)
- Access to government assistance (**2%**)

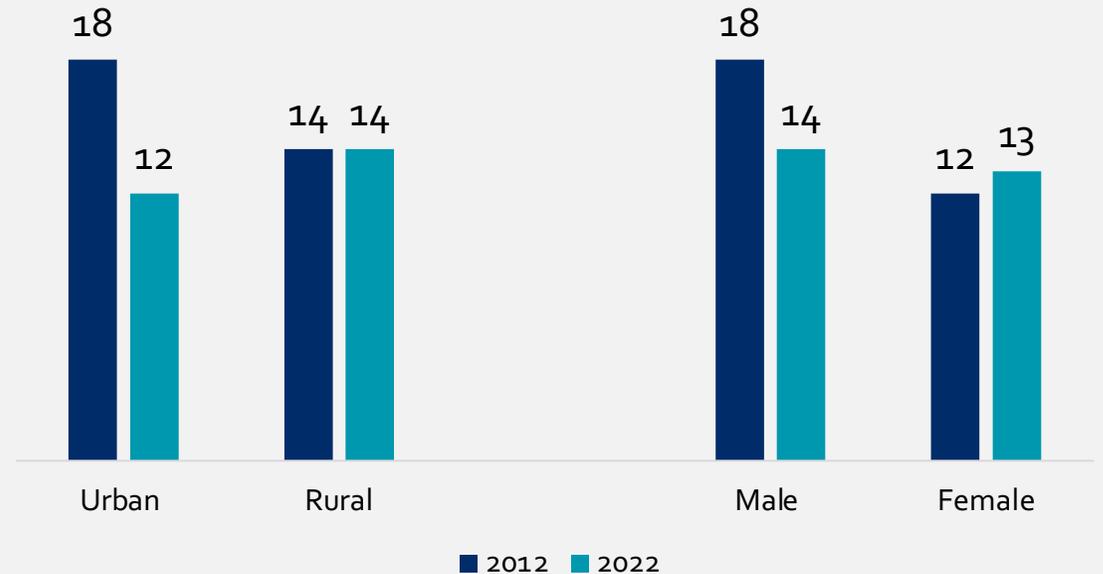


State of formalisation

Formal MSME owners by business size (%)

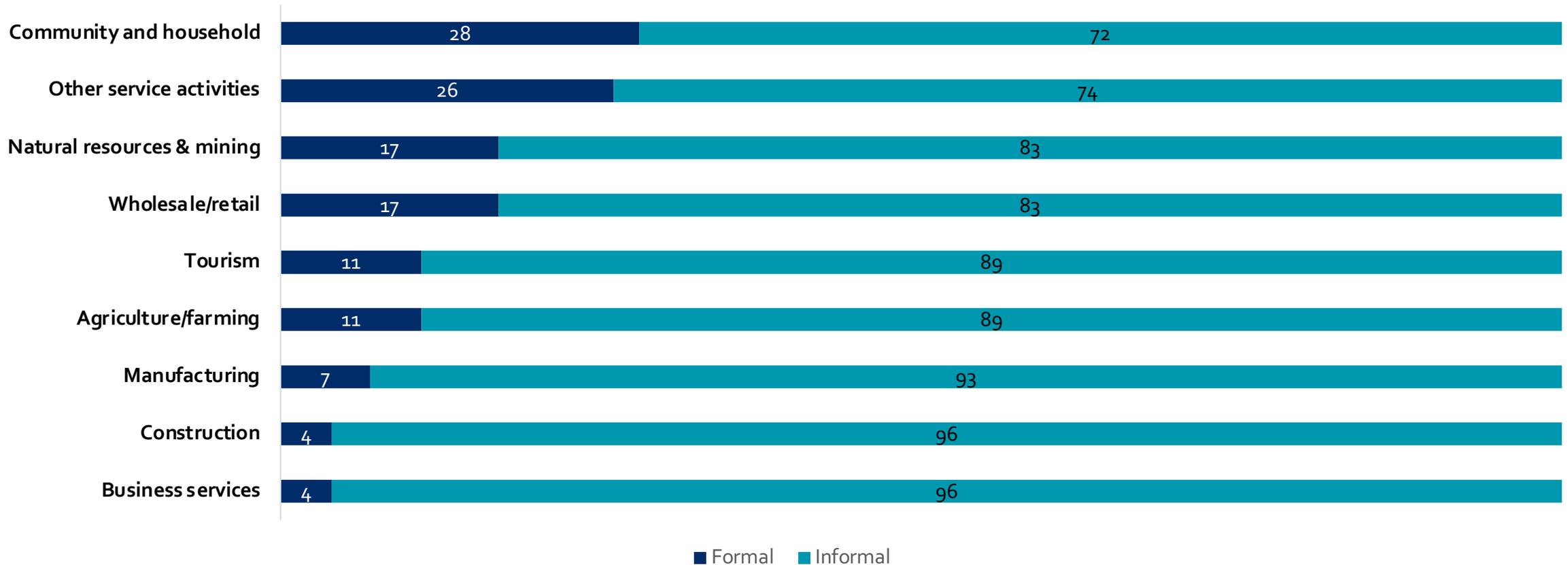


Formal MSME owners by area and gender (%)



State of formalisation by sector

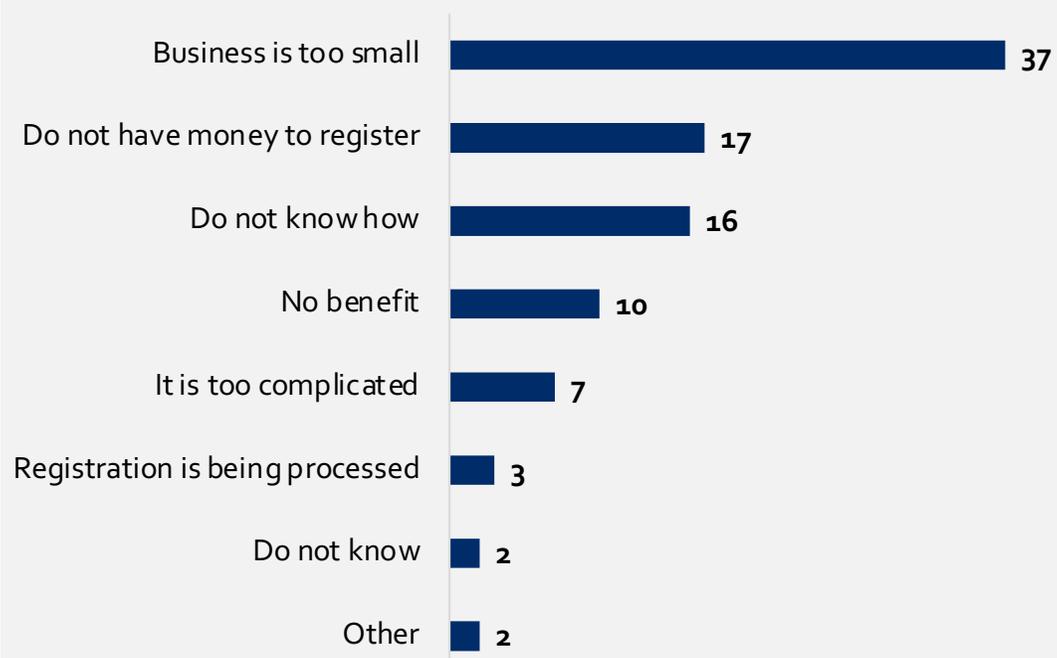
Formal MSME owners by sector (%)



State of formalisation: barriers to registration and formalisation

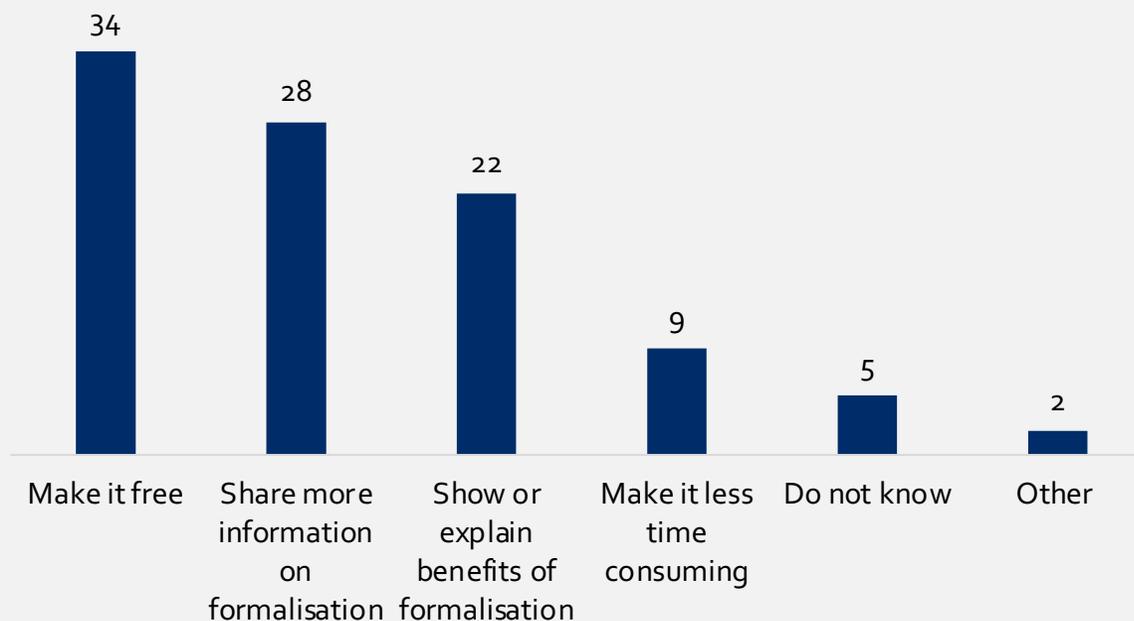
94% of MSME are not registered

Barriers to registration (%)



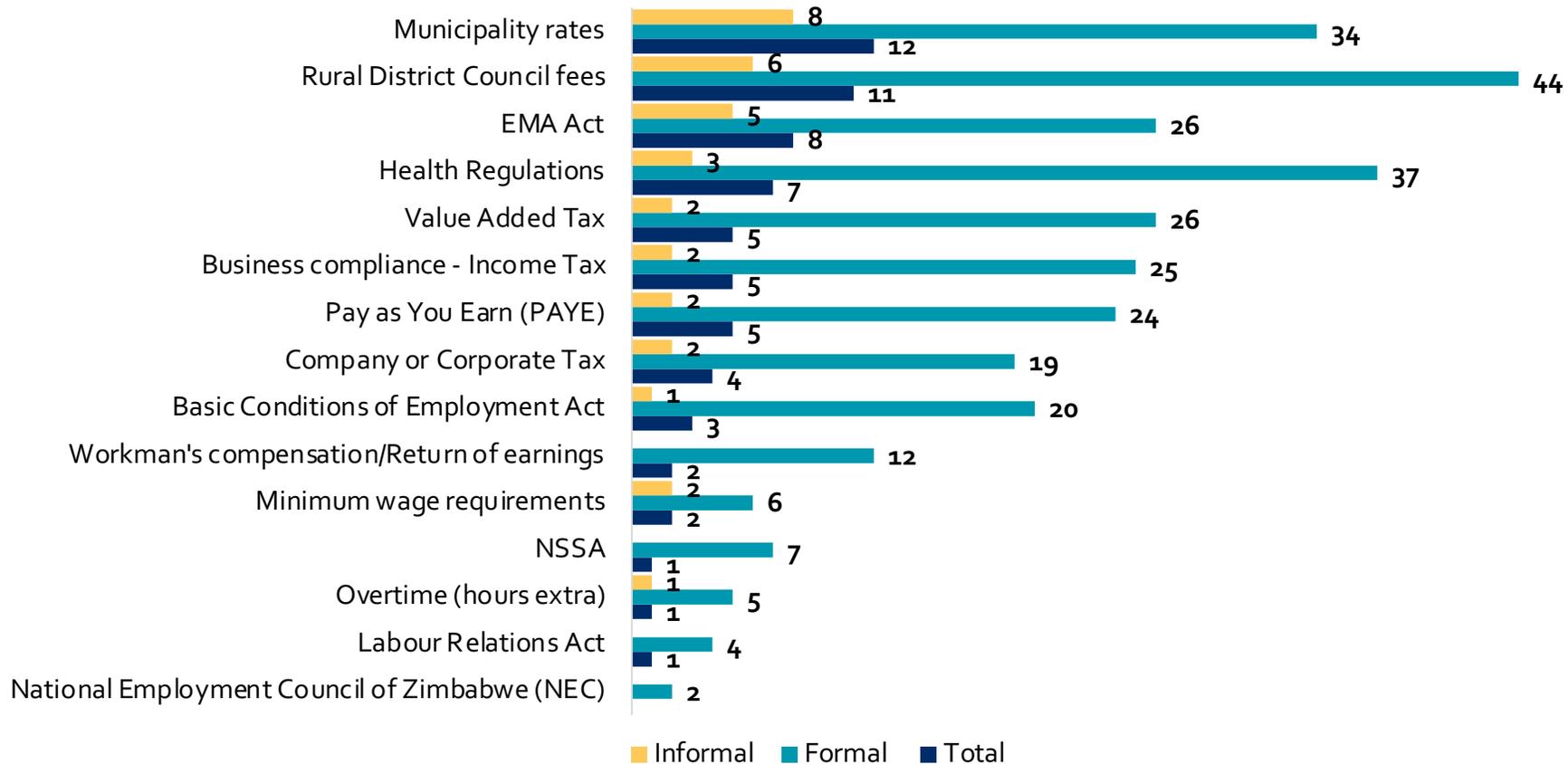
84% of MSMEs are informal with 71% agreeing to formalise their operations with the following assistance:

Government assistance to formalise (%)



Compliance

Compliance by formality (%)



It can be expected that formal enterprises are more compliant, however, this is low.

Informal enterprises (although **few and mainly farmers**) also try to comply with Municipality rates, Rural District Council fees and EMA.

