



UNIVERSITY OF ZIMBABWE

**GENDER DIMENSIONS OF ACCESSING BUSINESS LOANS FOR MICRO AND SMALL BUSINESSES, A CASE STUDY OF CHIPATA DISTRICT IN EASTERN PROVINCE OF ZAMBIA**

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## **Abstract**

This dissertation explores why despite women traders in Chipata District in Eastern Province of Zambia being provided with business loans the end result is failure. Micro-finance providers exclusively target women traders in the informal sector for group finance. The author reveals this state of affairs between availability of group finance and failure by using the Women's Law Approach in his research. This approach enabled him harness complementary methodologies such as the Grounded, Human Rights and Actors and Structures in a gender sensitive way so as to investigate the legal, socio-cultural and economic challenges (factors) which constrain women's entrepreneurship potential. The methods used for data collection included desk research of the relevant literature, policy and law. He also used focused group discussion with women traders while applied in-depth interviews with government, MFIs, and NGOs officials. He finds that the group finance schemes implemented by micro-finance providers follow the Grameen Bank model. It is assumed that providing women with money for income generating (IGAs) projects is enough when in actual fact it is not. He also finds that the needs of micro and small businesses in the informal sector have not been met and their active role in economic development has been ignored by government and NGOs in their policy formulation and implementation. The author finds three factors that constrain women's capacity to business development and these are: legal, legislative and policy provision, socio-cultural factors and economic challenges. He suggests that the solutions to failure lies in the following: Mentoring and networking were experienced women entrepreneurs can provide much needed support for new and emerging women entrepreneurs. Secondly, women must be assisted with subsidized day care centers for them to balance business activities and family responsibilities. To resolve marital issues where husbands interfere with the wives' business, the only way out of this is through sensitization, educating the men on the importance of supporting women's business activities. Thirdly, women not only need credit for business but also business training and entrepreneurship skills. To further improve the situation of business women in the informal sector the author recommends the following: enshrine socio-economic rights in the Zambia Constitution and make them justiciable. Finally there need is to stop stereotyping women as poor and needing small amounts of money to venture in to small income generating projects.

**Declarations**

I Clement Mukosha sincerely declare that am the author of this dissertation and this piece of work is mine (original). I also declare that the works of other authors have been dully acknowledged to the best of my knowledge. I further declare that this work has not been presented anywhere else for any other thesis.

Author's signature.....

Date.....

## **Dedication**

This dissertation is dedicated to my beloved late dad, Smart Kango Mukosha for his love, care and consistent guidance in my life as a small boy. I also dedicate this piece of work to my mother, Enelesi Kabamba Chisenga for struggling in the midst of financial difficulties to provide for my school requirements whilst in secondary school and to my wife, Sophia for the encouragement and support. Also not to be forgotten is my cousin Fredson Kango Yamba for being a source of inspiration to me.

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## Acronyms

CEE Act	Citizen Economic Empowerment Act
CEEC	Citizen Economic Empowerment Commission
CEEF	Citizen Economic Empowerment Fund
FINCA	Foundation International Community Assistance
FSA	Financial Systems Approach
GNP	Gross National Product
IGAs	Income Generating Activities
ILO	International Labor Organization
MF	Microfinance
MFI (MCI)	Micro-Finance (Credit) Institutions
MSMEs	Micro, Small and Medium Enterprises
MLFZ	Micro-Loan Foundation Zambia
NATSAVE	National Savings Bank
NGOs	Non-governmental Organizations
TVs	Television Sets
SGLs	Small Group Loans
YWCA	Young Christian Women Association

## **International and National Legal Instruments**

### **1 International Instruments**

Convention on the Elimination of All Forms of Discrimination against Women, 1979

African Protocol on Women's Rights, 2003

Transforming our world: the 2030 Agenda for Sustainable Development

### **2 National Policies**

National Gender Policy, 2014

Micro, Small and Medium Enterprises Policy (Ministry of Commerce Trade and Industry)  
2008

### **3 National Legislative Frame-work**

Constitution of Zambia (Amendment) [No. 2 of 2016

Citizen Economic Empowerment Act No. 9 of 2006

The Small Enterprises Development Act Chapter 425

## **Executive Summary**

This dissertation explores why despite women traders in Chipata District in Eastern Province of Zambia being provided with business loans the end result is failure. Micro-finance providers exclusively target women traders in the informal sector for group finance. The informal sector constitutes economic activities, that is, the production and distribution of goods and services, which are not registered and regulated by the state or local authority in the context where similar activities are regulated (Brown, 2006). Micro-finance providers require women particularly, those in the informal sector to form groups to access business loans. This practice is implemented by the three micro loans providers he visited in Chipata. These include Foundation International Community Assistance (FINCA), Microloan Foundation (MLF) Zambia and Vision Fund Chipata. Government and NGOs have limited vision of women's involvement in business. The thinking is that women are the poorest of the poor and all they need are income generating activities (IGAs). The problem is, even when there could be women doing well and running big firms in the country, but government and NGOs' thinking is not changing. The notion that women need to form groups to access small loans and grants promotes gender stereotypes as women's businesses continue to be viewed as small, less profitable and only provide little potential for contributing to the national economy. Women's business activities are usually characterized as small and lack the capacity to grow. This characterization of women's business in a way suggests that women's business activities are merely for IGAs and are not worth the attention in terms of programs and incentives that promote genuine business development (Mariwo, 2008).

The author reveals this state of affairs between availability of micro-finance (capital) and business failure by using the Women's Law Approach in his research. This approach enabled him harness other complementary methodologies such as the Grounded, Human Rights and Actors and Structures in a gender sensitive way so as to investigate the legal, socio-cultural and economic challenges (factors) which constrain women's entrepreneurship development. The methods used for data collection included desk research of the relevant literature and law. Focused group discussions were conducted with women traders while individual interviews were conducted with, MFIs, some women

traders, government and NGOs officials. Observation method allowed him to collect data in the natural setting. With in-depth method (using questionnaires), he finds that the group finance schemes implemented by micro-finance providers follow the Grameen Bank model. Despite women being provided with micro-finance the end result is failure. It is assumed by micro-finance providers that giving women money for IGAs is enough when in actual fact it is not. He also finds that the needs of micro and small businesses in the informal sector have not been met and their active role in economic development has been ignored by government and NGOs in their policy formulation and implementation.

