

# Exploring challenges affecting the growth of women entrepreneurs in the micro- finance sector in Harare, Zimbabwe

Josphat Nyoni, Patricia Matore, Martin Dandira & Kandjinga Elias

## Abstract:

The purpose of the study was to explore challenges affecting the growth of women entrepreneurs in the micro finance sector. This was necessitated by the importance of growth of women entrepreneurs to economic development of countries. An exploration research design was adopted for this study. Data was collected using a structured questionnaire and interviews from 200 female entrepreneurs in the micro finance sector in Harare. The results showed that the social factors such as too many family responsibilities, segregation in terms of accessing capital resources and gender stereo typing were negatively affecting the growth and success of women owned micro-finance institutions. The study noted that business environment factors such as hyperinflation, weak currency, low demand for loans due to poverty, and unemployment and unpredictable policies were negatively affecting the growth of women owned micro finance institutions. The study also noted that regulations from the Central Bank on the operations, registration and licensing of micro-finance had not significantly affected the growth of women owned micro-finance institutions in Harare. The main limitations of the study are that the findings may not be generalized to all female owned entrepreneurs in Zimbabwe because the sample was drawn from Harare so they may be a need to make use of a larger sample. The findings of this study are of value to the operations and successful growth of women owned financial sector, Reserve Bank of Zimbabwe, the government of Zimbabwe and the women in general. Identification of the challenges will shape and inform all future intervention policies and programs to support the growth of women owned micro-finance sector in Zimbabwe. In addition, the growth of women entrepreneurs will reduce poverty among women, promote economic empowerment and lead to gender equality. The findings of this study are based on the data collected from women who own and operate micro-finance institution in Harare and hence the challenges identified are original and true. This implies that addressing the challenges identified in this study will lead to growth and success of women owned micro-finance institutions.



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## 1. Introduction

The need to promote gender equity has received greater attention among countries. Several programs and schemes have been adopted to facilitate gender equity. The use of microfinance programs to facilitate gender equity, reduce poverty among women, empower women to contribute actively to economic development has been proved to be one of the most effective gender mainstream approach. Women ownership of microfinance institutions has been proved to be the most effective instrument to fight against female poverty, segregation, and vulnerability in most developing countries. According to World Bank (2018) woman ownership of micro-finance will increase access to financial resources among women which in turn will lead to improvements in gender equality, reduction in poverty, improve women status, both in their homes and in their communities and empower poor women.

Women ownership of micro-finance will also allow other women to have access to financial resources which in turn will help mobilize their productive capacities for the benefit of themselves, communities, and the country at large. It has also been shown that women ownership of micro-finance resources can empower them and develop their self-confidence. The adoption of microfinance framework to upgrade the status and empower women has thus remain one of the most effective in promoting gender equity especially in developing countries. The micro-finance framework can have a positive impact on social and human development of both owners and beneficiaries of the financial services. According to World Bank (2018) microfinance services can also lead to positive effects on household income, savings, children's education, health and nutrition, and women's empowerment. In view of these positive effects on the livelihood of women, there has been increasing call to promote women ownership of macro finance institutions especially in developing countries where gender in equality has wide and deep rooted.

Despite the role of MFIs in empowering women and promoting gender equity, the ownerships and access to financial resources for women has remained low. The shows that MFIs model has not been effective in upgrading the structures of women in the society. This gap has been so wide in the ownership structures of MFIs where less than 2% women own and operate MFIs in developing countries. The main objectives of the study were to explore challenges affecting the growth of women entrepreneurs in the micro-finance sector in Harare, Zimbabwe. The study sought to determine the extent to which social, economic and regulators factors had impacted on the growth and success of women owned micro-finance institutions in Harare, Zimbabwe.

## 2. Literature Review

The concept of microfinance has been in existence over a long period of time although it has assumed various models in different countries. In Ghana it has operated in the model "susus". In India it has taken the model of "chit funds". In Sri Lanka it is operated as "cheetu" (World Bank, 2003). Despite taking various forms and models, micro financing has remained as the formal credit and savings institutions targeting the poor and the marginalized members of the society. The role of the micro-finance institutions has remained the same that is, to provide small loans with low interest for short periods. In the 1800s, various types of larger and more formal savings and credit institutions and were known as People's Banks, Credit Unions, and Savings and Credit Co-operatives (Cheston and Kuhn,2002). In Indonesia, the Indonesian People's Credit Banks (BPR) or The Bank Perkreditan Rakyat was developed and started operating in 1895. It became the largest microfinance system in Indonesia.