Access to amenities and resources



Types of water

- 17%** Piped water (inside)
- 40%** Piped water (outside)



Toilets

- 58%** Toilet facilities outside
- 20%** Toilet facilities with water



Other

- 78%** Cell phone
- 12%** Signage advertising the business
- 5%** Cashbox or safe
- 4%** Security system or alarm
- 2%** Laptop or computer
- 1%** Card machine (POS)



Electricity access

- 27%** Electricity grid
 - 87% Publicly provided (ZESA)
- 3%** Solar

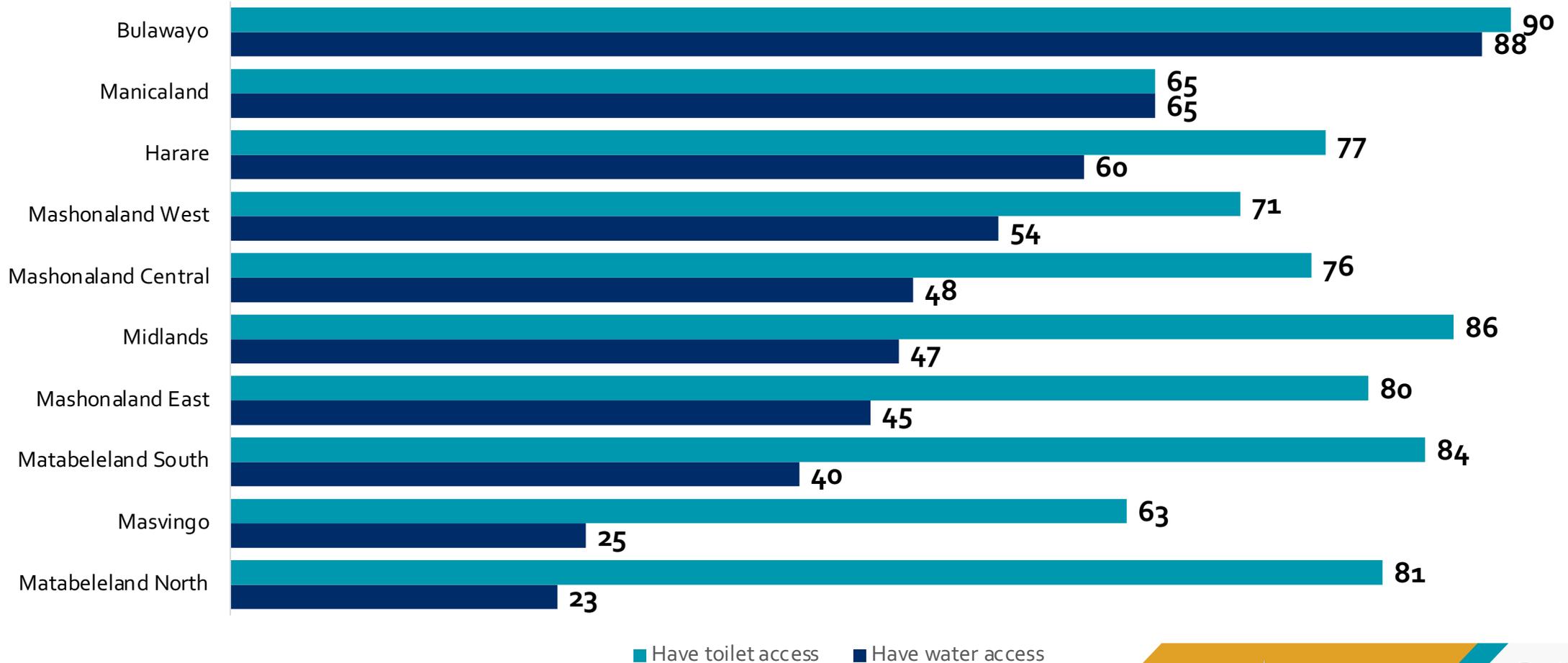


Business documents

- 21%** Up to date financial or accounting records
- 14%** A business budget
- 8%** A written business plan
- 5%** A written marketing plan
- 2%** A formal training program for staff

Access to amenities by province

Access to amenities by province (%)



Access to amenities: energy

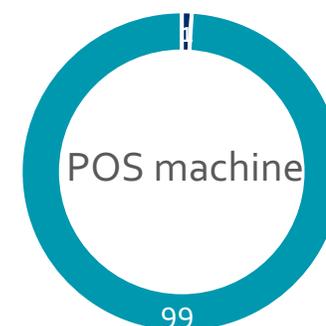
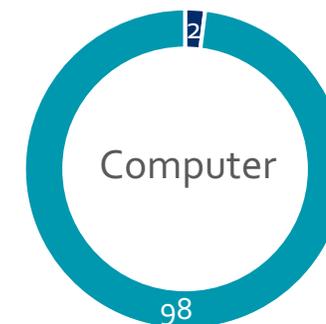
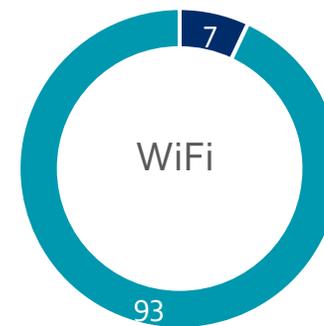
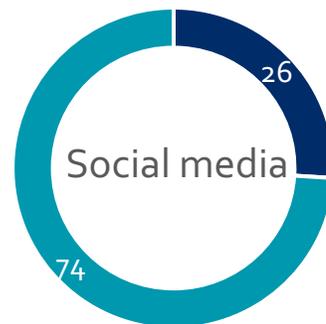
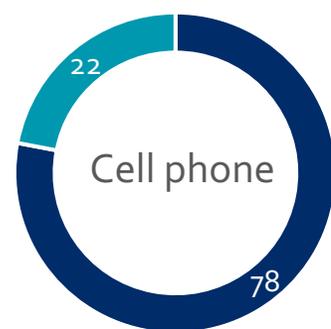
Sector	Have electricity access (%)	Proportion of those with electricity access that claim it is sufficient for business (%)	Main supply of electricity
Tourism	63%	57%	ZESA 95%; Solar 5%
Community and household	50%	85%	ZESA 98%; Solar 2%
Other service activities	42%	82%	ZESA 100%
Manufacturing	37%	60%	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%

Use of technology

81% of MSMEs use some form of technology in their business

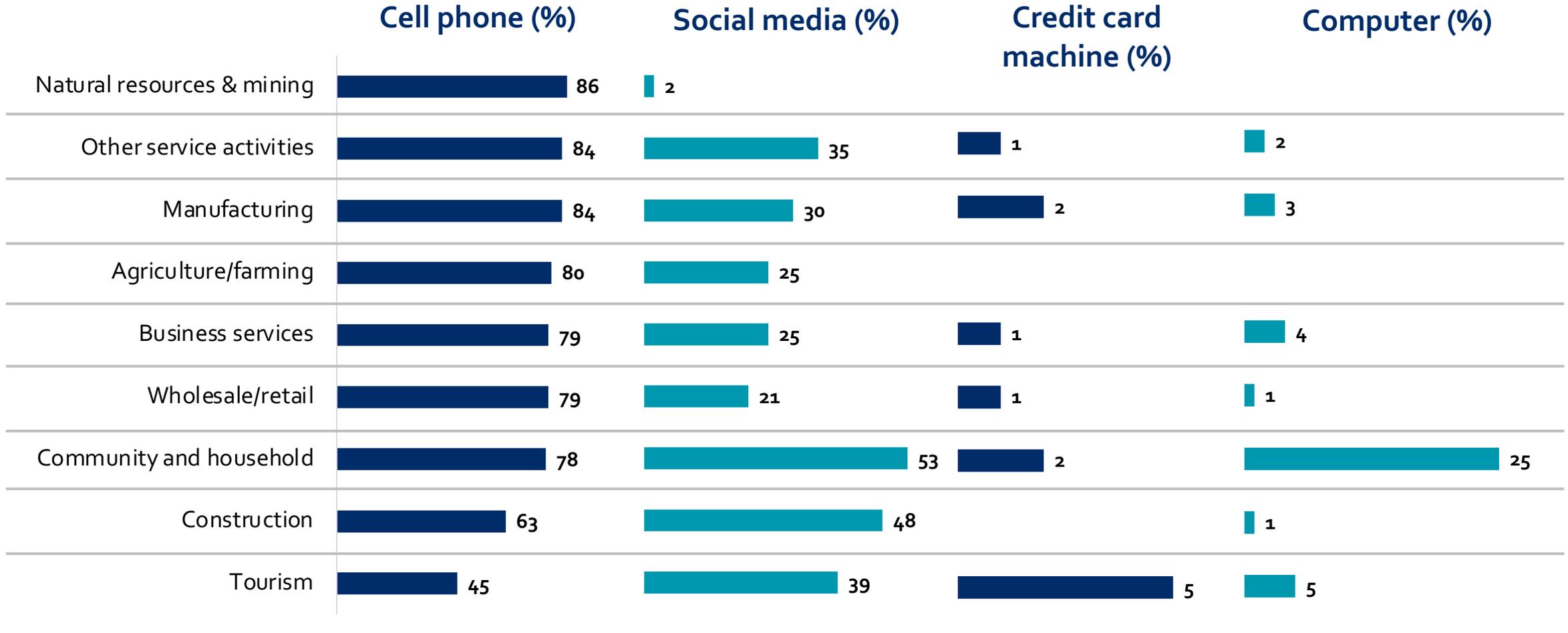
The use of basic technology in business is driven by the ownership of the cell phone which gives access to communication and social media platforms for business.

Productivity technologies such as machinery that improve efficiency eg computers have **low usage**.



■ Have access ■ Do not have access

Use of technology by sector



Personal monthly income: business owners

68% of MSME owners have the business as the only source of income up from 49% in 2012. Of the 32%:



45% get money from other businesses



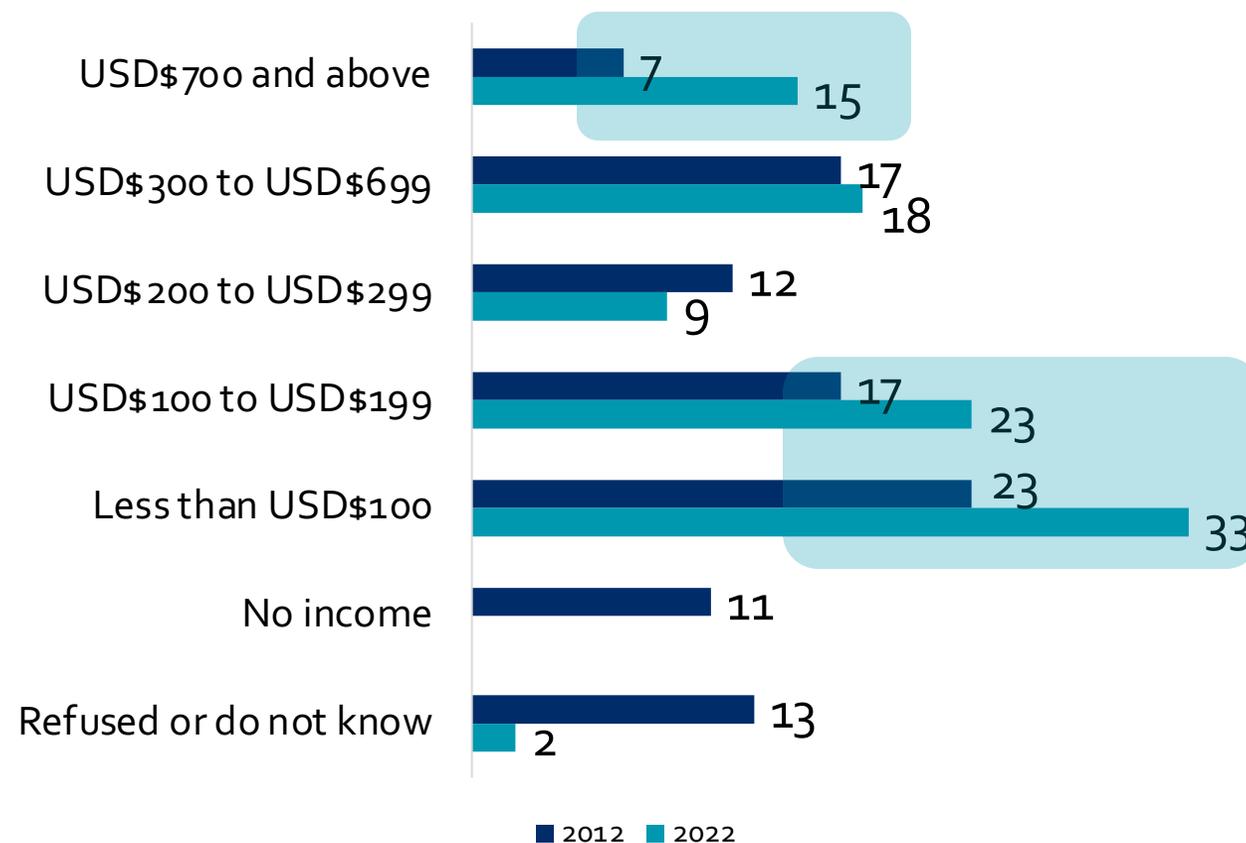
35% get income from spouse



10% have income from other job

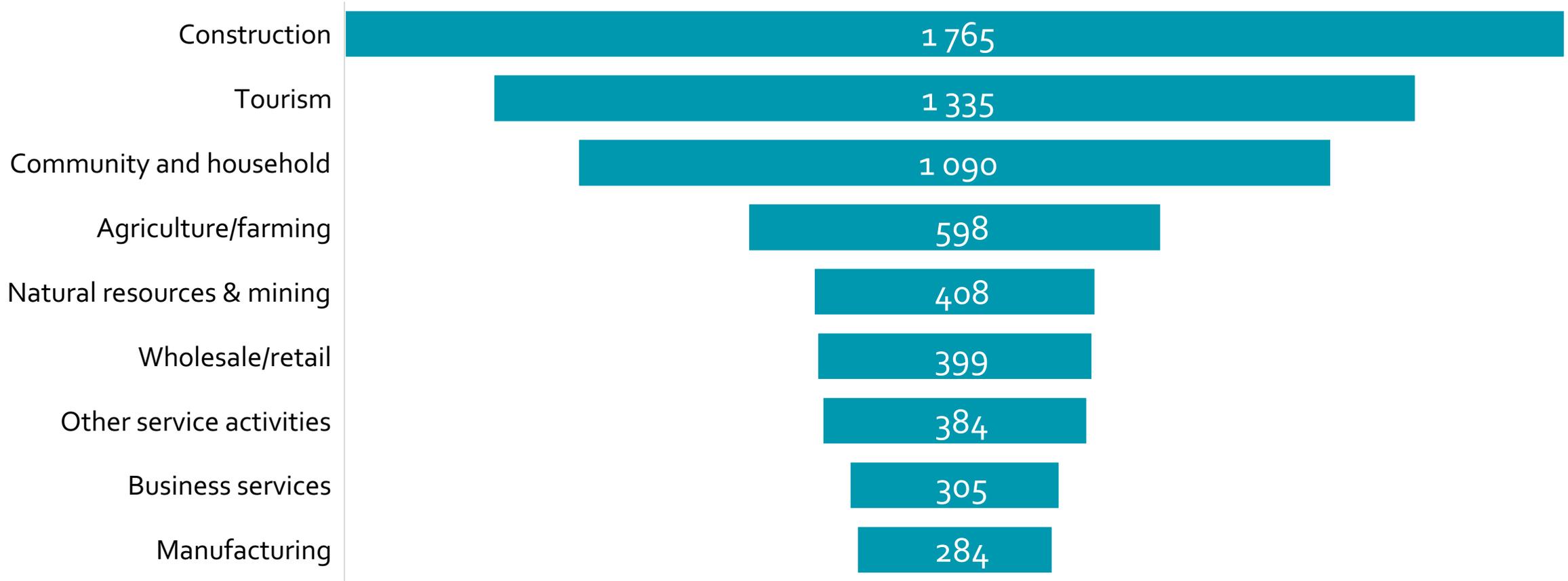
Business owner **dependency** on business has **increased in 2022**

Personal monthly income (%)



Personal monthly income: business owners

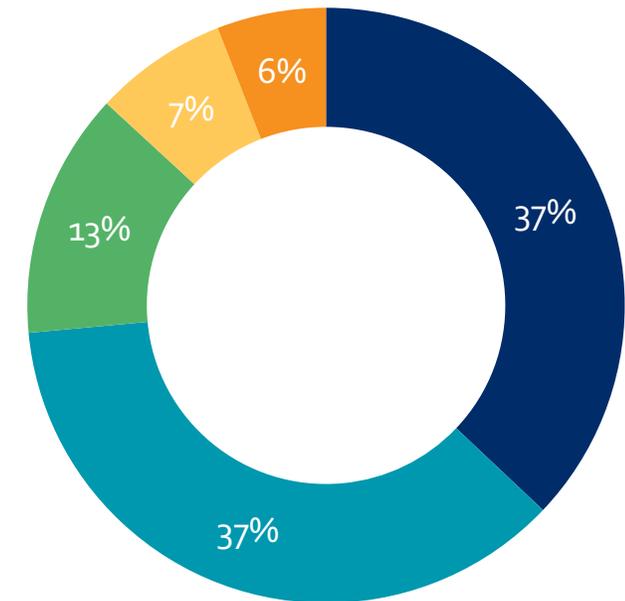
Mean monthly income (USD)



MSMEs by sector: turnover

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 and household	284 million	11,200

Annual turnover of top 5 sectors (%)

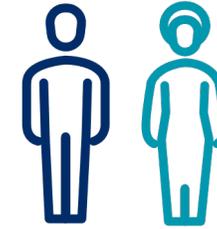


- Agriculture/farming
- Wholesale/retail
- Natural resources & mining
- Construction
- Tourism

MSMEs by sector, gender and province: turnover

Province	Total annual turnover
Harare	2.7 billion
Masvingo	2.6 billion
Midlands	2.5 billion
Mashonaland West	2.5 billion
Mashonaland East	1.4 billion
Mashonaland Central	1.2 billion
Manicaland	430 million
Bulawayo	370 million
Matabeleland North	213 million
Matabeleland South	161 million

USD \$8,4 billion
total annual
turnover



USD \$5,8 billion
total annual
turnover

- **Female** business owners mainly occupy the **wholesale/retail sector (45%)** and **agriculture (35%)** while **males** occupy the **agriculture (46%)** and **retail sector (26%)**.
- The main sectors in **Harare** are **wholesale/retail (47%)**, **tourism (11%)** and **agriculture (10%)**.
- **Masvingo** province is mainly **agriculture (63%)** and **wholesale/retail (31%)** with a similar sectoral dominance for **Midlands** province.