The author finds three things that constrain women's capacity to business development and these are: Constitutional and legislative provisions. Secondly, the socio-cultural factors (marital issues, lack of business training and entrepreneurial skills) and thirdly, economic barriers (high interest rates and stiff completion). The study suggests that the way around these problems of failure lies in the following: Mentoring and networking where experienced women entrepreneurs can provide much needed support for new and emerging women entrepreneurs. Secondly women must be provided with subsidized day care centre facilities to enable them balance business activities and family responsibilities. To resolve marital issues where husbands interfere with the wives' business, the only way out of this is through sensitization, educating the men on the importance of supporting women's business activities. Thirdly, women not only need credit for business but also business training and entrepreneurship skills.

To further improve the situation of business women in the informal sector the author recommends the following: Enshrine socio-economic rights in the Zambia Constitution and make them justiciable. The CEEC in its mandate to promote and support gender equality in terms of accessing, controlling, owning, managing and exploiting economic resources to targeted citizens, should clearly state whether targeted citizens belong to the informal sector or formal sector. The Small Enterprises Act 425 of Zambia must also seek to promote and support micro and small scale business activities for women in the informal sector by creating a legal environment for them to demand their right to entrepreneurship development. The Micro, Small and Medium Enterprises Development Policy (Ministry of Commerce and Industry-2008) objectives should provide aim at facilitating the creation

and development of viable MSMEs in the informal so that they can contribute to Gross Domestic Product (GNP) by 2018. For programs to be successful, women must be involved at every stage in decision making, conceptualization, implementation and evaluation of policies and programs initiated by government and NGOs. There is need to stop stereotyping women as poor and needing small amounts of money only for income generating projects.

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## **CHAPTER ONE**

### **1.0 Introduction**

The notion that women need small amounts of money for income generating activities constraints or hinders their capacity to venture in big and genuine business development. Unsustainability of women's projects relate to small loans and grants provided at start up stage. My observations in Zambia, particularly Chipata, where I did my research micro-finance providers limit the amount of borrowing to low income citizens in the informal sector. Women exclusively are required to form groups in order to access small business loans. The thinking is that women are poor and that all they need are income generating activities (IGAs) and not activities that facilitate genuine business development. Micro-financing has been seen as a way of launching women's IGAs and is defined as provision of financial services to low-income citizens who do not have access to formal banking services (Chibamba, 2009).

Similar schemes like the Bangladesh Grameen Bank model have influenced micro-finance provider's approach and are implemented across all the ten provinces of Zambia. Women micro and small businesses have become key target groups for micro-loan programs. Providing access to micro-finance is not only considered a precondition for poverty alleviation, but also for women's empowerment. Despite the proven positive impact of providing microfinance services to female entrepreneurs in the informal sector, microfinance is just one tool among others to tackle the multiple causes of poverty, unemployment and social exclusion (ILO, 1996).

In my study I focused mainly on the micro and small (businesses) enterprises as defined by the government policy. The Micro, Small and Medium Enterprises Policy of 2008 (Ministry of Commerce Trade and Industry-Zambia) defines micro and small enterprises as:

A micro enterprise (business) is any business enterprise registered by the Registrar of Companies and whose sum total of the investments except buildings and land is up to

K80, 000 (US \$7, 273) with the annual turnover of up to K150, 000 (US \$13, 637) and employing up to ten persons while a small enterprise (business) is any business enterprise registered with the Registrar of Companies and whose entire investments, excluding land and building is between K80, 000 (US \$7, 273) in the case of manufacturing, while for trading and service provision enterprises is up to K150, 000 (US \$13, 637) with yearly turnover between of between K151 (US \$14) - K300, 000 (US \$27, 273) and with between 11- 50 people.

In my study the focus was mainly on the micro and small enterprises (businesses) (MSEs) in the informal sector, because these are in a precarious situation. I focused mainly on MSEs in the informal sector because women are the majority in this sector. The study by Chiumya (2006) reveals that women are marginalized both socially and economically. From an economic point of view they have less access to limited productive resources than men which limits their income earnings. This disadvantages women with regard to access to and control of productive resources and benefits from development processes (Chiumya, 2006).

The question that needs to be asked is, are women in the informal sector moving or progressing in business?

The paper seeks to unearth why there seems to be a notion women only need small amounts of money for income generating activities (IGAs) and to access the money they are required to be in groups. I was motivated to write on this topic based on the observation I have made of the activities by micro-finance providers that insist on women forming sizeable groups in order to have access to finances. The paper also seek to examine and explore factors such as legal, socio-cultural and economic that have contributed to women's business failure, then recommend policy, legal, socio and economic measures to be taken in order for women to enjoy a level playing field in entrepreneurship and business development.

## **1.1 Statement of the problem**

The majority of micro and small entrepreneurs are in the informal sector. The informal sector constitutes economic activities, that is the production and distribution of goods and services, which are not registered and regulated by the state or local authority in the context where similar activities are regulated (Brown, 2006). Women constitute the majority of the population and are important to the economic growth since they generate employment and contribute to social development of their families and the nation at large.

In Zambia the rate of growth of the informal sector is increasingly posing a big challenge and dilemma for the government, social partners and the non-governmental organizations (NGOs). The rise of the informal sector has resulted in an increase in the number of women and participation rates of women entrepreneurs by 1997 was 72% (Lim, 1996). Lack of credit, formal or informal by MSEs in the informal sector has been the major constraint. The lack of capital, particularly in the start-up stage, is time and again reported by micro and small businesses and the problem is harsher for women than for men (Lim, 1996). Sometimes women resort to informal sources of finances for borrowing. These sources include money lenders (shylocks) or loan sharks, rotating savings, friends and relatives which are easy to access. These informal sources are thought to be easy since they provide affordable small loans with flexible repayment period and do not require collateral arrangement. However, the informal sources can be costly and discriminatory (ILO, 1996).

Formal or regular banks are unfriendly and unwelcoming to female entrepreneurs in the informal sector. Issues of collateral, long loan applications and pay-out procedures, resources necessary to visit the banks and even discriminatory banking culture practically exclude women in the low income bracket as clients (ILO, 1996). The majority of MSEs are incapable of providing collateral of suitable and acceptable value, a claim MSEs, attribute to their failure to access business loans. MSEs have become key target group for micro-loan programs. Providing access to micro-finance is not only considered a precondition for poverty alleviation, but also for women's empowerment. Women are preferred to men as clients as they tend to be better borrowers.