The current model of the micro-finance institutions has adopted an expanded operational mandate which has improved the overall effectiveness of microfinance interventions. Despite an expanded mandate to emphasize poverty reduction and social development, the number of women owned micro finance institutions in developing countries has remained low and hence limited its capacity to address gender imbalances. There is therefore needed to explore the challenges that have affected the growth of women entrepreneurs in the micro-finance sector. Knowledge of the nature and scope of challenges will in turn help policy formulators, regulators of the financial sector and the women themselves to develop strategies that may lead to the growth of micro finance institutions. According to Kumari (2012) there is consensus among researchers that the discipline of women's entrepreneurship required more attention by both researchers and policy makers. The area of women's entrepreneurship is generally regarded as a critical source of economic growth and economic development. Growth of women entrepreneurs generates several benefits for countries such as employment creation, poverty reduction, addressing gender inequalities and a boost in general production levels. Ramadani, Gërguri-Rashiti, Fayolle, (2015) indicated that despite contributing significantly to overall economic growth and development of countries, women entrepreneurs remain a small proportion in the business sector across the globe. This shows that there exists a market failure discriminating against women's possibility to become successful entrepreneurs contributing significantly to economic development. The number of women entrepreneurs is significantly low in most developing countries despite their potential to address the number of macro-economic challenges facing developing countries (Riinvest, 2017). A sectorial analysis shows that the financial sector has remained male dominated and thus indicating significant market failure on the aspect of growth of women entrepreneurs. There is therefore need for research to explore the sources of market failure that has contributed to this low rate of women entrepreneurs in all the sectors of economies.

There are several reasons that motivate women to take up entrepreneurship. According to Gashi and Ahmeti (2019), women are motivated to take up entrepreneurship such as the desire to build the wealth, the wish to capitalize own business ideas and to move ahead in life. Women entrepreneurs in the global world face a diverse number of challenges that have constrained their growth and development. Gashi and Ahmeti (2019) argued that generally women do not give greater value to their career obligations in the same way they do to their family welfare and personal life. Although women possess excellent entrepreneurial capabilities, such capabilities are directed more to the welfare and upbringing of families much more than to their career obligations. This shows that their personal perception and socialization limit their capacity to exploit their entrepreneurial skills in the business sector. Their lack of focus towards their career development constrains all in promoting women entrepreneurship. This reflects a constraint in terms of their socialization and personality traits (Gashi 2019; Gupta and Aggarwal, 2015).

The economic status of women in the society has also created a huge constrain in their pursuit to achieve success in entrepreneurship. Their huge dependence on their male counterparts in the home and society has made them economically weak and lacking the confidence become self-dependent (Gupta and Aggarwal 2015). Haxhiu (2015) argued that the socialization process, the cultural norms and values and the educational system has not been pro-active enough to create awareness about woman's capacities and powers to manage and achieve greatness in economic activities. This has segregated most women to peripheral economic activities. They are not mentally developed enough to take entrepreneurial activities because they lack the stamina to take up risk associated with entrepreneurship (Haxhiu, 2015). This has been more magnified in the financial sector which is risk prone.

Sector specific regulations have also created constraints to the growth of women entrepreneurship (Jabeen, 2018). Access to financial resources and compliance to the operational regulations have made it difficult for most women entrepreneurs. This is more critical in the financial sector where issues of collateral security, insurance requirements, risk management requirements are more mandatory. The regulatory environment has therefore created a squawked business environment against women entrepreneurs. In addition, the regulations governing operations in most sectors have generated cut-throat competition women entrepreneurs (Haxhiu, 2015). Tough competition for women entrepreneurs has emerged not only from industry but also from their male counterparts. Therefore, surviving in a male dominated business environment with same compliance requirements has become a huge constraint to the growth and success of women entrepreneurs. The tough regulations in terms of access to financial resources, management of financial resources by banks & Financial Institutions has constrained the growth of most women enterprises (Gash and Ameti, 2019). Banks and financial institutions are generally not keen to provide credit to women entrepreneurs because they doubt the credit worthiness. Gashi and Ahmeti (2019) argued that the regulations governing the operators in the financial sector have not modelled to consider the need for gender equity and hence most operators in the sector are male dominated. In view of this, it was thus necessary to examine if the current financial regulations governing the operation of micro-finance institutions are not a constraint to the female entrepreneurs in the context of Zimbabwe.