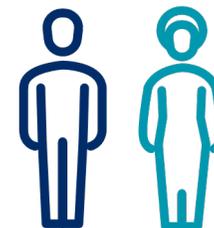
MSMEs by sector: expenses

Sector	Total annual expense (USD\$)	Mean annual expense (USD\$)
Agriculture/farming	1.5 billion	2,530
Wholesale/retail	2.1 billion	3,700
Natural resources & mining	1.6 billion	6,030
Tourism	537 million	12,720
Manufacturing	466 million	7,190
Construction	312 million	17,290
Other service activities	172 million	2,470
Business services	163 million	3,490
Community and household	105 million	4,180

MSMEs by sector, gender and province: expenses

Province	Total annual expenses
Midlands	1.6 billion
Mashonaland West	1.2 billion
Harare	727 million
Mashonaland Central	616 million
Masvingo	538 million
Mashonaland East	348 million
Manicaland	202 million
Bulawayo	116 million
Matabeleland North	106 million
Matabeleland South	89 million

USD \$3 billion
total annual
expense



USD \$2,6 billion
total annual
expenses

- **Matabeleland South** although having the **lowest total annual expenses**, has the **second highest average expenses** of all 10 provinces at USD\$6,340 following Midlands with USD\$6,420.

MSMEs by sector: profit

Sector	Total annual profit (USD\$)	Mean annual profit (USD\$)
Agriculture/farming	3 billion	4,960
Wholesale/retail	2.5 billion	4,360
Natural resources & mining	1.5 billion	64,500
Construction	603 million	33,400
Other service activities	413 million	5,950
Tourism	211 million	5,000
Community and household	162 million	6,440
Business services	92 million	1,970
Manufacturing	36 million	550

MSMEs by sector: profit

Size	Mean Annual Turnover (USD\$)	Mean Annual Expense (USD\$)	Mean Profit (USD\$)
Individual entrepreneur	5,760	3,229	2,516
Micro-enterprise	22,101	5,616	16,484
Small enterprise	35,327	4,553	30,773
Medium enterprise	90,067	59,830	30,273

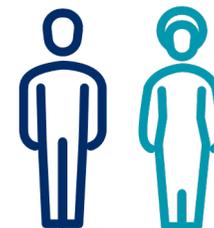
Total MSME Profit (*Value addition*)

USD \$8.6 billion

MSMEs by sector, gender and province: profit

Province	Total annual profit
Masvingo	2.1 billion
Harare	2 billion
Mashonaland West	1.2 billion
Mashonaland East	1 billion
Midlands	911 million
Mashonaland Central	615 million
Bulawayo	237 million
Manicaland	227 million
Matabeleland North	107 million
Matabeleland South	72 million

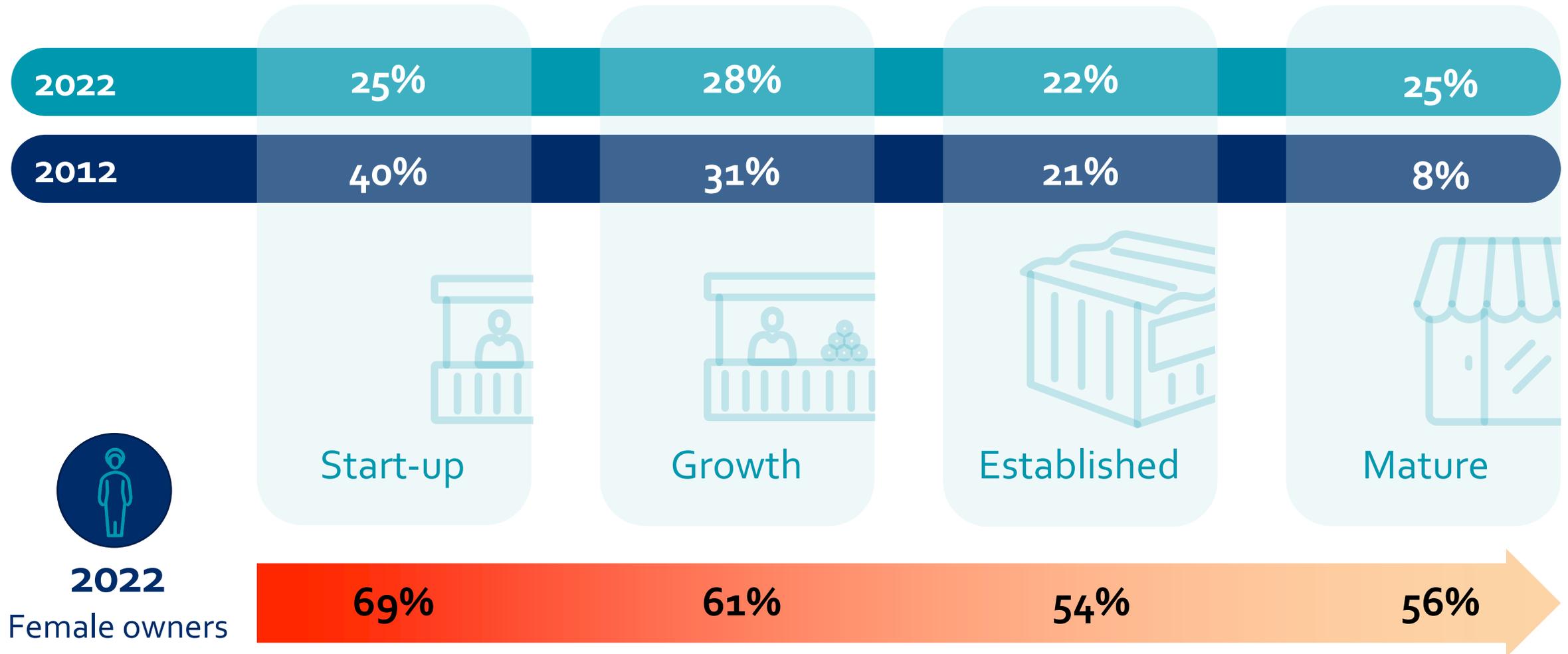
USD \$5.4 billion
total annual profit



USD \$3.2 billion
total annual
profit

- **Female business owners average lower profit** of USD\$3,540 profit annually while male business owners average USD\$9,435 — **more than double.**

Business lifecycle (business age)

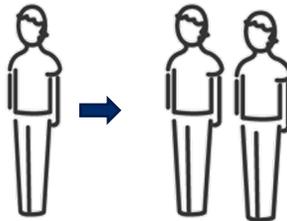


Business lifecycle (business age) by sector

Sector	Start-up (0-2 years)	Growth (3-5 years)	Established (6-10 years)	Mature (11 years and older)
Agriculture/farming	18	25	20	37
Manufacturing	28	24	17	31
Construction	28	23	21	28
Business services	43	7	25	25
Wholesale/retail	29	31	23	17
Community and household	31	26	30	13
Other service activities	38	37	13	12
Natural resources & mining	2	40	49	9
Tourism	27	37	31	5

Access to markets

1% export their produce (while **5%** import supplies mainly to and from South Africa)

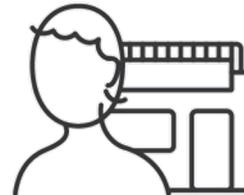


7% middlemen or agents

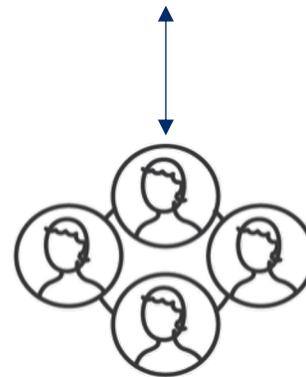
88% have walk-in, private customers



9% trade with larger business
8% government



18% trade with other MSMEs



Access to markets by sector

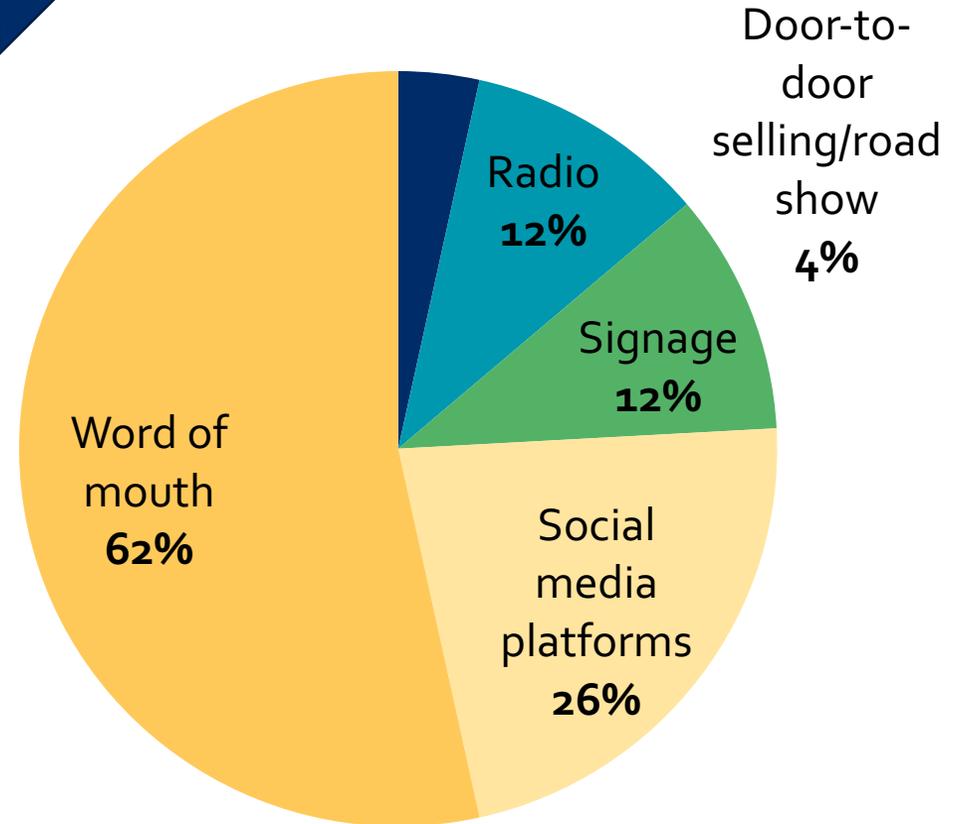
Sector	Walk-in's / private clients (%)	Other MSMEs (%)	Large business (%)	Government (%)	Middlemen/ Agent (%)
Agriculture/farming	68	24	21	20	13
Manufacturing	99	40	5	-	3
Construction	98	47	12	-	1
Business services	99	7	1	-	-
Wholesale/retail	99	10	-	1	1
Community and household	86	22	1	5	14
Other service activities	100	9	1	-	-
Natural resources & mining	44	28	-	15	31
Tourism	97	16	1	-	5

Access to markets

- About **1 in 4** MSMEs (27%) do not market or advertise their product
- Only **1%** have submitted tender proposals (mostly small enterprises) with a **45%** success rate



Marketing tool used (%)



Payments are largely cash (**91%**) and DFS (**35%**)

Employees: overview

- There are about **302 thousand** full-time employers with **1,3 million** full-time employees (FTE)
- **337 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 a high school education and 39% have vocational or university qualification

56% are aged between 31 – 50 years



99% - Largely paid in cash



Employee benefits include:

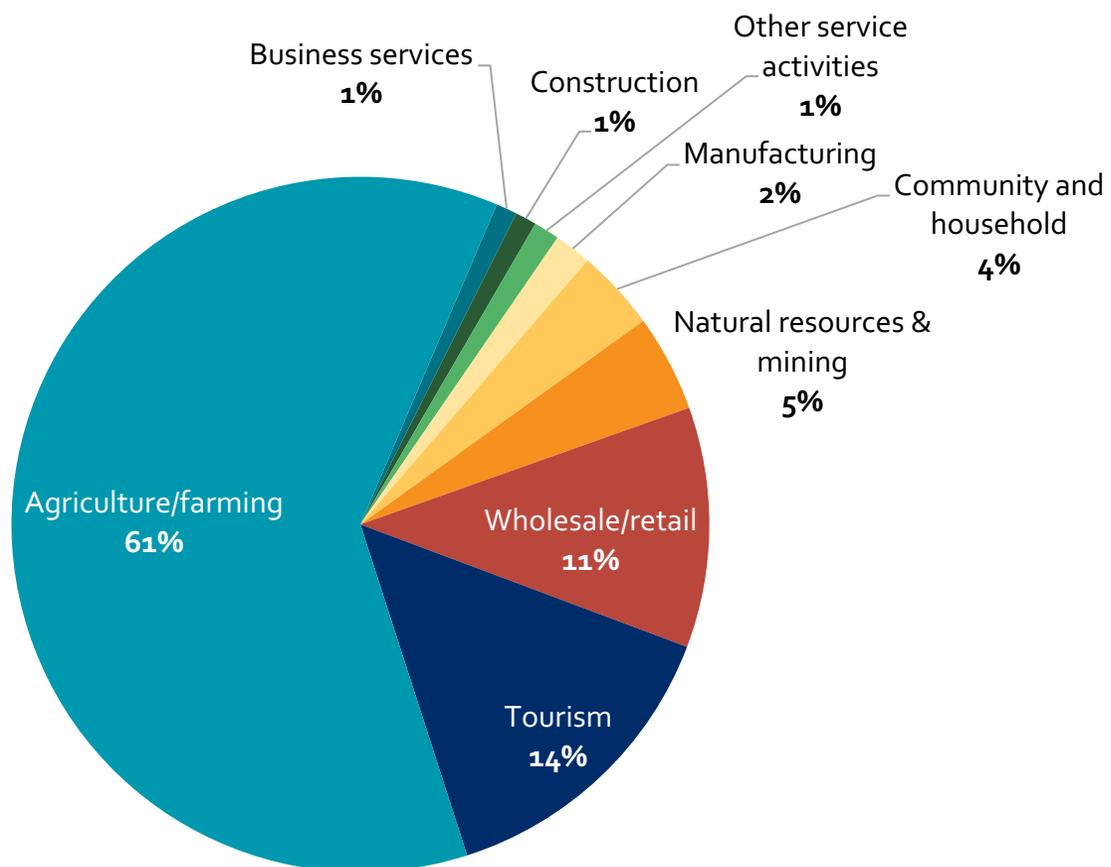
Accommodation – 9%

Meal subsidy – 5%

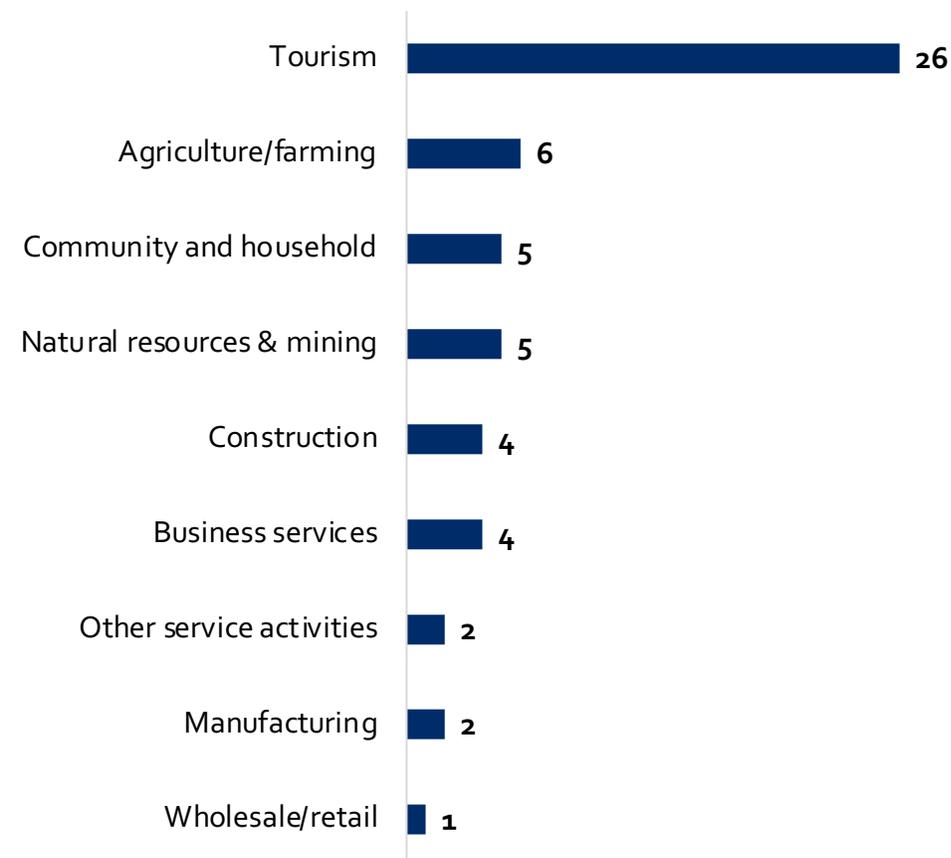
Transport subsidy – 4%

Employees: by sector

Share of full time employee by sector (%)