MFI play a big role on the Zambian money market and a significant number have sprung up in Zambia, spreading across all provinces of country. They serve to offer financial services (providing loans) to individuals and MSEs that are excluded from the regular financial institutions. MFIs are easily accessed and do not need collateral demanded by regular banks. Despite the benefits that may accrue from the presence of MFI for MSEs (Chibamba, 2009) and individuals they do not promote genuine entrepreneurship development. Women can access collateral free loans; there is less paper work in terms of documentation, short loan application bureaucratic procedures and limited time needed to visit the MCIs. As to what extent MFIs contribute to the improvement and expansion of MSEs is a big question that needs more answers. Are MSEs able to grow and generate employment opportunities and household livelihoods?

It is common practice for microcredit institutions to request women to form groups to access the loans. This practice is implemented by the three loans institutions I visited in Chipata. These include Foundation International Community Assistance (FINCA), Microloan Foundation (MLF) Zambia and World Vision Fund.

Government and NGOs have limited vision of women's involvement in business and the thinking is that women are the poorest of the poor and all they need are income generating activities (IGAs). The problem is, even when there could be women doing well and running big firms in the country, but government and NGOs' thinking is not changing. They seem to be stuck with old ways of promoting business development. Government and NGOs have a habit of thinking and taking women at a lower level in terms of the programs they can do and achieve. The notion that women need to form groups to access small loans and grants promotes gender stereotypes. This is because women's businesses continue to be viewed as small, less profitable and only provide little potential for adding to the national economy. Women's business activities are usually characterized as small and lack the capacity to grow. This characterization of women's business in a way suggests that women's business activities are merely for IGAs and are not worth the attention in terms of programs and incentives that promote genuine business development (Mariwo, 2008).

Government's notion that women only need IGAs is reinforced and seen in their policies and programs targeting exclusively women. Government and NGOs support programs like

village banking (group savings) and livestock rearing such as poultry. Women are provided with small amounts of money in the form of small loans and grants to venture in to IGAs. All these are mainly centered on promoting or encouraging IGAs and such programs only serve to perpetuate dependence and poverty. They promote a sense of dependence on government handouts.

### **1.2 Objectives of the study**

The study aims at changing perceptions and stereotyping of women's economic activities at a small level; taking them as only needing small amounts of money to do small businesses. I seek to argue that women do not only require small loans and grants alone but also entrepreneurship skills and business training that can operationalize the capital. All they need are activities, incentives and opportunities that serve to promote and expand their business development. If women are given the right incentives and opportunities they are capable of developing in to meaningful entrepreneurs and contributing to the social and economic development of the country.

The study exposes the inappropriateness of some of the policies, laws and programs implemented by government and NGOs to advance and promote the growth of entrepreneurial potential of women in the informal sector. Women have the right to access and control of productive resources which they have been denied for a long time now. Provision of sustainable access to financial services and entrepreneurial skills should be the core for the advancement of MSEs. Government, NGOs and the civil society should be reminded to move from designing laws, policies and programs from the global perspective of women MSEs to looking at the actual lived realities of women in different economic contexts.

### **1.3 Research assumptions**

In the process of data collection I was guided by the assumptions below:

1. Conceptualization of women's business capacity is influenced by gender stereotypes.
2. Women do not usually go to regular banks to obtain loans.

3. Women's business activities are more likely to be in the informal sector.
4. That micro and small scale size businesses are less likely to have access to formal finance than big companies.
5. Government and NGOs have programs but they are gendered in terms of activities and pre-conditions.
6. That women involved in exclusively micro and small-scale businesses need to form groups in order to have access to credit.
7. Forming groups has constricted women's capacity to borrow viable loans for viable businesses.
8. That women cannot repay loans owed to financial institutions.
9. That training is gendered within a neutral policy.

#### **1.4 Research questions**

In gathering data for my research I was guided by the following research questions:

1. Do gender stereotypes influence the conceptualization of women's business capacity?
2. Do women usually go to regular banks to obtain loans?
3. Are women's business activities more likely to be in the informal sector?
4. Are micro and small scale businesses less likely to have access to formal finance than big companies?
5. Are government and NGOs programs gendered in terms of activities and preconditions?
6. Do women involved in exclusively micro and small scale businesses need to form groups in order to access credit?
7. Has forming groups by women constricted their capacity to borrow viable loans for viable businesses?
8. Do women fail to repay loans to financial institutions?
9. Is training gendered within a neutral policy?

## **CHAPTER TWO**

### **2.0 Literature review**

#### **Introduction**

Chapter two will review the literature relating to the historical development of the concept of micro-credit (finance), where it developed, how and why it was developed? The second part will look at the introduction of micro-credit schemes to Zambia; the third part will link micro-finance and Sustainable Development Goals (SDGs). The fourth and last parts will be the legal and policy frame-works and the conclusion respectively.

#### **2.1 Historical development of micro-credit (finance)**

Micro-credit and micro-finance are the terms that will be used interchangeably in this discussion since the two mean the same. Microcredit or finance is used to refer to small loans provided to low income persons that are excluded from the formal banking arrangement (Chibamba, 1999). It is a component of the bigger microfinance industry, offering not only credit, but also savings, insurance, and other basic financial services to the poor. It is important to note that the word ‘micro’ stems from the relatively small amounts of money that are being borrowed or saved. MFIs are organisations that offer loans to low income populations. They include non-governmental organisations (NGOs); community based organisations like village banks, savings and credit cooperatives; expert government banks and commercial banks (Chibamba, 2009).

Micro-finance (credit) scheme has existed in different forms for many years. Meaning it is really not a new concept. It has existed over a long period in Asia, where unofficial (informal) lending and borrowing dates back to several thousands of years. Poor members of the community have forever had their own traditional monetary arrangements. These include moneylenders (loan sharks), and the concept of microcredit as a development intervention measure is not new at all (Chiumya, 2006). Modern micro-finance is believed to have been born in the mid 1970s in rural Bangladesh during the time of food (Seibel,

2005). Initially micro-finance focused on offering credit to the poor so as to reduce poverty and bring about social change. This process was promoted by NGOs and it earned its name as ‘microcredit revolution’ (Chiumya, 2006). The concept of microfinance is now associated with Muhammad Yunus and the beginning of the Bangladesh’s Grameen Bank. Due to the maximum donor support and media publicity, Grameen Banking System became the latest model of microcredit. The originator of the concept became the prophet of the microcredit movement (Chiumya, 2006). The thrust for microcredit came with the acknowledgment that poor people could gain from access to a wider variety of financial services, particularly savings. Microfinance currently includes other financial services such as payment for services, remittances and insurance (Chiumya, 2006 and Seibel, 2005).