According to Arapi et al (2017), the socialization, the cultural norm and values have all led to low levels of literacy amongst women. This has limited their ability to achieve economic independency. The segregation into business fields based on gender has led them to take up low changing educational profiles which in turn has restricted them to certain sector in their entrepreneurial aspirations (Bharthvajan, 2014). Limitation in terms of education, knowledge of latest technology has not only affected their entrance to certain sectors but limited the growth of operational enterprises. Gashi and Ahmeti (2019) indicated that other socio-cultural factors that constrains women entrepreneurs is the role conflict between business and family related issues. As entrepreneurs, women are expected to devote long hours to their work to survive and grow their enterprises. Society on the other hand also expect them to devote more time to family members and society as well. They are expected to attend to their domestic, needs of their children responsibilities. This leads to conflict in their personal lives which affect their potential to manage their enterprises successfully. Therefore, the social and cultural arrangement is another source of constraint to the growth of women entrepreneurs (Bharthvajan 2014; Gupta and Aggarwal 2015). Haxhiu (2015) argued that the hostile business environment characterized by uncertainty, higher inflation, unemployment, poverty, economic depressions, and persistent economic crisis in most developing countries has created significant challenges for most women entrepreneurs in most sectors. High cost of loans, operations has adversely affected the development of women entrepreneurs. Other than the high cost of operations, women entrepreneurs also face the problems of labor, human resources, infrastructure, legal formalities, overload of work, mistrust that are associate with every business enterprise. The harsh economic and business environment that have characterized most developing countries have put significant constraint on the female owned enterprises. This study therefore examined the extent to which the prolonged economic crisis in Zimbabwe has constrained the growth of female owned micro-finance institutions in Zimbabwe.

Gupta and Aggarwal (2015) and Kumbhar (2013) indicated that personality characteristics such as weak mental outlook and limited optimistic attitude amongst women have affected the confidence levels of most women entrepreneurs which in turn has affected the growth that is needed by today's women to move ahead creates resistance in their being a good entrepreneur.

Based on the literature reviewed, a conceptual framework was developed linking several challenges that have affected the growth of female entrepreneurs across the globe. This study then selected challenges that have constrained the growth of female entrepreneurs in developing countries. The selected challenges constituted the conceptual framework that guided this study. The objectives of the study were thus developed based on the conceptual framework. The challenges affecting women entrepreneurs based on the literature reviewed include socio-cultural factors, regulations factors, business environment related factors and capacity related factors. In line with this argument, it was that necessary to explore the extent to which socio-cultural factors, economic factors and regulatory factors have constrained the growth and success of female owned micro-finance institution in the context of Zimbabwe.

### **3. Methodology**

The data from the Reserve bank of Zimbabwe showed that there are 50 female owned microfinance institutions in Harare. A total of 50 women entrepreneurs in the micro-finance sector operating in Harare was used. A total of 87% of the sample had at least a degree which ensured a higher level of understanding of the questions. About 87%, had been in the business for 6 years and above. The implication of this is that most of the respondents had a longer working period and greater experience in business and were therefore able to give relevant challenges that had constrained their growth. Data was collected using a Likert scaled questionnaire and interview guide. The items on the questions were developed from potential challenges in the form of regulations, socio-cultural, business environment and management factors. The interview guide was structured around the same variables but offered more open-ended responses to ensure that the study was exploratory in nature and not limited to the four potential constraints. Questionnaires were sent through e mail and were returned by the same model. This led to 98% response rate. In line with the need to ensure ethical research, participant responses were anonymous to the researchers and responses were kept confidential.

To ensure the credibility of the findings, several steps were taken to enhance the validity and reliability of the instruments used to collect data. It was necessary to ensure that the questionnaire collected what it was designed to measure. It was also critical to ensure that the questionnaire exhibit top precision. To ensure validity, the study used items there were used to explore challenges affecting growth of women entrepreneurs by other researchers. The drafted questionnaire as given to experts before it was used. Lecturers in the Gender and Entrepreneurship department were given the questionnaire. The lecturers have sufficient knowledge and experience regarding the concept of women entrepreneurs to ensure that each item is measuring what is intended to be measured, and to avoid any ambiguity and complexity in the phrasing of the questions. The reliability of the questionnaire was measured by the Cronbach's alpha coefficient. The values ranging between 0.74 to 0.84 were obtained showing higher reliability of the instrument.