Average number of employees (FTE)



Overview

	 2022	 2012
 More micro-entrepreneurs	91%	72%
 More female-owned largely micro-enterprises (90%)	60%	53%
 Mostly located in rural areas	71%	66%
 Youth entrepreneurs below 35 years	37%	43%
 Secondary education or higher	65%	69%



Agriculture and mining sectors

Agriculture and farming

643,000 farmers (39% of MSME sector) in primary agriculture
 Median land size is 3 hectares

Source of farming inputs

- **34%** Selling crop or livestock
- **19%** Use other income source
- **3%** Borrow from Agric-input supplier
- **0.3%** get from other eg government program



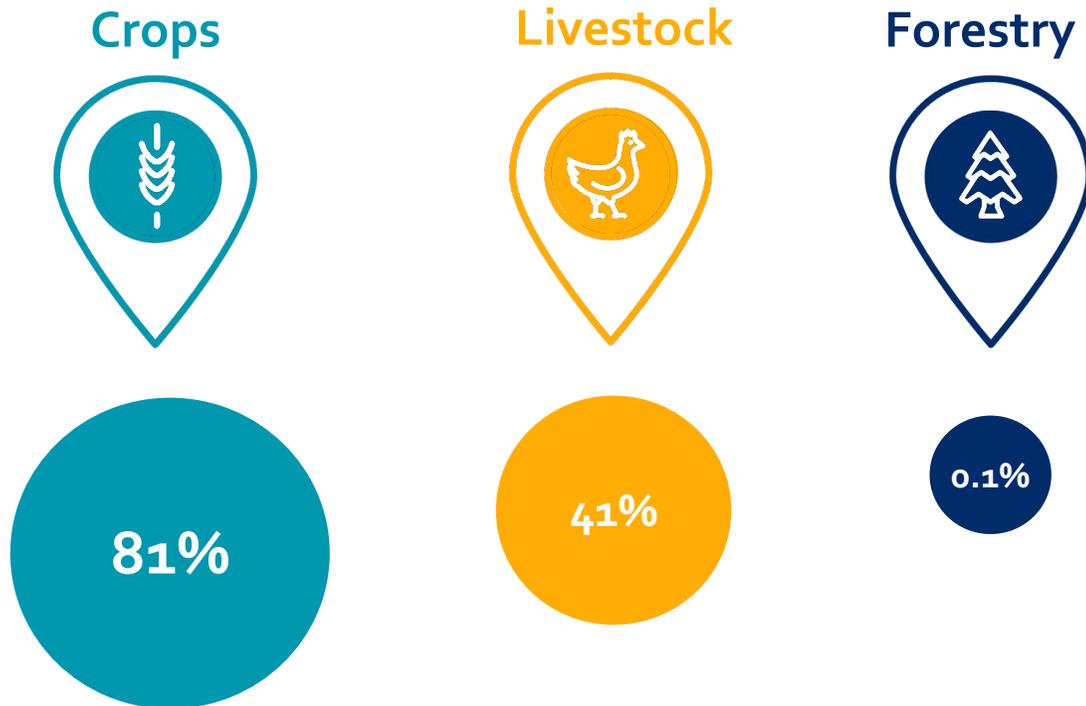
Markets for produce

- **31%** Directly to consumers
- **28%** Retailers
- **23%** Collection centres
- **16%** Middlemen

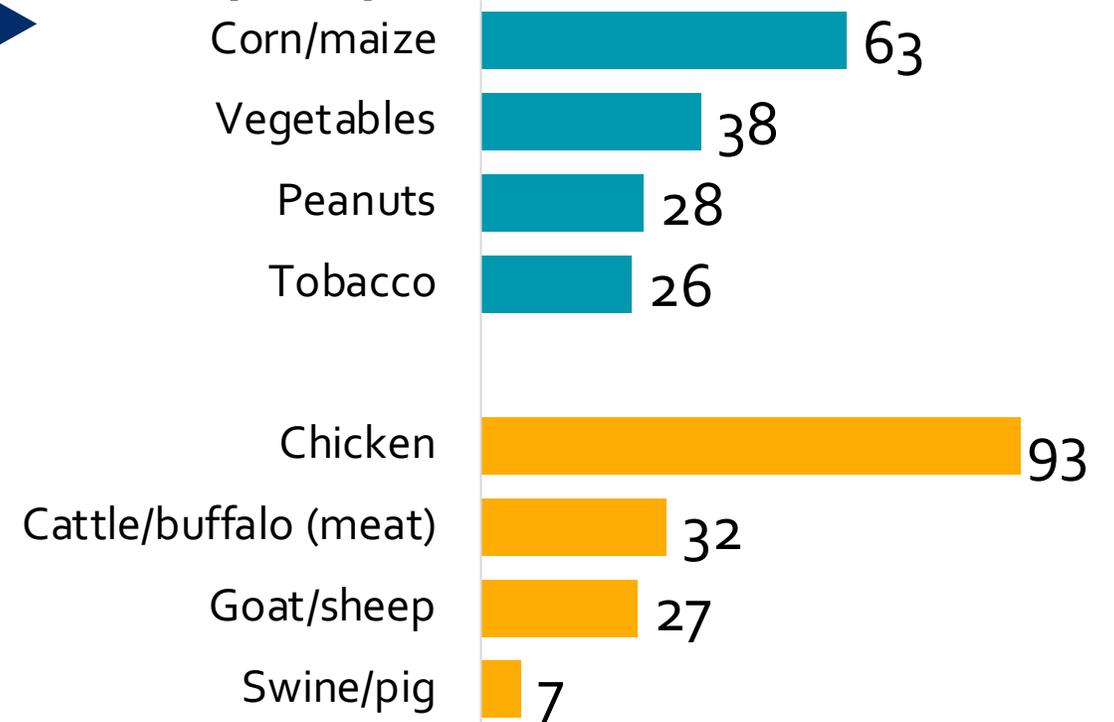
Agriculture and farming

643,000 farmers (39% of MSME sector) in primary agriculture

Farming sector



Top crops and livestock (%)



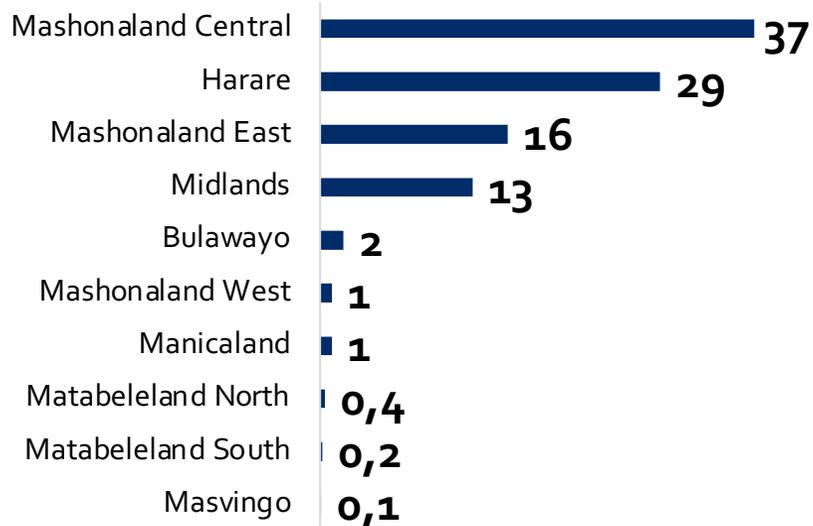
Mining and natural resources

24,000 MSMEs (2% of the MSME sector) involved in mining

17% of MSMEs are formal

Independent entrepreneur (53%), micro-enterprise (32%) and small enterprise (16%)

Mining by Province (%)

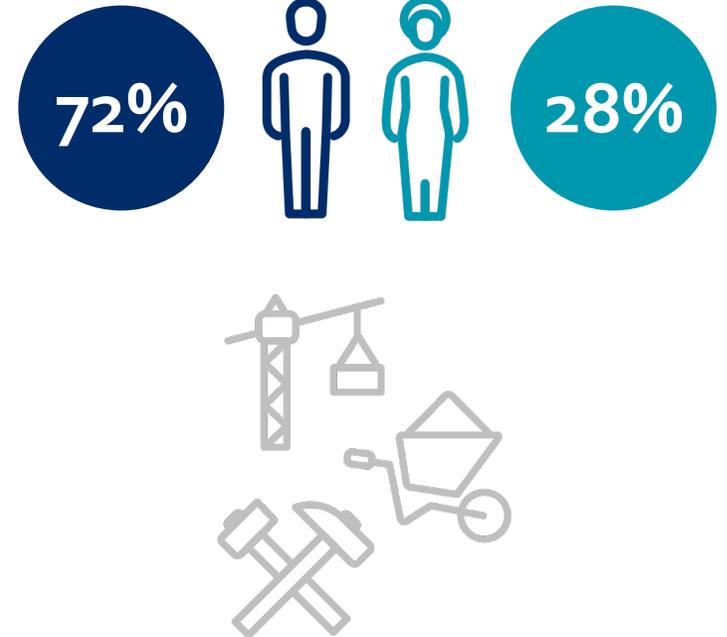


Most common minerals mined are:

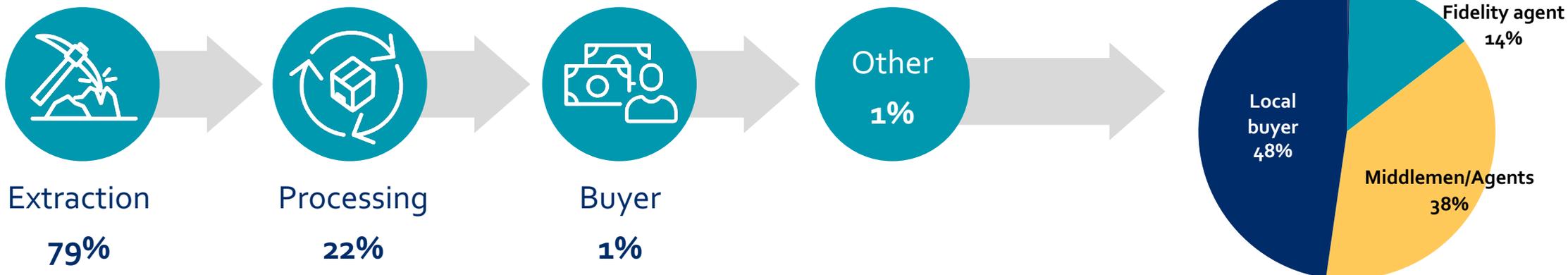
Gold (83%)

Ruby (8%)

Other (9%) – unspecified



Mining and natural resources



Challenges experienced in mining (%)



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

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



Business support and Impact of COVID-19

Business support

Business support and usage (%)



Awareness of support organisations

- **92%** are aware of an organisation giving assistance or advice to MSMEs

Usage of support organisations is low

- **10%** of those aware of an organisation giving business support used their service

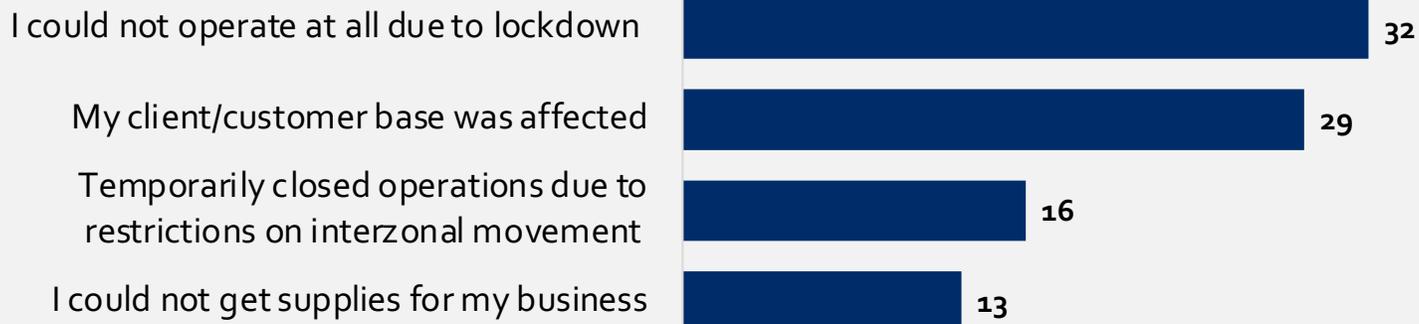
Support received

- **25%** Extension services
- **24%** How to get loans, finance and operating on credit
- **14%** Laws and regulations for MSMEs
- **13%** Productivity enhancement

Impact of COVID-19 on business

- **23%** of MSMEs were/are classified as Essential Service 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 NETT impact on their business while others considered it positive (12%) or no major impact

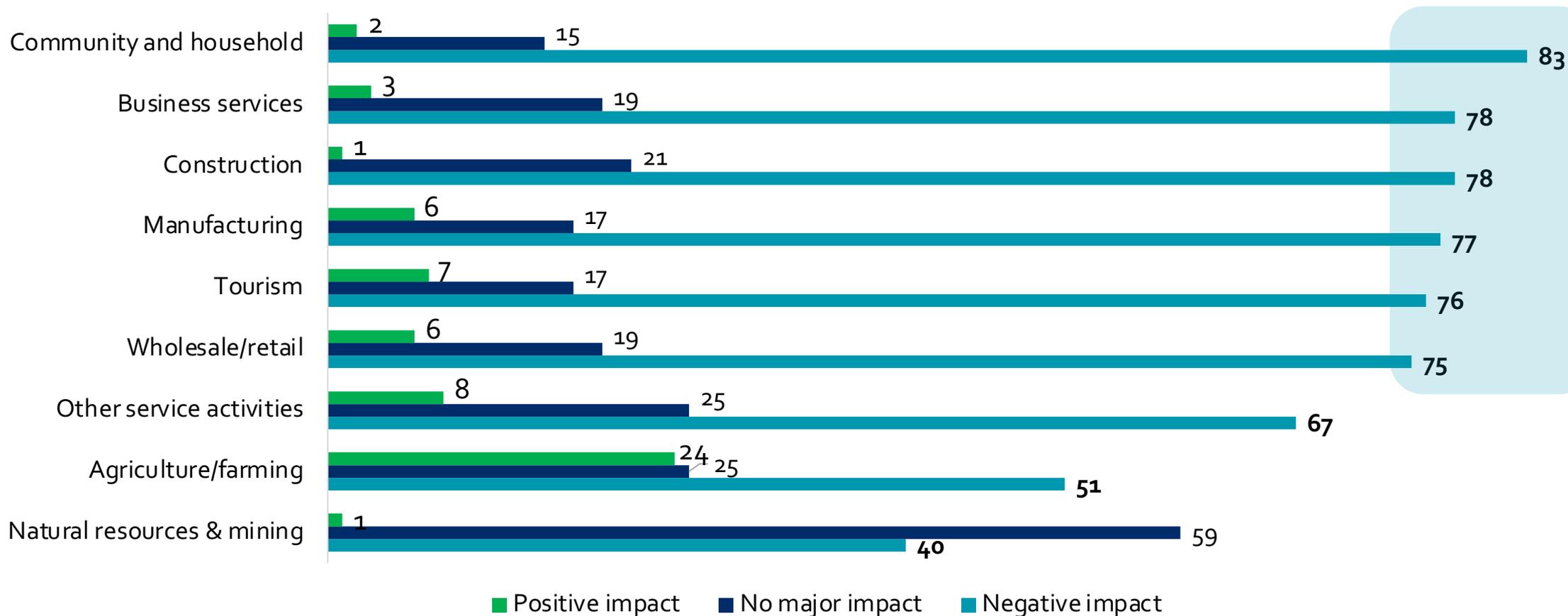
Negative impact on business (%)