According to Maimbo, (2000) the idea behind the establishment of microfinance industry is to take on board the poor. The poor have the ability and capacity to venture in to income generating activities (IGAs) but what limits them is lack of access to capital. This is so because the financial sector is underdeveloped. Also the commercial banks are less open and unwelcoming to the poor due to collateral arrangements and discriminatory banking practices that discriminate them. Another factor is that the informal (unofficial) financial sector is not adequate enough to be able to respond to the challenges of development. Microfinance programs get to the poor and prevail over the problems of asymmetric information and high transaction expenses, collateral requirements, lengthy procedural or bureaucratic loan applications, disbursement procedures, time and resources necessary to approach banks and discriminatory banking practices which exclude them (Mphuka, 2014).

Microcredit institutions were initially taken as tools for poverty alleviation, but later the focus shifted from NGO models towards promoting a sustainable industry that could offer financial services to the poor at reasonable prices while providing a realistic return to business investors (Mpuka, 2014). Many big banking institutions are now in the industry and these are Credit Suisse, Deutsche Bank and Citigroup. Towards the end of 2008, about \$15 billion foreign investment had been pumped into micro-credit institutions. Much of the money came from the World Bank, private and commercial sources (Chiumya, 2006). Loans methodologies have also diversified, and the original model of supportive group loans pioneered by the Grameen Bank, have become more complex and adapted to local

realities. Currently, products such as micro-insurance and micro-savings, which previously took the back-seat to micro-credit, are seeing their popularity increase.

What has been described above is referred to as the poverty approach to establishing microfinance as it focuses on reducing poverty through credits (loans). Another approach is called financial systems approach (FSA). Micro-finance is seen as the only way MFIs can achieve the main goal of reducing poverty among the poor (Murdoch, 2005). FSA focuses on the big scale outreach of micro-finance to the poor but viable. These are economically active people, both borrowers and savers. Even if financial services are considered to be a form of help to micro and small businesses, they are at the moment taken as a form of enterprise in themselves (Mersland, 2008).

## **2.2 Microfinance in Zambia**

### **An overview of Zambia's financial sector**

In order to understand Zambia's money market in relation to the study, it is important to identify and understand key players involved in the money market in the country. One of the most important players is Zambia's Central Bank, the Bank of Zambia. It performs various functions among them, printing and issuing out bank notes and coins. It also provides savings as the banker for the government and responsible for administering the country's monetary policy (Mphuka, 2014). A number of commercial banking services are also offered across the 10 provinces of country. These commercial banks are responsible for carrying out the functions of taking deposits and offering loans to deserving customers. There are also a number of MFIs doing business under the supervision of the Bank of Zambia. MFIs comprise agents and organizations who engage in business in order serve the poor, particularly low income households, MSEs and small-scale farmers (Mphuka, 2014 and Chibamba, 2009).

MFIs are characterized by small business transactions in small loans, insurance, credits meant for business activities, collateral free loans, target the poor/ low income population, exclusively target women as the major clients and market based interest rates

In the 1990s the new government in Zambia introduced radical economic reforms aimed at promoting private sector development shifting the economy away from state control. These reforms included the decentralization, privatization and liberalization of the financial sector (Chibamba, 2009). Several banks collapsed resulting in the closure of loss-making rural branches and closure of Government-owned financial institutions established to provide for the poor or less wealthy. Bank charges were introduced and this resulted in a financial system that centered on the needs of the corporate sector and working class elite. As a result, a huge section of the people was excluded from the formal banking sector (Chibamba, 2009). The collapse of government controlled financial institutions like Credit Union and Savings Associations (CUSA), Cooperative Bank, Lima Bank and many others meant that the majority of the Zambian population was denied access to financial services and credit provision to the poor reduced significantly (World Bank, 2001).

The increase of MFIs resulted in part from an identification of a gap in the money market and the necessity and urgency to fill this financial gap (Maimbo, 2000). Micro-finance is mainly linked to the offering of financial loans to poor households mainly in the informal sector with the aim of improving welfare. Between 1996 and 2005 about 67% MFIs were available in Zambia. The MFIs were established in the 1990s because the international donors and development agencies' recognition of MFIs as very useful tools for poverty alleviation (Chiumya, 2004).

### **2.3 Link between Microfinance and Sustainable Development Goals (SDGs)**

The Sustainable Development Goals (SDGs) have given the development community the task of improving the wellbeing of the world's poorest population. The international donor community is duty bound to orient their programs around achieving the SDGs by 2030 and micro-financing is a critical tool that can help in achieving the 2030 Agenda for Sustainable Development. Currently micro-finance (MF) has been widely accepted and recognized as one of the most important tools to fighting poverty. It has the capacity to play one of the important roles in achieving the ambitious targets set by the globe community to change the world by 2030. SDGs have been framed as tangible outcomes in

the areas of nutrition, education, health, gender equality. Murdugh et' tal (2003) argued that microfinance and its outcomes or results go beyond business. The financial services the poor access from MFI is not only for investment in the micro and small businesses but it is also invested in other areas such as in education; health; household requirement and other need areas that require urgent attention. A variety of these services vary from business loans, savings, insurance, transfer payments, and even micro-pensions. Evidence from across the world of microfinance consumers suggest that access to financial services enables the neediest people to increase their domestic revenues, buy and build assets, and lessen their vulnerability in times of disaster (Murdugh, et' tal, 2003). Access to financial services translates into better and improved nutrition and improved health outcomes. Access to flexible, suitable, and reasonable financial services empowers and equips the needy and vulnerable as they are able to make their own better choices and get themselves out of poverty in a sustainable way. Microfinance is exceptional of all development interventions. This is because microfinance provide prospective for self-propelling cycle of sustainability and massive growth (Murdugh et' tal, 2003)

## **2.4 Legal and policy frame-work**

This section outlines the legal and policy frameworks in relation to the topic and in doing so; it will highlight what is provided for under International Human Rights Law, particularly the Regional Instruments, then later turn to what is provided for under the Zambian Legal Frame-work. The main aim here is to outline Zambia's legal and policy frame-work in relation to promoting and supporting the economic activities of women in the informal sector.

