TIMES OF ZAMBIA

Zambia: Access to Finance Key Barrier to Women SMEs Growth

By Miriam Zimba, 31 July 2013

AFTER being a housewife for 10 years, her marriage crumbled following irreconcilable disputes, leaving Inonge Simulisa, a grade nine drop out and her four children with no alternative means of livelihood.

She initially worked in one of the hair salons in Lusaka's Northmead area, but after realising that she could exploit her hair-dressing talent and start up her own business, the next biggest question for her was where to get start up capital. "I thought to myself that I could one day make it big, if only I could source enough capital to set up my business, but I could not think of any women support groups that could offer me start up capital," Ms Simulisa explained.

While still contemplating on how to organise funds for her business venture, 38-year-old Inonge lost her father who worked for more than 35 years in the civil service.

His retirement package was shared among his eight children and two wives, Inonge received K11,000. She decided to pay 12 months rentals up-front, pay school fees for her children, and use some of the money to meet home expenses, as well as settle some debts.

The remaining K6,000, she used to buy two industrial hair dryers, hair styling equipment, and pay rent for a make-shift hair salon in Lusaka's Garden Township.

Unfortunately for Inonge, in due course her business was faced with massive competition, which resulted in her defaulting on payment of rentals for her salon.

Currently, she operates her business depending on phone calls from customers, whom she follows to various locations, just to make ends meet.

Inonge is just one of the many Zambian women who are unable to acquire loans or other financial services to finance their businesses.

According to the Zambia National Women's Lobby (ZNWL), women are at a greater disadvantage in comparison with their male counterparts because very few of them own property they could present to banks and financial lending institutions as collateral.

ZNWL executive director Juliet Chibuta explained that despite the ability and potential for women entrepreneurship being there, very few women dared to take risks associated with financial decisions. "Very few women are able to take financial risks such as placing their houses as collateral because they are usually very cautious in the way they handle their finances," she said.

Ms Chibuta added that the bank interests rates offered by banks and other lending institutions are too high, which tends to discourage women from accessing loans.

She implored Government to institute loan schemes that are deliberately targeted at empowering women cooperative groups. "The Government should put in place empowerment programmes specifically tailored to suit the conditions of women and these loans should be administered to women cooperative groups," she said.

In South Africa Alice Sibanda, who worked as a domestic worker in one of Johannesburg's suburbs as a teenager, is now an informal trader selling fruits and pop-corn on Enock Santonga Road, as her major source of income.

Ms Sibanda, a mother of three, lives in a rented house in Laanglagte.

She struggles to strike a balance between her business earnings and home expenses, with her average daily earnings pegged at R175.

She has been in the business of fruit vending for the past eight years and recalls how her business was threatened with extinction when she had to borrow money from friends and relatives, in order to revitalise it. "I cannot borrow money from a bank to inject capital into my business because they will ask for documentation such as payslips, which I do not have," Ms Sibanda explained.

Makhosi Molapo, who operates a mobile fast-foods trailer, has a similar story to tell.

She is unable to access loans from banks or micro-lending institutions to grow her business.

Ms Molapo, who previously operated a formal take-away ten years ago, explained that it was much easier for women to access financial assistance from banks and micro finance institutions, before government introduced the National Credit Act.

The Credit Act, which was introduced in 2007, prevents people from spending money they don't have. It also helps the banks manage massive credit debt by stopping reckless lending by banks. "Ten years ago, it was easier to get loans from banks even without collateral. I managed to access R100, 000 from ABSA Bank, and I was not asked for any collateral," she said.

However, since the introduction of the Act, which entails conditions such as the need for collateral, bank statements, pay slips and business registrations and tax numbers, most women are unable to access finances for their businesses.

Because of such difficulties in organising finances, Molapo had to ask her sister who is in formal employment to access a bank loan of R5,000 which she used to buy the trailer for her business.

She has had to enter into an informal agreement with her sister on the repayment of the loan.

"From the time my previous business went down, it took me about three years to re-establish myself. I moved from one bank to another, but I could not access any financial assistance because I am not in formal employment, and I have no fixed asset which I could place as collateral," she explained.

She also said most micro-finance lending institutions have a lot of documentation which sometimes amount to an excess of 35 pages for loan applications, and most women are unable to understand, let alone, meet these conditions.

She explained that many of these institutions also have conditions which require the borrower to finance at least 40 per cent of the total amount required, which she said disadvantaged many women.

Ms Molapo called on the government to set up designated locations for women to establish their informal businesses in prime locations of the central business district.

The situation is not so different for most women across the Southern African Development Community (SADC) region, where poverty levels among women are high in the world.

Jacqueline De Matos Ala, a senior lecturer in the department of International Relations at University of Witwatersrand in Johannesburg, explained that economic empowerment programmes for women are critical to emancipation of women.

Dr Ala explained that SADC governments could adopt best practices from countries such as Bangladesh, whose civil society organisations have instituted the Grameen Bank, which finances women empowerment projects.

The Grameen Bank of 1976, a home-grown concept of Jobra Bangladesh, and owned by mostly poor women, does not require any collateral against borrowing on its micro-loans.

Ninety-six per cent of more than eight million borrowers at the bank are women. According to Dr Ala, because women often lack access to financial services their business tends to remain static, making them less competitive with bigger businesses that have access to financial services.

She appealed to SADC governments to promote home-grown initiatives such as women cooperative societies, where money pooled and circulated among the members at regular intervals.

Contrary to perceptions that women lack prudent financing mechanisms, Dr Ala believes that women are a low risk group who always pay back loans in comparison to their male counterparts.

Undoubtedly, deliberate initiatives to economically empower women, coupled with skills training, and higher education for women, is critical in reducing poverty and key to achieving one of the SADC targets of having 50 per cent women in decision-making positions by 2015.

It is not until some of the SADC targets on paper are transformed into reality, that people like Sibanda and Molapo, who represent millions of other women across the region can begin to reap the benefits of women empowerment.