A positive impact was experienced mainly on increased demand for business product or more labour at home due to lockdown particularly in agriculture

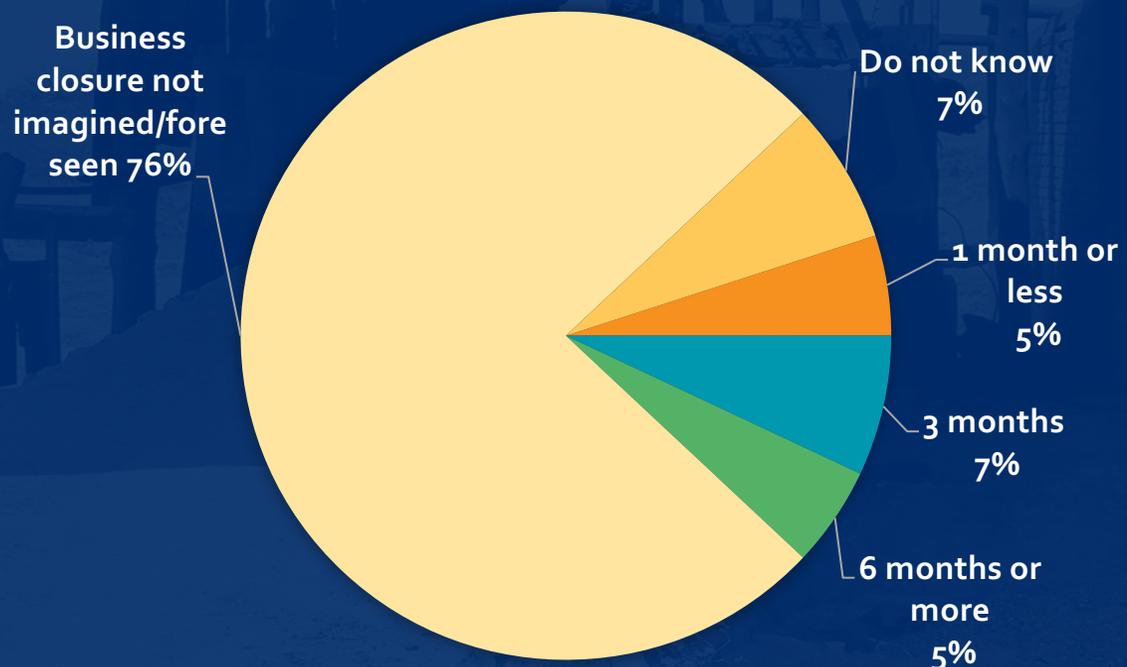
Impact of COVID-19 on business by sector

Nett impact of COVID-19 by sector (%)



Business impact of COVID-19

Business closure if pandemic persists (%)



Financial measures being taken or considered to mitigate COVID-19 business risk:

- **43%** Started exploring new business ventures
- **25%** Diversified their product or service offering
- **5%** Applied for Government relief funds with **1%** claiming to have benefitted

Business challenges

Business challenges and needs

29% Claim their business to be successful



Perception of business performance (%)



Operational problems

- Sourcing finance – **44%**
- Cashflow – **20%**
- Access to markets – **18%**
- Logistics – **14%**

Growth obstacles:

- Access to finance – **36%**
- Space to operate – **17%**
- Lack of market – **10%**

Business operational needs

- **54%** keep financial records

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



- **47%** have regulation-related issue

- *Claim laws and regulations to be an issue since they started a business*



- **39%** highlight infrastructure issues

- *Lack of premises and storage. Connection to water*



Entrepreneur perceptions



Perceptions and attitudes (%)



■ 2012 ■ 2022

Insight: pulling it together

- 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 in addressing the gender gap.
- More individual entrepreneurs were 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 the 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 of 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 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, SMEDCO among others should be prioritised.

Insight: pulling it together

- 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. The 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 the 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.

Access to financial services and products

Financial inclusion framework

Total business owner (BO) population = Minimum age (18 years) defined by the age at which individuals can enter into a legal financial transaction in their own capacity

Financially included = BOs who have/use financial products and/or services for business purposes – formal and/or informal

Financially excluded = BOs who do not have/use any financial products and/or services – if borrowing, they rely only on friend/family; and if saving, they save at home

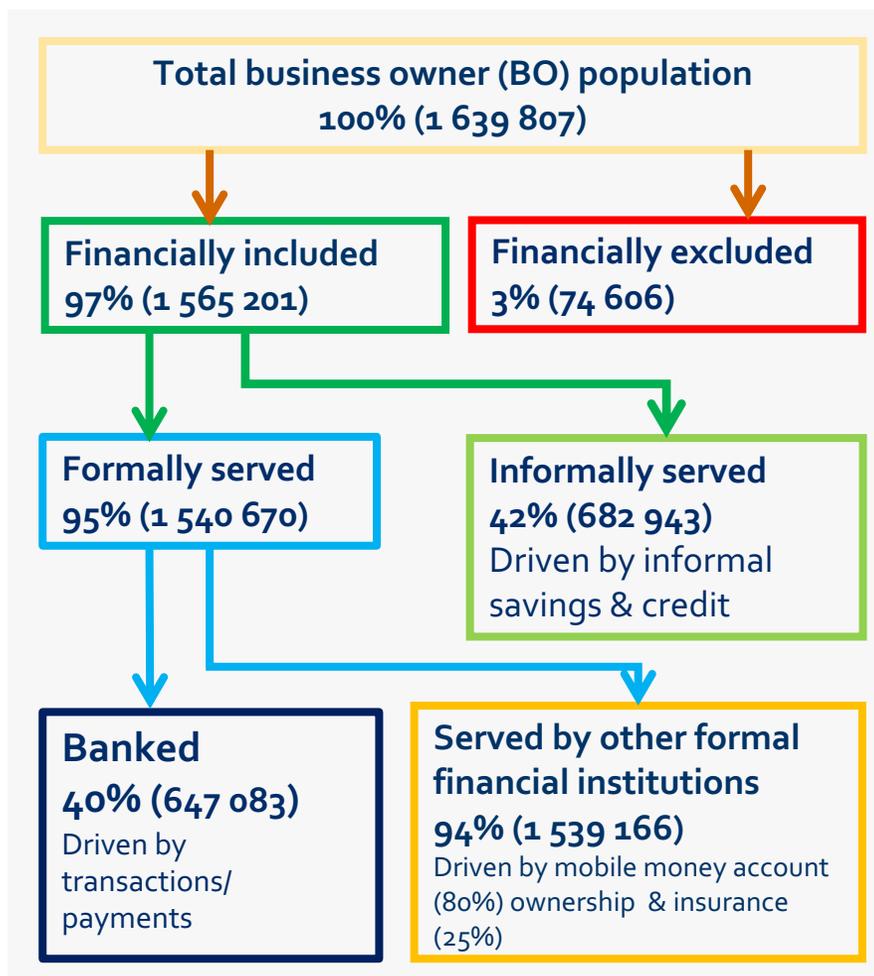
Formally served
= BOs who have/use formal financial products and/or services provided by a formal financial institution (bank and/or non-bank)

Informally served
= BOs who have/use financial products and/or services which are not regulated, eg farmer associations, saving clubs/groups, private money lenders

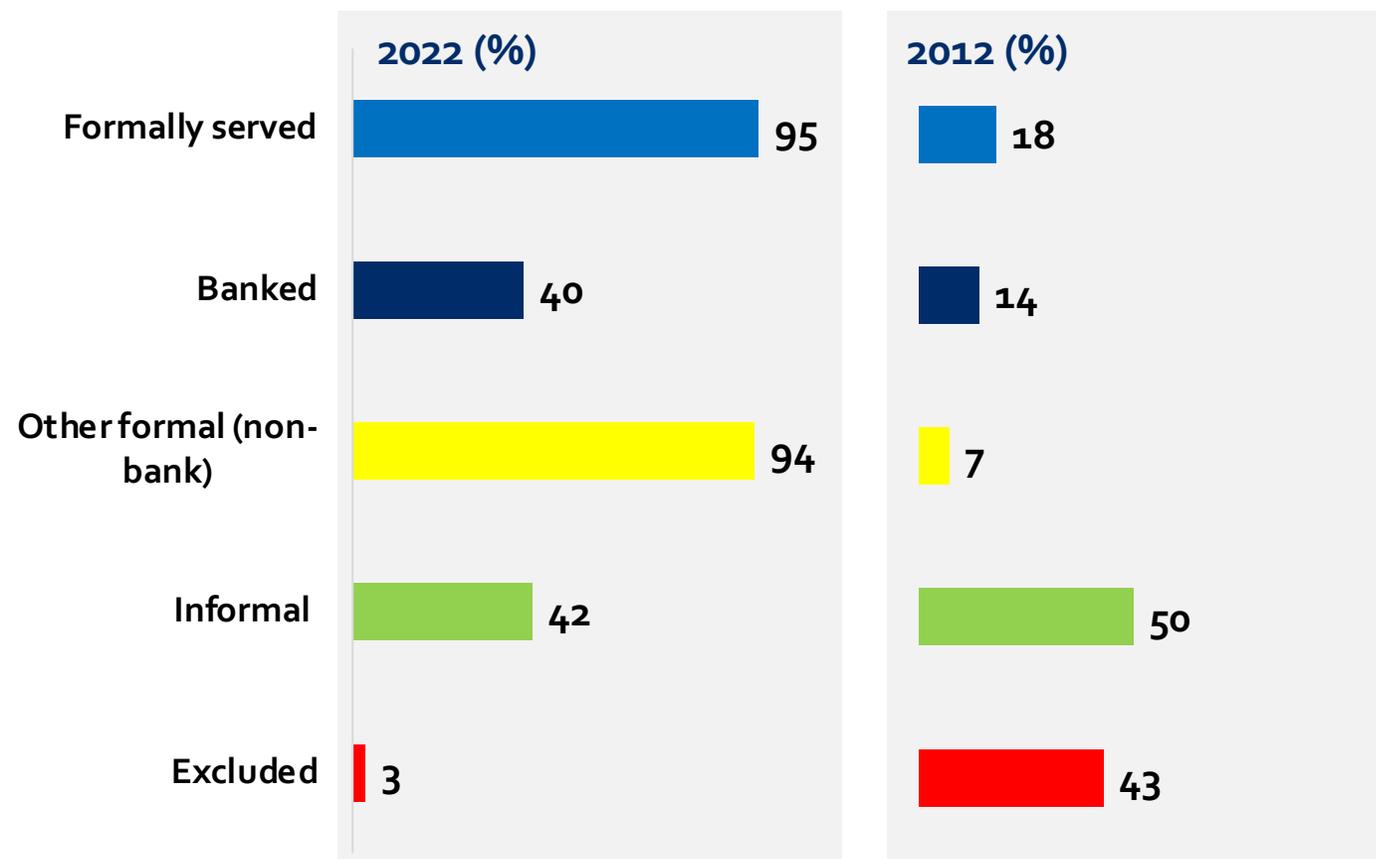
Banked
= BOs who have/use financial products and/or services provided by a banking institution regulated by the Reserve Bank of Zimbabwe

Served by other formal financial institutions
= BOs who have/use financial products and/or services provided by regulated non-bank formal financial institutions, eg insurance companies, micro-finance institutions and mobile money

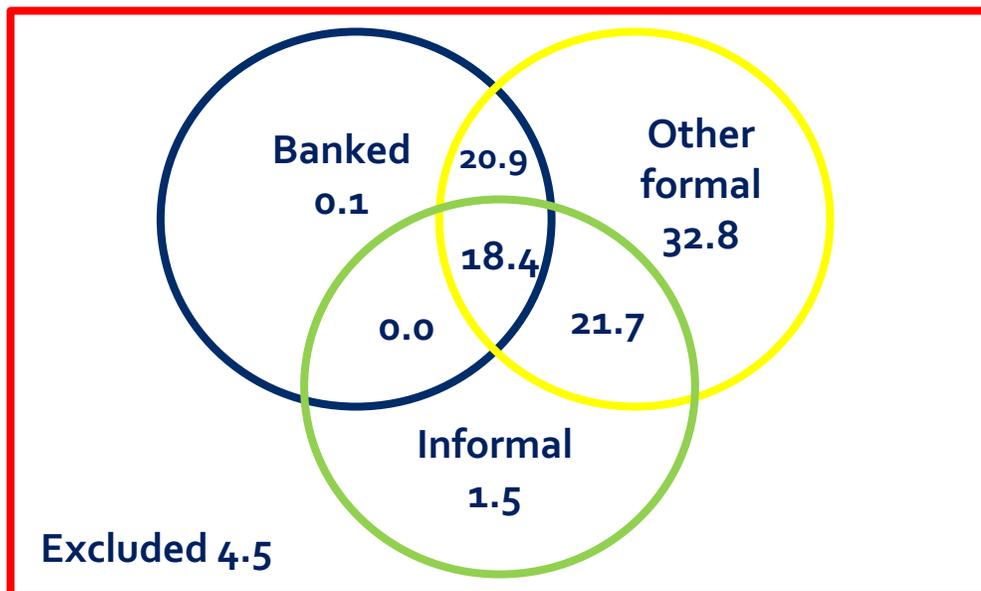
Financial inclusion of Zimbabwean MSMEs (with overlaps)



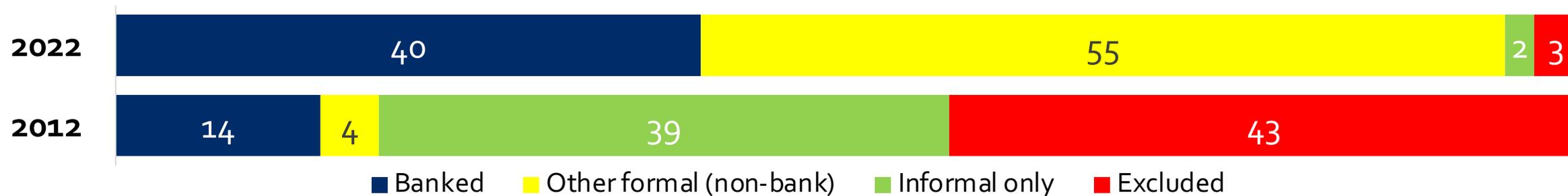
Financial access (with overlaps)