### **2.4.1 Regional Instruments**

Women's Protocol (Maputo) Articles 13 (e), 19 (c), (d) and (e)

The Women's Protocol (Maputo Protocol) is the treaty instrument that is binding on all African countries that ratify it and Zambia signed and ratified this treaty. Zambia signed the Maputo Protocol on 3<sup>rd</sup> August, 2005 and ratified it on the 2<sup>nd</sup> May, 2006. By virtue of signing and ratifying this Protocol, the country is obliged by it. The Zambian government has obligations to promote women's economic activities as indicated in the Protocol. According to Article 13 (c) government is duty bound to create conditions that support and promote economic occupations and activities of women in the informal sector. Article 19 (b), (c) and (d) places the burden upon the government to make sure women participate at every stage in the conceptualization, decision making, implementation and evaluation of government development programs and policies. The government is also duty bound to ensure women's access to and control over productive resources like land. The Article again places the burden upon the government to promote women's access to credit, training and skills development. It therefore means that at least in theory women entrepreneurs in the informal sector can demand for their entitlements from government as provided for by the Maputo Protocol (Mariwo, 2008). The obligations that Zambia has must not just end at paper work but must translate in actual implementation necessary to the benefit of women's business development.

#### **2.4.2 National Legal and policy frame-work**

Constitution of Zambia (Amendment) [No. 2 of 2016

Part II

National Values, Principles and Economic Policies

Basis of economic policies Article

Article 10 (1) and (2) of the constitution states that government shall create an economic environment which encourages individual initiative and self-reliance among the citizens, so as to promote investment, employment and wealth. The government shall promote the economic empowerment of citizens so that they contribute to sustainable economic growth and social development.

## Citizen Economic Empowerment Act No.9 of 2006

This Act serves to support the economic empowerment of targeted people, citizen empowered companies, citizen influenced companies and citizen owned companies. It also provides for the promotion of gender-equality in accessing, owning, managing, controlling and exploiting economic resources. This piece of legislation encourages an increase in broad-based and effective ownership and meaningful participation of targeted citizens, citizen empowered companies, citizen influenced companies and citizen owned companies. According to this Act, the term targeted citizens simply refers to citizens who are marginalized and disadvantaged in terms of access to economic resources and that their development ability have been hindered by factors like race, sex, status, disability, gender and many such factors.

The Act gives powers to the Citizen Economic Empowerment Commission (CEEC) to promote and support gender-equality in terms of accessing, owning, controlling, managing and exploiting economic resources, encourage useful and meaningful participation of targeted citizens in the financial system so as to add to sustainable economic growth by ensuring that there are equal opportunities and special treatment to targeted citizens, citizen owned firms, in terms of accessing contracts (procurement) of government institutions. It states that the CEEC shall where necessary, promote the subcontracting of services, materials and equipment from targeted citizens, citizen empowered companies, citizen influenced companies and citizen owned companies. It gives powers to the CEEC to build up entrepreneurship ideas and import entrepreneurship ideas from other countries and communicate or convey such ideas to targeted citizens in order to encourage them to adopt such ideas in business ventures.

## The Small Enterprises Development Act Chapter 425

### Financial services and incentives

Section 18 provides for the identification of small entrepreneurs, institutions and projects which require financial assistance provide information on the sources of finance and promote local investment for micro and small enterprises and assist micro and small

enterprises with preparation of business plans, project proposals and other loan applications documents with a view of promoting accessibility to financial resources. The Act also provides for the establishment of the Micro and Small Enterprises Development Fund for supporting the development of small scale sector.

The Micro, Small and Medium Enterprises Development policy of 2008 (Ministry of Commerce and Industry)

This policy provides for the lively support and participation of all major stakeholders in the Micro, Small and Medium Enterprises (MSMEs). The key feature of this policy is partnership and enabling environment. The policy objective is to facilitate the creation and development of viable MSMEs that will contribute to Gross Domestic Product (GNP) by 2018. This policy also aims at enhancing the value utilization and value addition of raw materials in selected areas and improves productivity in the MSMEs by the year 2018.

National Gender Policy of 2014

This National Gender Policy aims at ensuring the attainment of gender equality in the development process by redressing the existing gender imbalances. It also provides for equal opportunities for women and men to actively participate and contribute to their fullest ability and equitably benefit from national development. The Policy examines situations in various sectors from a gender perspective in order to provide appropriate guidance, strategies and interventions for its successful implementation. Government will ensure that gender mainstreaming takes root across all sectors as a means to achieving equitable and sustainable socio-economic development. The policy further acknowledges that education and skills development play a critical role in the socio-economic development of any nation. Education and skills development provides opportunities for employment, poverty reduction, productivity and personal growth. The promotion of gender equity and equality in education means equitable access to quality education and skills development which will in turn translate into enhanced human capital for sustainable national development.

## **2.5 Conclusion**

It has been discussed that micro-finance has existed for many years and it is not a new concept. The concept is associated with Muhammaad Yunus a Professor of economics and the beginning of the Grameen Bank in Bangladesh. Due to maximum donor support and media publicity, the Grameen Bank system became the latest model of micro-finance (Chibabmba, 2009). The concept behind the establishment of the micro-finance industry was to take on board the poor out of the realization that even the poor have the ability and capacity to venture in to income generating activities. Loan methodologies have since diversified and the original model of supportive group loans pioneered by Yunus and the Grameen Bank have become more complex and adaptive to local realities (Chiumya, 2004 and Chibamba, 2009). Today products like micro-insurance and micro-savings which previously took the back seat to micro-credit are increasingly becoming more famous. In microfinance was seen by government as the only effective way to combat poverty hence its introduction in the 1990s.

There is a close link between micro-finance and SDGs. The SDGs have galvanized the international development and donor community with the critical challenge of improving the wellbeing of the world's poor people. The donor community is orienting its programs about (around) achieving the SDGs, organizing or mobilizing the required resources to lessen hunger and poverty, diseases and empower women. Evidence from the studies across the world suggest that microcredit client who access financial services are able increase their domestic incomes, build or buy assets, and reduce their vulnerability in times of disaster (Murdurch, et' tal, 2003).

Zambia has legal and policy provision that seem not to support the economic activities of women in the informal sector. The laws are not adequate in their current form.