#### 4. Findings

The study sought to examine the correlation between four factors and the low growth rate of female enterprises in the micro-finance sector.

**Table 1.1 Correlation between low growth rate of the women owned micro-finance institutions and four main challenges**

	Socio-cultural related challenges	Regulations related challenges	Management skills related challenges	Business environment related challenges
<b>Low growth rate of women entrepreneurs in the micro-finance sector in Harare</b>	0.976	0.563	0.112	0.876

Source: Software output

Table 1.1 shows that there is a very strong positive correlation between socio-cultural challenges and the low growth rate of women owned micro-finance institutions in Harare Zimbabwe. This implies that the perceptions of society on women business operators have constrained the growth and success of female owned entrepreneurs in Zimbabwe. Factors such as family responsibilities, segregation and gender stereo typing were cited as key challenges to the success of female led entrepreneurs in Zimbabwe. This finding is in line with existing literature where it has been established that the success of women led entrepreneurs had been largely suppressed by the negative societal perceptions of female leaders in business (Bharthvajan,2014). According to Bharthvajan (2014), prejudices towards female entrepreneurs, multiple family roles and duties have all put constraints to the creativity and business capabilities of female entrepreneurs. Barwa (2003) also indicated that most challenges of female entrepreneurs originate from existing social and cultural gender-based prejudices, inequalities, and biases. It also in the table indicated that there is a very strong positive correlations between business environments related challenges and the low growth rate of the women entrepreneurs in the micro-finance sector in Harare. This implies that the current business environment in Zimbabwe has constrained the operations and growth of female owned micro finance institutions in Zimbabwe. Factors such as the hyperinflation weak currency, poverty, unemployment, and unpredictable policies were cited as key challenges to the growth of the female owned entrepreneurs. This finding supports the views advanced by other scholars who argued that female entrepreneurs face additional macro-economic changes which makes it difficult to survive in a male dominated business world (Rahim, Fabeil, Sung, 2017). According to Iklima et al (2017), various industry related factors have constrained the growth of female entrepreneurs.

Table 1.1 shows that there is a moderate correlation between operational regulations related challenges and the observed low growth rate of female entrepreneurs in Harare. This implies that the existing regulations from the Central Bank on the operations, registration and licensing of micro-finance have not significantly constrained the operations and growth of micro-finance institutions in Zimbabwe. This finding however contradicts the existing literature by Pula (2016) where it has been shown that one of the constraints to the growth of female entrepreneurs has been limited institutional support and harsh regulations which have not considered gender equity dimensions. This dimension of this study illustrates the contribution of this study to existing literature where it has been shown that in some contexts, the existing regulations may not be a significant setback to the growth of women entrepreneurs. It is shown by the results of this study that there is a very weak correlation

between the management related challenges and the observed low growth rate of the female entrepreneurs in Harare. The implication may be that most female owners have received enough training and education in the management and operations of the micro-finance business. This finding supports the existing literature by Shim and Eastlick (1998) who argued where female entrepreneurs have received training courses and have acquired enough experience then management related factors may not be a challenge to their growth.

## 5. Conclusion

The study concluded that the main challenges to the growth of female entrepreneurs in the micro-finance sector are related to socio-cultural factors in form of family burdens, segregation in accessing financial resources to support growth and gender stereo typing leading to low confidence among women owners. It is also concluded that the negative business environment has also weighed into the already burdened women entrepreneurs in the micro-finance sector. This study has therefore showed that the main challenges are faced by women entrepreneurs in the micro finance sector are of social-cultural in nature and scope. This is a significant contribution to the existing literature on the growth of women entrepreneurs in developing countries. The study has contributed to the existing body of knowledge on women entrepreneurs by indicating sector specific challenges affecting the growth of women entrepreneurs. In addition, this study was done a business environment characterized by an economic crisis and hence the changes peculiar to an economic crisis were identified which is an addition to the existing literature on women entrepreneurs.

## 6. Recommendations

In line with these findings, it is recommended that policies to influence society perception on the need for gender equity in the financial sector to ensure that female led micro-finance institutions are developed. A focus on awareness programs on the potential and positive contribution of female entrepreneurs to economic development must be developed. It is recommended that the Central Bank develop regulations that are gender equity oriented to support and promote the growth of women owned micro-finance institutions be developed. The study further recommends that female entrepreneurs be trained to face up with socio-cultural segregation that have constrained their growth.

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