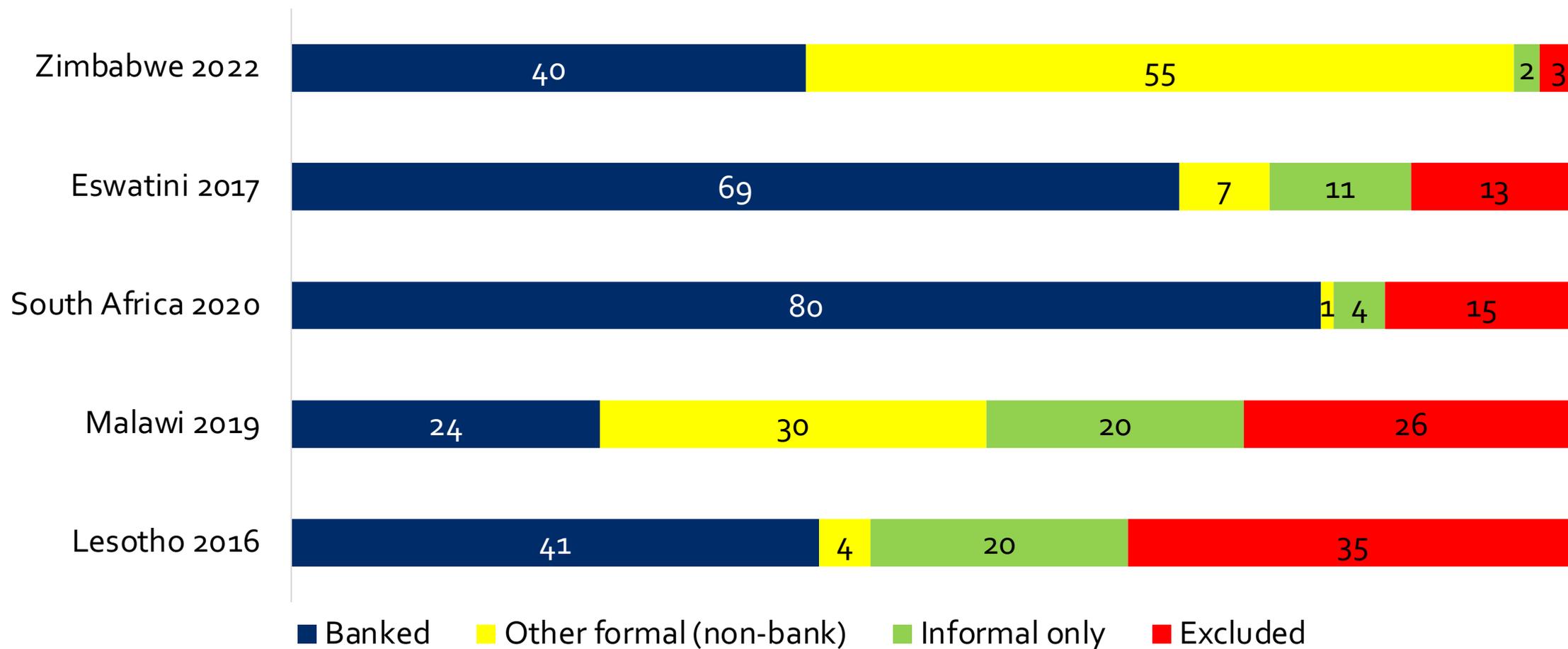
Overlaps and financial access strand



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



Financial access strand by country



Banking: drivers and needs

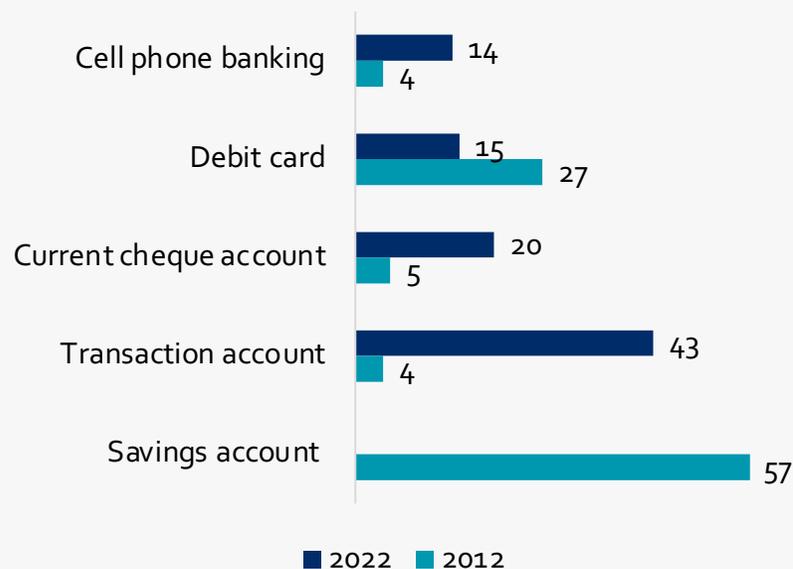


One in three banked businesses use bank digital financial services ie electronic transfers, online banking, etc.

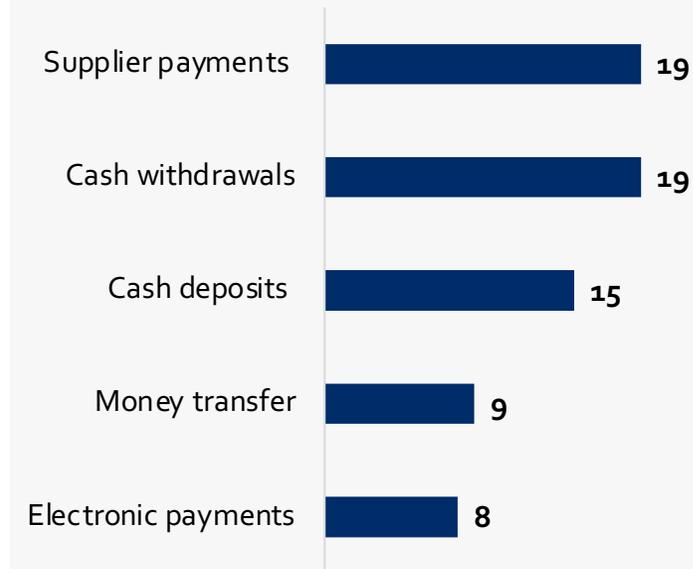
2022: Banked business owner population increased to 40% largely driven by transactions.

While bank account access has increased among business owners population, usage for business purposes is lower ie, only 3% of the banked business owners have the account in the name of the business.

Main bank products driving transactions (%)

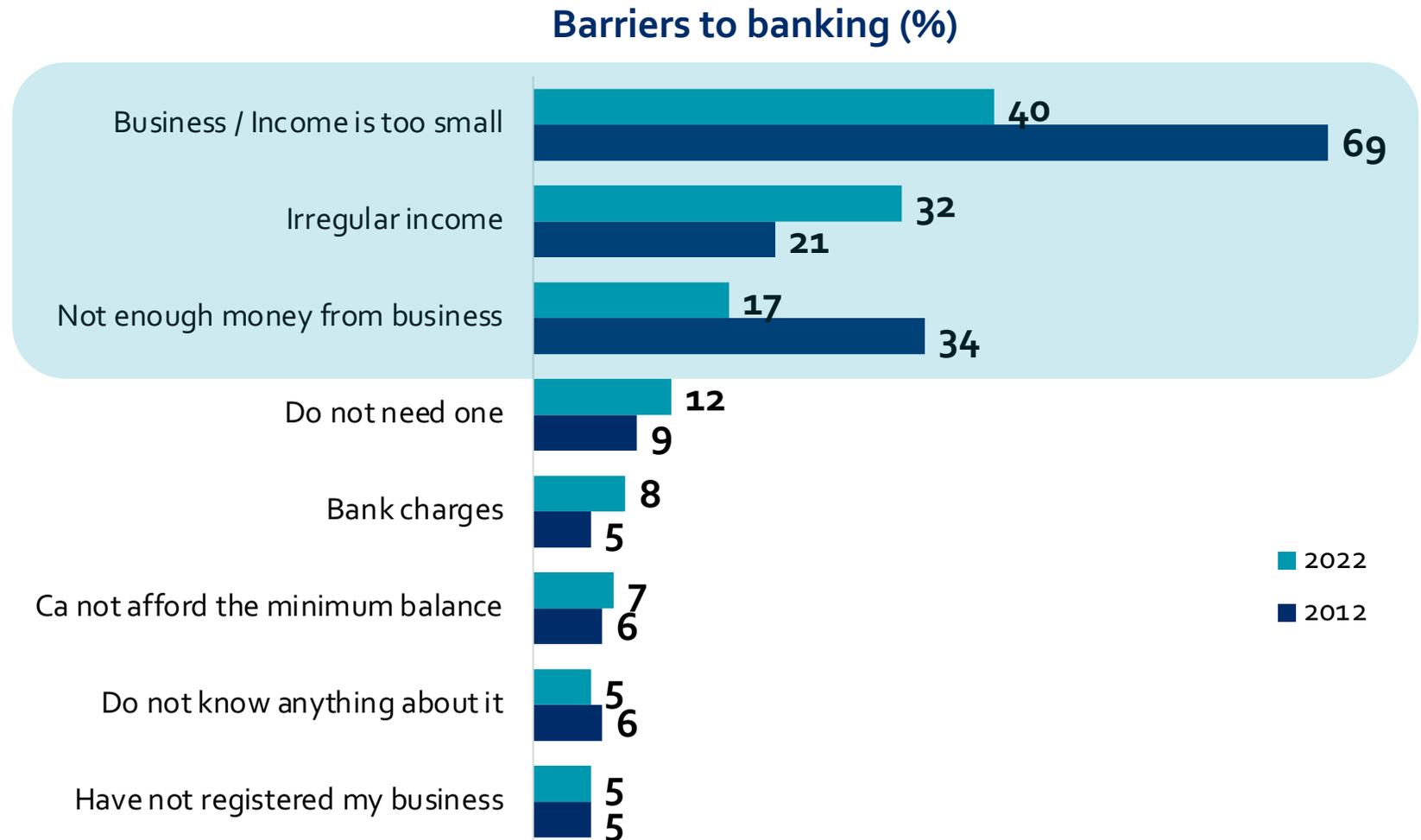


Main transactions performed in 2022 (%)

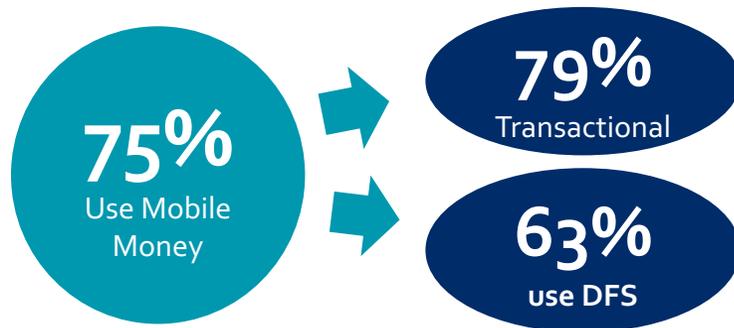


Banking: barriers

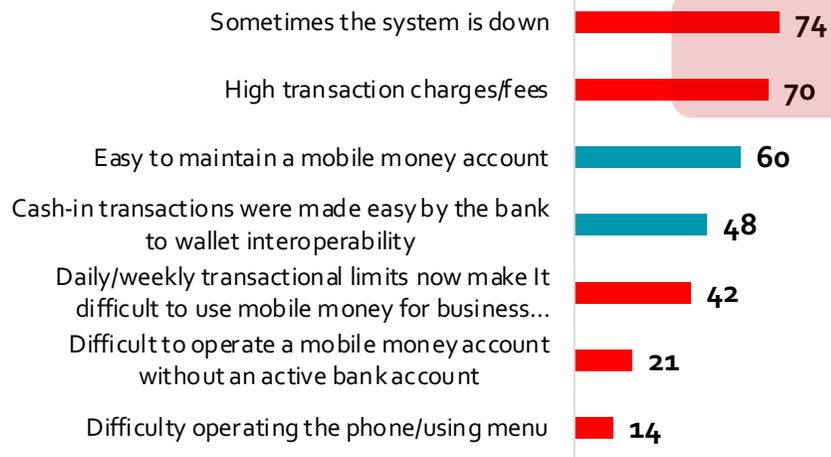
- No changes in the actual barriers to banking since 2012.
- The main barrier to banking is business size. Not surprisingly, **the most unbanked** business owners are **individual entrepreneurs**
- Irregular income (personal and business) is mentioned as a barrier which points to the frequency business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



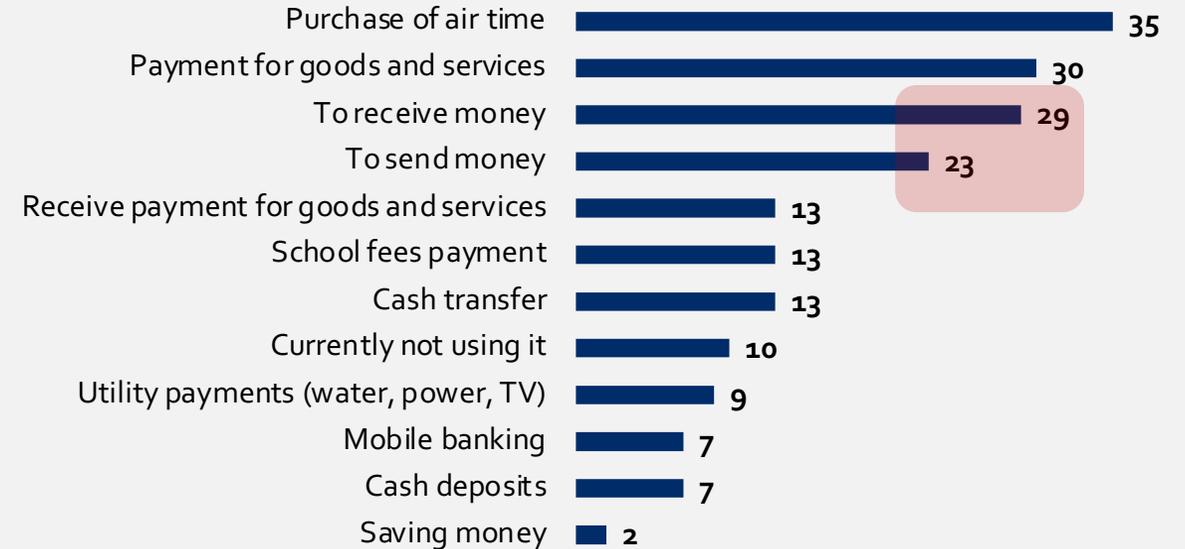
Mobile money



Mobile Money usage perceptions (%)



Usage of Mobile Money (%)



While mobile money has one in three MSMEs using it, a good proportion of the usage is linked to **remittances which is a source of capital injection**

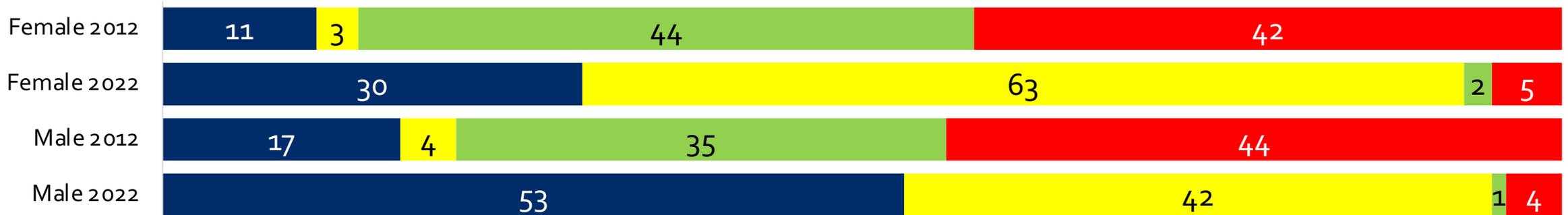
High transaction fees/cost of mobile money and limits have been indicated to make it difficult for business payments

Financial inclusion: area and gender (%)

Financial Access Strand by Area (%)