## **CHAPTER THREE**

### **3.0 Methodological framework**

Chapter three discusses methodological approaches, outlining different approaches used in data collection in the field. The different methods used in collecting data will be indicated since no single method was used.

#### **3.1 Women's Law approach**

Bearing in mind that this approach takes women as a starting point, I first had to figure out where women could be found since I was not looking for all women. I was particularly interested in women who would give data relating to my topic. I had in mind a specific target group and this group is that of women in the informal sector accessing business loans and grants from MFIs, government and NGOs respectively. Thinking critically I came up with strategies. One of the strategies was to go through the church pastor of a local church. The other strategy involved surveying the areas of study trying to see and locate different areas of trading activities. The trading places included markets and streets.

With this approach I was working on the assumptions that women do not usually go to regular banks to obtain loans, women's business activities are more likely to be in the informal sector and that forming groups by women constricts their capacity to get viable loans for viable businesses. Another assumption under this one was that women cannot pay back loans owed to financial institutions. What came out clearly was that women traders with small businesses particularly in the informal sector do not usually go to regular banks. Issues of collateral, time and resources to visit the banks, lack of interest are some of the responses that came out from women during the interviews. By using the women's law approach, issues that explained the possible barriers to women's business growth and expansion came out. Among the issues raised are; lack of adequate capital for recapitalizing the businesses, spending on luxuries, lack of entrepreneurial skills, high interest rates among others.

### **3.2 Actors in a structure**

With this approach I engaged with officials in government departments, NGOs and micro-loan institutions to get their views about the programs and policies being implemented. Really I wanted know whether they have guidelines that is laws and policies guide implementation of the programs. Under this I had two assumptions; the first assumption was that government and NGOs have programs but they are gendered in terms of activities and pre-conditions. The second assumptions was that conceptualization of women's business capacity is influenced by gender stereotypes and the third assumption was women in exclusively small and micro businesses need to form groups to access business loans.

My reasoning was that women's business activities focusing on trading (income generating) was women's concept; but through my interactions with actors within the structures who are officials in government departments, microfinance institutions and NGOs, I realized that micro loan institutions, government and NGOs tend prescribe and promote income generating activities for women. The programs and policies initiated are influenced by gender stereotypes. The notion is that the best way to promote women's businesses activities is to offer small amounts of money. Government and NGOs have limited vision of women's involvement in business. The thinking is that women are the poorest of the poor and all they need are income generating activities (IGAs).

### **3.3 Grounded Approach**

Here my worry each morning when I woke up was whether the people to be interviewed on each day would welcome me. I worried about bureaucracy in both government and private institutions that would require me to make appointments for the interviews. However, using this approach enabled me to constantly engage with the data I had collected. I was able to gather empirical data to define the problem and use the same empirical data to recommend suitable interventions to resolve the problem. I could tell that women are mainly in the informal sector as traders who do not only need small amounts of money for income generating activities (IGAs) but also entrepreneurial skills and incentives that promote genuine business development. I discovered that government and NGOs programs focussing on income generating activities may be inappropriate in a way as they do not

seem to solve what women face. Mostly programs are prescribed and do not conform to real lived realities of women. They are imposed on women on the basis of perceived global image of micro and small scale business poor women (Mariwo, 2008).

I interviewed government, NGO and Microfinance Institutions why they women are required to form groups to benefit from the programs such as grants and small loans. The view of women was noted. Also not be forgotten were the bank officials in relation to financial services for micro and small enterprises.

### **3.4 Sex/ gender approach**

I embraced the experiences of both men and women. I wanted to understand factors influencing the choice of particular training (courses) they do. I interviewed women that had attended skills training to get their views of why they chose what they did. Again i wanted to find out why is that only women must form groups and not men? Secondly why promote income generating activities by the Ministries of Gender and Community Development and Social Services and YWCA among women and not men? Thirdly why are women thought of only capable of doing income generating activities and not genuine business development?

To help me answer the above questions I interrogated the official from the mentioned ministries and NGOs in Chipata. They explained that women were more affected by poverty and are more responsible than men. Coming to the issue of entrepreneurship or skills training, the National Gender Policy is neutral but the outcomes are gendered. Why is it that the outcomes are gendered despite the policy being neutral? Again I had to interrogate the women and men who had attended skills training and entrepreneurship at skills training institutes and the entrepreneurial programs facilitated by government and NGOs. From my findings it came out clear that the outcomes are gendered because women would want to pursue programs associates with women's activities and vice versa. Because of gender roles women do women related programs because that is what society expects of them to do. It all borders on the issues of socialization.

### **3.5 Perceptions of actors**

With this approach I was able to ascertain the government, MFIs and NGOs' perceptions of women in the informal sector with businesses and needs (Mariwo, 2008). From the perceptions or views of the institutions mentioned above I was able to understand the reason behind the implementation of programs that focus on promoting income generating. Government, microcredit institutions and NGOs like YWCA indicated a serious lack of knowledge of the real life experiences of women who only need are income generating activities.

### **3.6 Human Rights Approach**

Human Rights despite been criticized, provide a set standard of measure that help keep people aware and informed on minimum rights that women are entitled to. They stipulate the states obligations as both the holder and guarantor of women's right to socio-economic rights and ensuring the execution of these rights in to real, substantive rights (Mariwo, 2008). Human rights are critical for women to channel their problems (challenges) through a rights based approach. This places the burden upon the state as the duty bearer to be more inclusive in their conceptualization of entitlements (Mariwo, 2008). With the Rights based approach it came out clear in my research that the state as an actor under International Law has an obligation to promote the rights of women by ensuring women's access to credit, training and skills development are promoted. The government of Zambia is also obliged under International Law to encourage and support conditions that serve to promote and support the occupations and economic activities of women in the informal sector.

### **3.7 Research design**

This section gives a geographical position of the study area, methods of data collection.

### **3.8 Study area**

I carried out the research in Chipata District of Eastern Province in Zambia. Chipata is the provincial capital for Eastern Province and is located about 600km from Lusaka the capital city of Zambia.

### 3.9 Study sample

I did careful selection of the respondents who would be helpful in providing valuable and useful information about the topic of study. The selection was done randomly and comprised mainly women as they are the majority in the informal sector and the ones who are targeted by microfinance institutions, government departments and NGOs with their small loans, grants and other empowerment programs. To accommodate variety or diversity of ideas and views men were interviewed.

### 3.10 Sources of data

Data was gathered from different sources ranging from women traders in the informal and formal sectors, MFIs, and commercial banks. Others are government departments like the Ministry of Gender and Child Ministry of Development and Community Development and Social Services (MCDSS). Others include the CEEC, NGOs and one Trades Training Institute.

Below is the table showing key respondents:

Table 1

<b>Respondents</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>
Informal sector	18	90	108
Formal sector	3	8	10
MFIs	2	–	2
Commercial Banks	2	–	2
Government department and other institutions of government	5	1	6
NGOs	3	1	4
CEEC	1	–	1
<b>Total</b>	<b>34</b>	<b>100</b>	<b>133</b>

Various sources of data included women and the youths both married and the unmarried and the widows.

### **3.11 Data collection methods**

Different methods of collecting data were applied as a single or one method could not apply to every situation at any given time. Situations were bound to change and therefore the method needed suit the situation at hand.

### **3.12 Focus group discussions**

Group discussions were conducted in market places where women conduct their trading activities. I had one group discussion at Kapata market with ten women charcoal traders, one at Young Women Christian Association (YWCA) in Chipata near Surtaday market with fifteen women (Savings group), three group discussions in Jerusalem of Chief Maguya in Chipata District, one with four women traders at VNT Guesthouse and one near Chipata police camp with five women dealers in secondhand clothes.

I observed that each time I held group discussions, men would come but later disappear leaving only women in attendance. The attitude was the same everywhere I went. At one focused group meeting I had in Maguya only one man was present and he participated effectively in the discussions. One advantage with focused group discussions is that they created room for debates. They also allow for interaction and open discussions.

### **3.13 Observations**

This method allowed me to collect data in the natural setting (environment). In this case things were happening as normal. Women and men were going about their daily business activities selling various items in make shift stores, in streets, shop corridors, permanent shops and in markets regulated by the local authorities. I could see that street vendors were constantly harassed by local authority officials for illegally trading on the streets. Most street vendors lost items through seizures by the council police officers. I could see that majority traders were selling similar or related items such as, second hand clothes, shoes, alcoholic beverages and food items like fritters, bananas and vegetables. At microfinance institutions I could see that the majority people visiting were women making inquiries on various issues.

### **3.14 In-depth interviews**

Questionnaires were administered to two MFIs, two commercial banks and NGO officials in order to get their views about the micro-finance services they offer to women and the reasons for targeting women. Through the in depth interviews, I was able to discover that commercial banks do not have micro-finance programs focusing on micro and small businesses owned and run by women in the informal sector.

### **3.15 Individual interviews**

Individual interviews were conducted in government departments and NGOs' offices, homes and markets. Women, men and the youths were randomly selected for the interviews. Below is the table indicating respondents for the individual interviews.

Table 2

<b>Respondents</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>
Chipata	13	12	25

### **3.16 Challenges**

I encountered several challenges during my study tour. I could not carry out interviews at some institutions like Chipata Training Institutes and other government wings due to red tape. I was constantly referred to Lusaka to seek permission (authority) for the interviews. It took in some cases days to be allowed to carry out interviews. Sometimes the job I do affected my research as people upon discovering that I am a police officer would become reluctant to offer me interviews. Sometimes it worked to my advantage especially for people whose cases records I handled before.

### **3.17 Limitations of the study**

In this study I am going to discuss the characteristics of group financing schemes provided by institutions such as MFIs, government and NGOs to micro and small scale businesses in the informal sector. I will also discuss and analyze failure by women and factors

contributing to this failure. The discussion will be in light of government obligations to support and promote economic activities of women in the informal sector.

## **Chapter Four**

### **4.0 Research Findings**

#### **Introduction**

In this chapter I will be discussing exclusively micro and small businesses in the informal sector and access to business loans. Findings indicate that the needs of micro and small businesses in the informal sector have not been met and their active role in economic development has been ignored by government and NGOs in their policy formulation and implementation. The important role of micro and small businesses is ignored because of the notion that women need small amounts of money for income generating activities. Micro-finance has been seen as a way of launching income generating for women. The major contributing factor to this notion is attributed to NGOs and government's policies and programs that are based on stereotyping women in the informal sector as poor.

The discussion considers government's duty to promote and support the economic activities of women in the informal sector. It will also indicate that women's economic activities must be supported and given due appreciation. Providing small amounts of money as capital for income generating activities to women does not produce genuine entrepreneurial development but rather stagnation and business failure.

#### **Microfinance institutions and microfinance**

Microfinance is mainly linked to availing financial services by micro-financial institutions (MFIs) to poor households in the informal sector with the aim of improving their welfare. Also on offer are business loans to micro and small businesses though some provide other services like savings. Some do accept deposits as a way of forced savings which are later used as security in case of default (Maimbo, 2000). According to Maimbo (2000) microfinance institutions are characterized by:

- Small business transactions
- Loans for business transactions
- Collateral free loans

- Target the poor/ low income households
- Targeting women

### **Group finance scheme and gender**

Microfinance has been identified as being able to improve the lives of the poor and vulnerable, especially women by offering them access to financial services that are currently not available (Mpambela, 2016). MFIs target women as clients because of the high female repayment rate as evidenced in the Bangladesh model. Initially the Grameen Bank had majority men as microloan clients but because of high default rates among males it was decided that focus should be more on women (Morduch (2005). Apart from the Grameen Bank example, focus on women has also greatly been inspired by gender organizations such Women's World Banking (WWB) and NGOs (Mersland, 2009). These two organizations advocated for the increased focus on women for microfinance because of the women's contribution to the economic activities and high repayment rates recorded among females.

Within microfinance different lending schemes exist ranging from solidarity groups, village banking and individual lending (Sharma and Zeller, 1997). Group lending is exclusively a "female method" where women agree to come together or joining a group. Women that join a group organize to spend time in group meetings easily because they lack collateral (Mersland, 2009). Group lenders seek to reach poorer households, including women (Cull et al., 2008). In group lending schemes, loans are more likely to be smaller due to demand issues. Majority women are in small income generating activities and therefore require less capital. The argument again is that women are more risk adverse hence less likely to ask for big loans that exceed their repayment capacity. Lack of collateral prevents MFIs from offering big loans to women (Morduch, 2009). The Grameen Bank's concept, increased influence of Women World Bank (WWB) and NGOs advocacy for more focus on women for microfinance inspired MFIs in Zambia to start targeting women for microcredit.