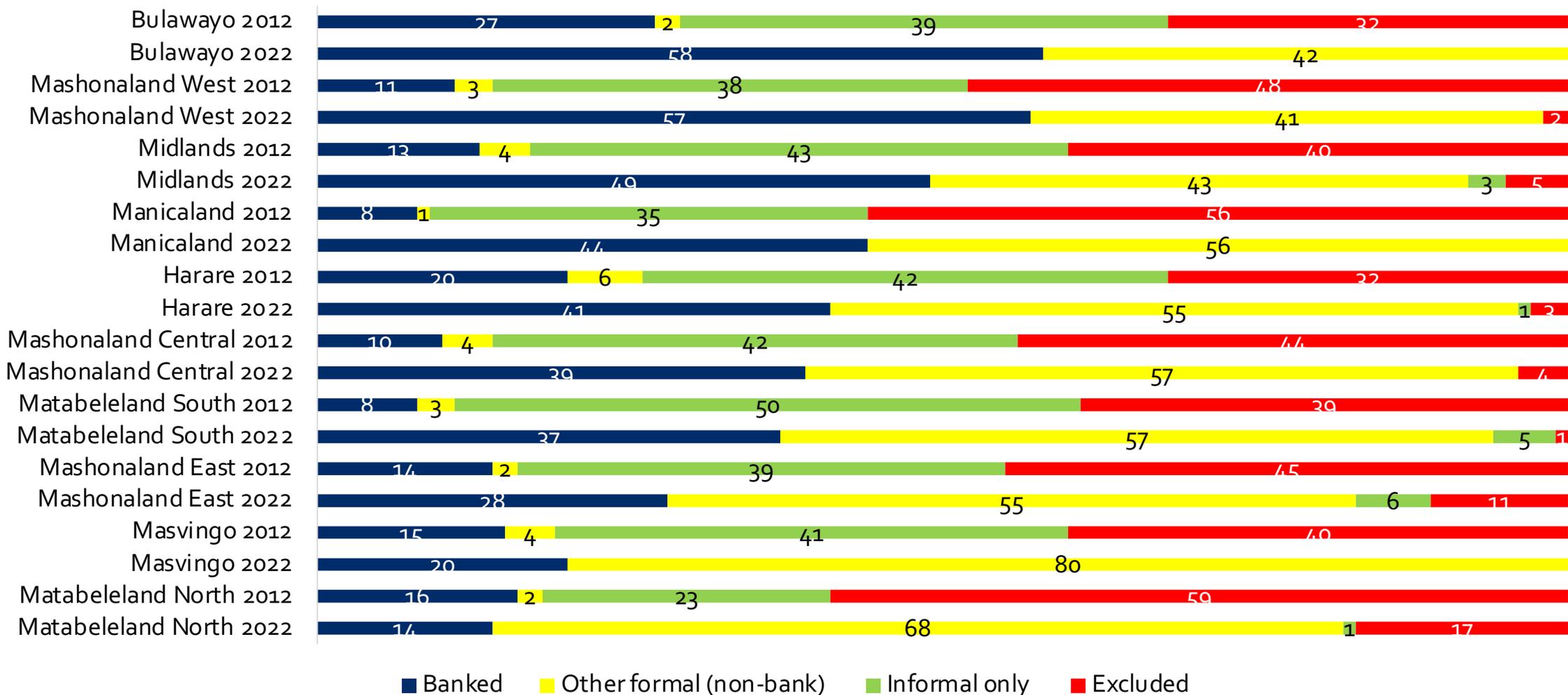


Financial Access Strand by Gender (%)



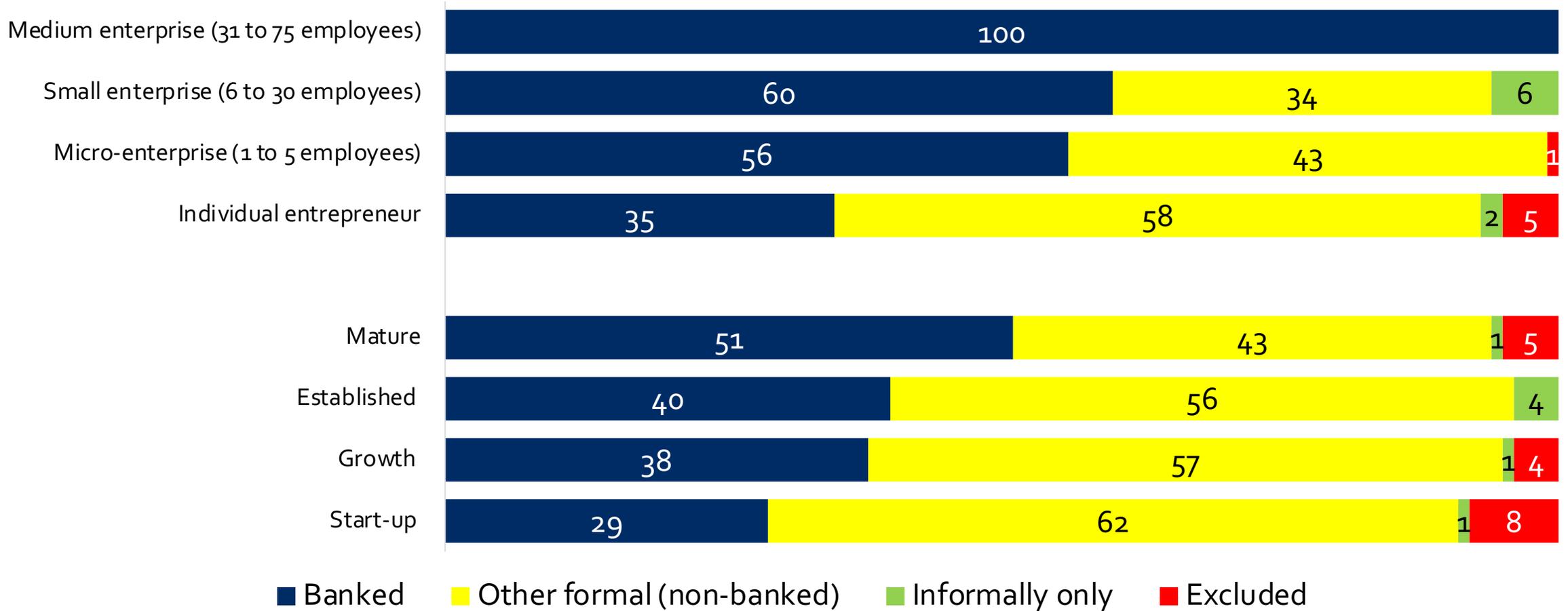
■ Banked
 ■ Other formal (non-bank)
 ■ Informal only
 ■ Excluded

Financial inclusion: province (%)

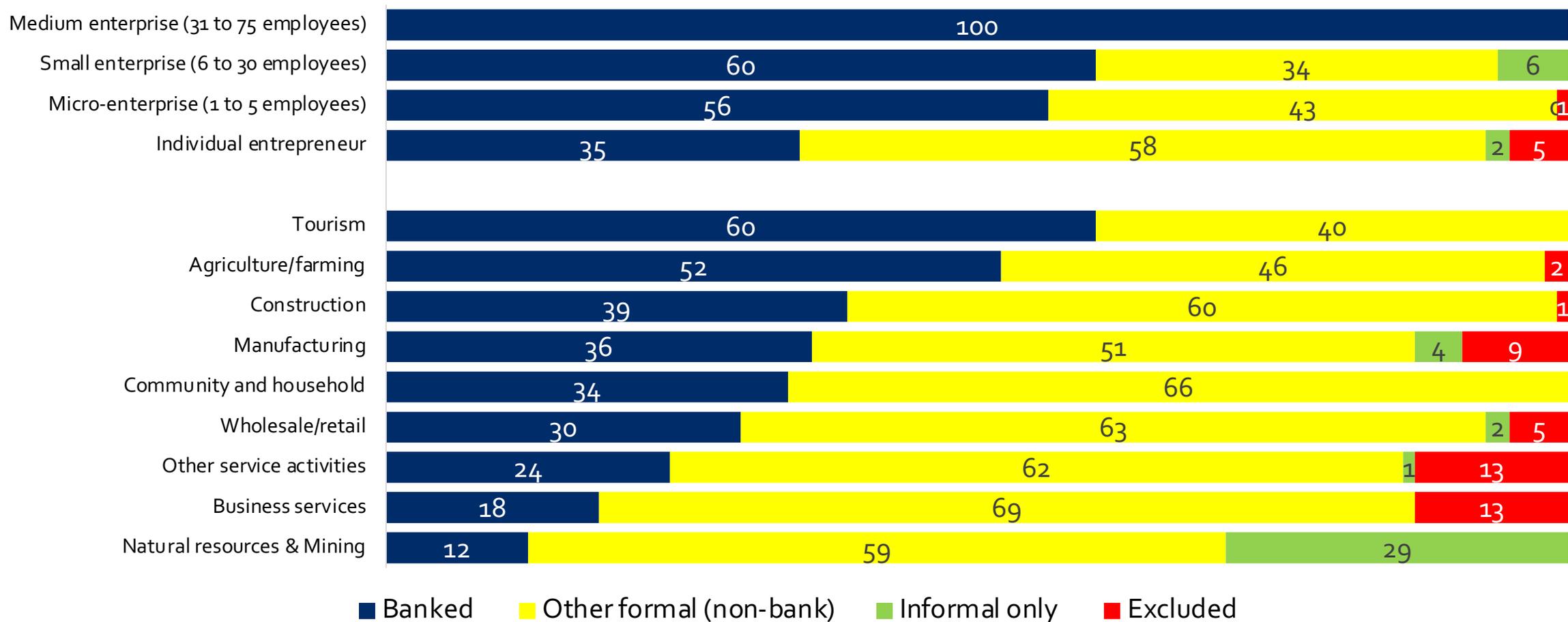


■ Banked
 ■ Other formal (non-bank)
 ■ Informal only
 ■ Excluded

Financial inclusion: life cycle and business size (%)



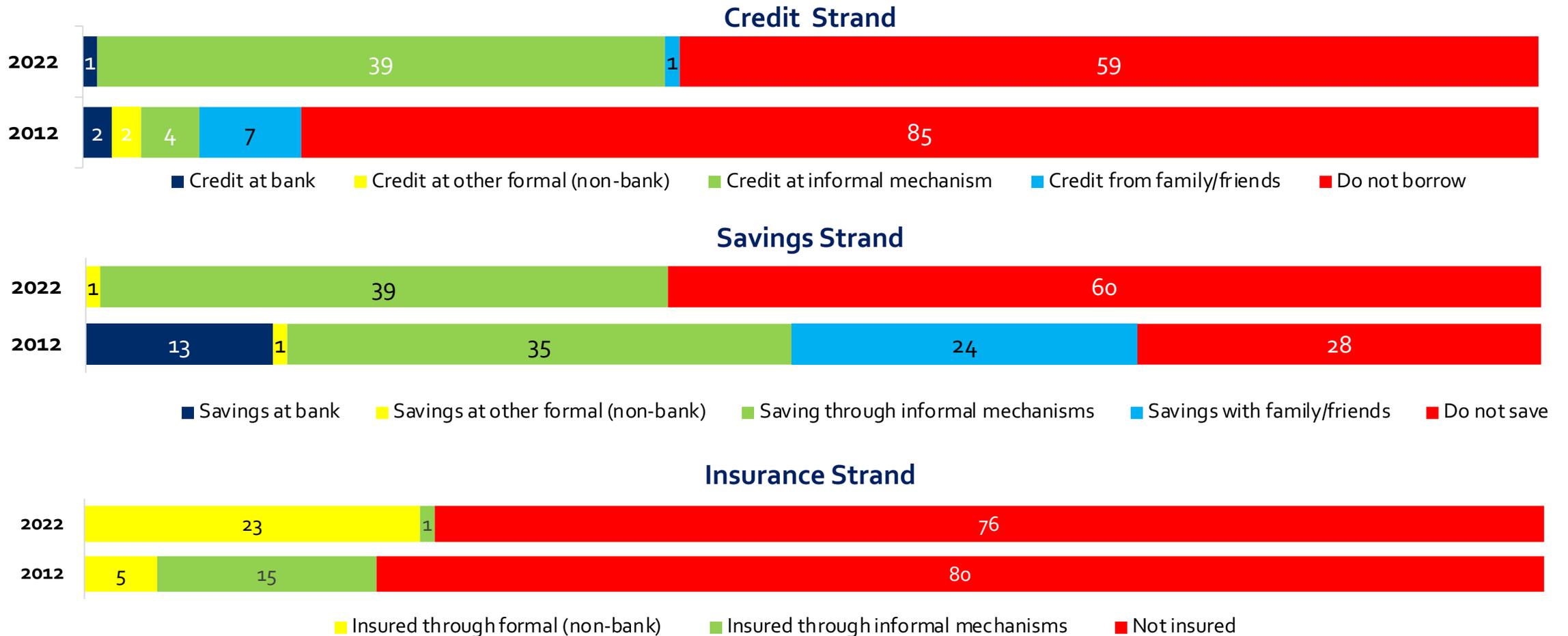
Financial inclusion by sector (%)



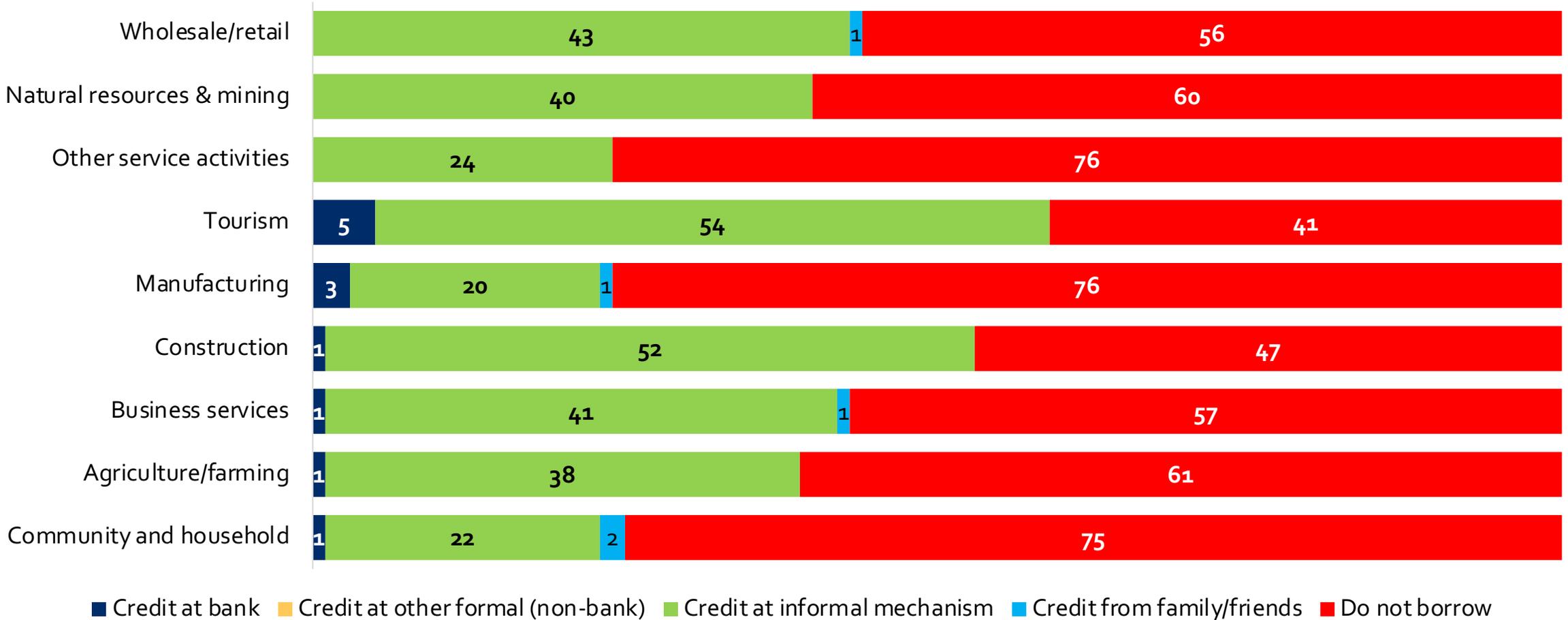
Financial access overview

- Financial inclusion has improved among the MSME owner population in Zimbabwe in the past decade in the first tier of **access** with 95 per cent having formal financial products
- 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. 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 are banking and mobile money products and services is largely for payments with banking (42%) and mobile money (75%) with insurance having one in four businesses being formally insured
- Most provinces have shown very low financial exclusion with the exception of Matabeleland North (17%) and Mashonaland East (11%)

Financial inclusion by product

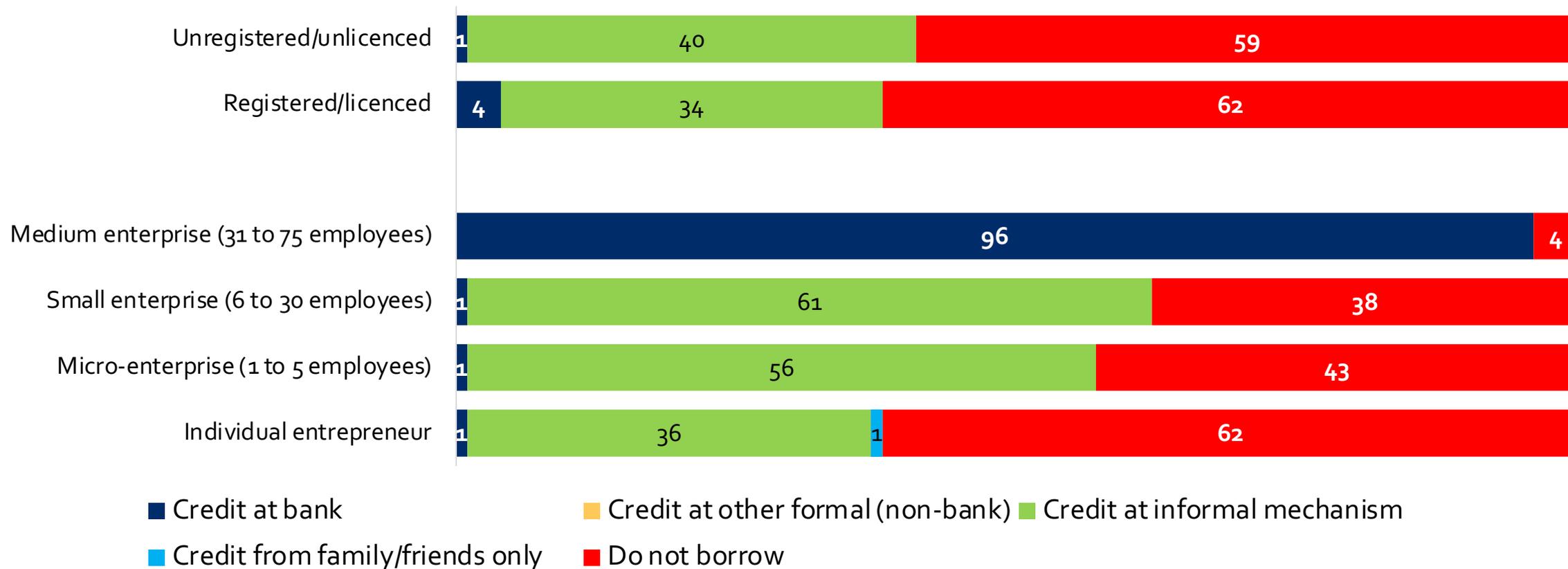


Financial inclusion – access to credit



Financial inclusion – access to credit

Credit Strand (%)



Financial inclusion – barriers to credit

59% of MSMEs are currently not borrowing with the main barriers being lack of qualification, fear of debt and having no need to borrow

Barriers to credit (%)



Financial inclusion – access to insurance

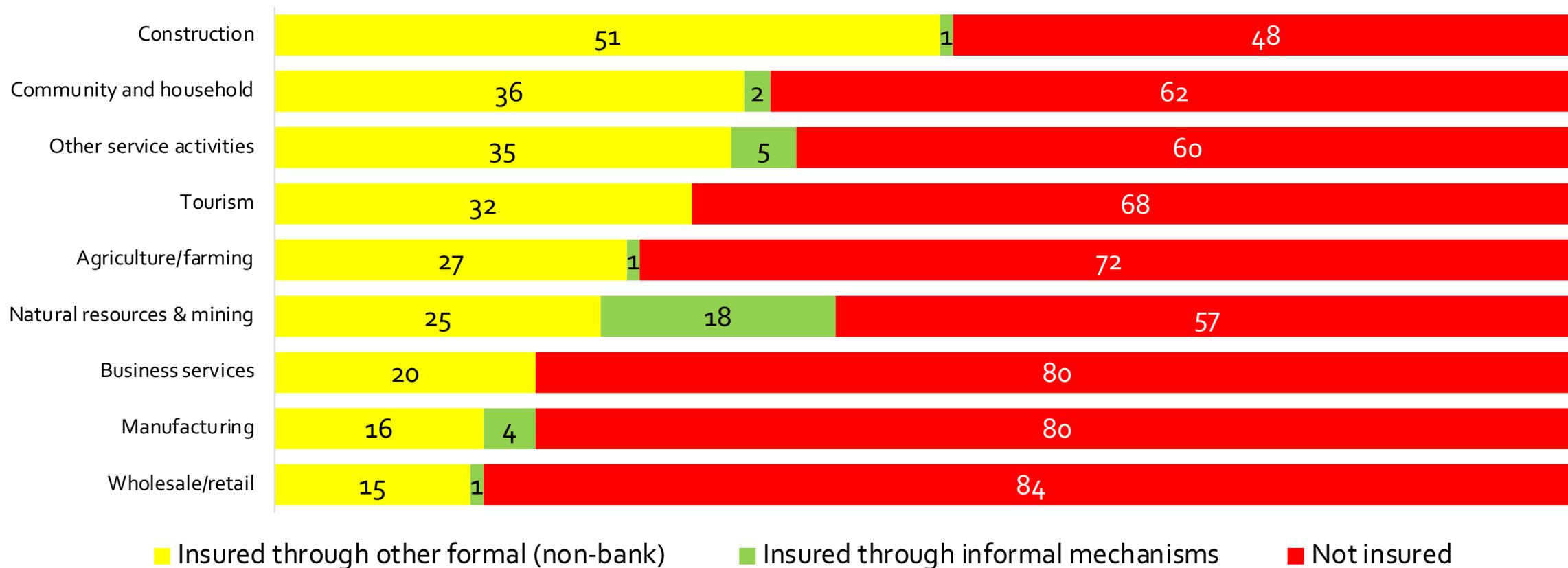
Insurance Strand (%)



- 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 the burial society

Financial inclusion – access to insurance

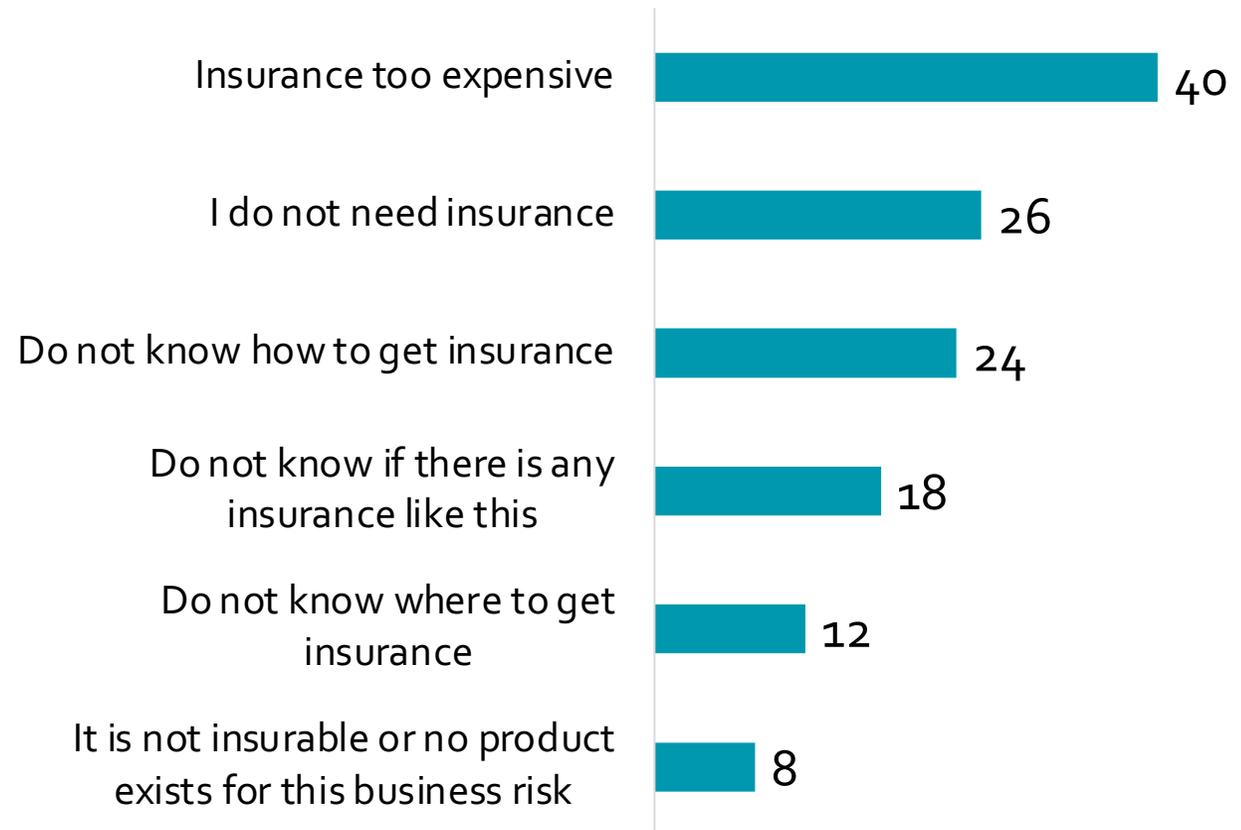
Insurance Strand by Sector (%)



Financial inclusion – barriers to insurance

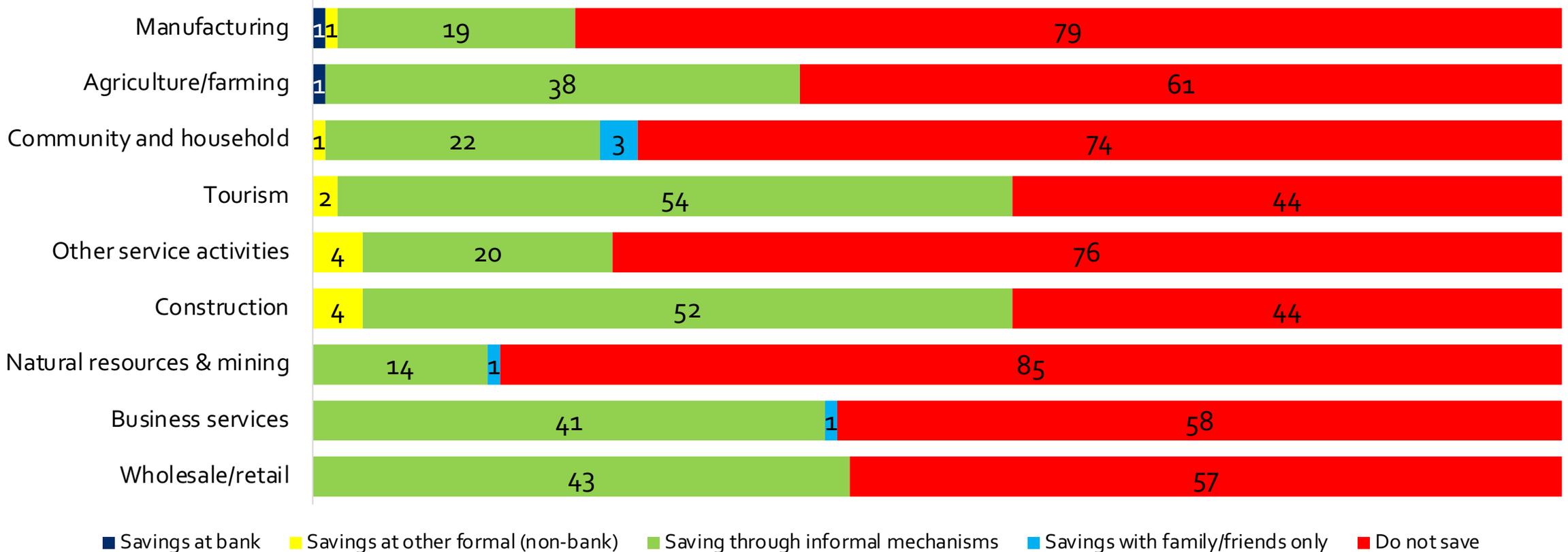
- **76%** of MSMEs are currently not covered for any personal or property risk
- The main barrier is that insurance is expensive and lack of information on how to get insurance and types of insurance relevant to the MSMEs

Barriers to insurance (%)



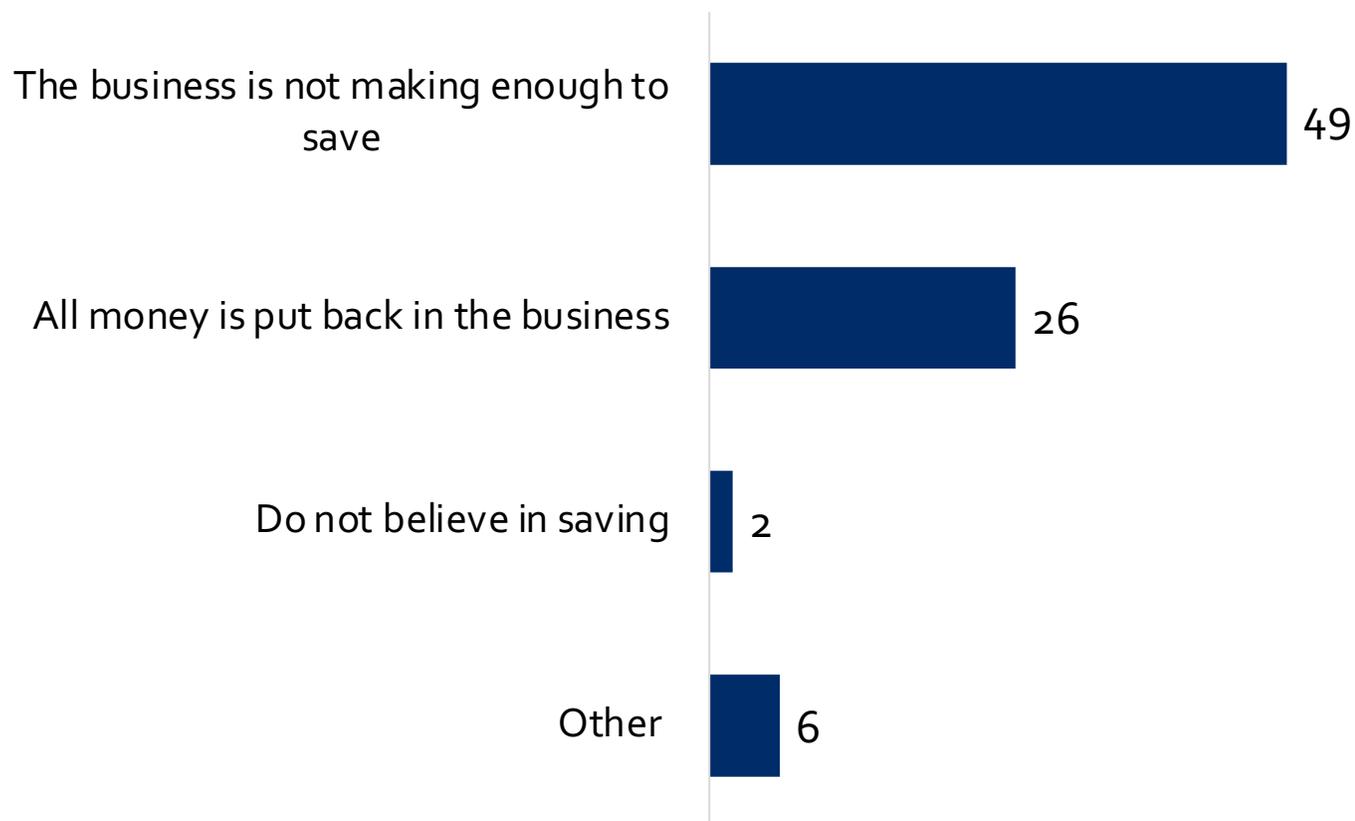
Financial inclusion – access to savings and investment

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



Financial inclusion – barriers to savings and investment

Barriers to saving (%)



- Businesses are an investment instrument, further uptake of other investment products is low.
- The main barrier to businesses not saving is the lack of excess funds as most enterprises report to be struggling (37%) or worse (34%).
- Re-investing in the business is common practice as a source of capital for businesses mainly to sustain or grow the enterprise.

Pulling in together: product uptake

- Access and usage of formal financial products is 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 to 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 into how some formal products or offerings are designed.

Key findings: general and financial inclusion

- 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 by 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 regulations.
- Despite the impact of the COVID-19 pandemic, business resilience mechanisms pursued were internal ie looking for new business or new product offerings with only 5% of the MSMEs pursuing government relief funds.

Key findings: general and 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.



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