In my study I looked at three different financing schemes provided to women and these are micro-finance offered by MFIs, government and NGOs and their characteristics are as follows:

#### **4.1 Conceptualization**

Conceptualization of women's business capacity is influenced by gender stereotypes. Conceptualization refers to the ability to initiate ideas, concepts and programs (BusinessDictionary.com). Gender differentiates between biological sex (male or female reproductive body organs) and socially constructed sex. Socially constructed sex is as a result of socialization. The term gender can as well be used to refer to things other than persons. Work and business can be gendered (Ahl, 2004). In terms of gender stereotypes women and men occupy social roles according to the traditional gender division of labor (Ahl, 2004 and Ilyasova, 2005). In economic arrangements, the socially constructed traits distinguish the capacities of women and men in entrepreneurship and this is why economic scholars have espoused the concept of the masculine perspective of business whereby business people including entrepreneurs are constructed as men. In a Women, Commerce and the Law class of 2015 I got interested to learn that excellent entrepreneurship is assessed using masculine characteristics such as; goal accomplishment, assertiveness, task achievement and self interest ignoring feminine characteristics in small and medium enterprise performance.

In Simone de Beauvoir's (1949) argument of the otherness of women and their relegation to the position of the second sex, female entrepreneurs are viewed as the other in terms of which the male entrepreneur is defined. In terms of gender division of labor men have always been expected to be providers and women caregivers. Scheiner made an argument of think "manager think man" since males are said to be task focused and strive to get the job done while women are said to be concerned with welfare of others above everything else (Hine, 2009). Women are described mainly in relation to the family business and in terms of the family roles.

For any business to move from one level to another, from micro and small business sector in the informal sector to big business in the formal sector, adequate finance is required to

buy stock, rent or put up a structure to operate from, to meet transport costs, registering the business, pay for labor, marketing, advertising and meeting other costs.

Due to gender stereotypes women's business potential is taken or considered at a lower level. The thinking is that women are poor and that all they need are small income generating activities and not activities that facilitate genuine business development. Micro-financing has been seen as a way of launching women's income generating activities. Women micro and small business owners experience gender stereotypes from financial institutions, government and NGOs' view of women particularly in the informal sector whose perceived image is that of poverty. There is a common presumption of women's failure and unable to handle money (Mariwo, 2008). This is premised on the role of women which only encompasses family and household duties which are assumed to lessen women's entrepreneurial credibility. Women entrepreneurs are described mainly in relation to the family business and in terms of the family roles. It therefore follows that when coming up with programs for women empowerment in the informal sector relating to access to financial resources for business development, women are not involved in formulating these programs and policies. Projects are conceptualized on the basis of a poor woman who only needs income generating activities. One official from FINCA clearly indicated that:

*“We come up with micro-financing program for poor women in the informal sector. We concentrate on the informal sector and our targets are women as they are more vulnerable and poor. Our aim is to empower them. We came up with programs to empower women only.”*

This statement clearly shows that the micro-finance programs are initiated without involvement of women on the ground. They are initiated on the premix that all women are poor and vulnerable who require small loans to venture in to small businesses. Similar sentiments were expressed by another official from Vision Fund Zambia in Chipata. The targets are women and why they focus on women is because women are poor and vulnerable. They target women also on the premix that women capable of providing for children in terms of basics needs. The institution is committed to the poor and this was what was said during the interview:

*“When initiating the programs for our poor women, we first looked at the life of the child. We looked at the child accessing the basic fundamentals like food, clothing, health and shelter. The question is who between a woman and a man is capable of delivering? The woman is. If the business thrives the benefit trickles down to the child. We are committed to the poor. This is why we service our loans to rural areas with the view of transforming the life of rural poor. When the mother’s business does well it trickles down to the poor especially children.”*

This means that microcredit programs are implemented with a picture of a woman with her children who are poor. As a poor woman’s business thrives, the benefits automatically trickle down to her children. I discovered that similar views were expressed by the government and NGO officials. The picture that is painted of a woman is that of poverty. Programs are created with a poor woman in mind. For example the Ministry of Gender official said:

*“The ministry has economic empowerment programs for women through grants. As a government department we deal with poor and vulnerable members of the community so that given the opportunity they are able to sustain themselves. We empower women so that they are up-lifted. We give grants of up to K30, 000 (US \$2, 727).”*

Another official from the Department of Community Development expressed similar views as his counterpart above:

*“As department we deal with poor but viable members of the community. We empower poor women so that they are up-lifted. We empower them socially through providing basic entrepreneurial skills and economically through grants and soft loans.”*

YWCA and Chisomo Community Programs target poor women. It is interesting to note that the views indicated by the two organizations are the similar. Though interviewed at different times and dates the views were much the same.

*“Why we target women is because they are more vulnerable to violence and continue to live with perpetrators of violence due to poverty.”*

Looking at the views expressed by government and the NGO officials above, they are painting a woman as poor and vulnerable. Therefore when conceptualizing programs for empowerment they have a poor woman in mind. This is the more reason why both government and the NGO sectors promote small businesses for women through providing small loans and grants. The nature of business encouraged and promoted is the hand to

mouth type. A woman is painted as poor and hence what is best for her is a small income generating activity only for survival purposes.

## 4.2 Lending Methodology

Within microfinance there are different lending methodologies such as village banking, group lending and individual-based lending. Group lending methodologies are exclusively 'female' methods whereby women agree forming groups and spending time in group meetings very easily. Women who lack physical collateral agree joining groups because they are required to engage in group (joint) activities. For example at FINCA three lending methodologies exist. These are;

*“There are three types of business loans (products) available to our clients.”* The official stated.

### a) Village Banking

This type of a loan product is provided to micro and small-scale businesses, particularly traders selling vegetables, second hand clothes, shoes and other commodities. To access this type of loan, women need to be in groups of 15 to 35 members and can obtain loans of up to K1, 200 (US \$102) – K18, 000 (US \$1, 636). This means that an individual member in a group can obtain any amount ranging from K1, 200 (US \$102) – K18, 000 (US \$1, 636). The interest rate for the loans is pegged at 18%. According to the official this type of loan does not require any collateral arrangements. According to the official he said that:

*“The group itself is security (collateral) enough as group members monitor one another. Group members must comprise majority women with only one or two men. In a group we can allow one or two men but must not take up any leadership position. This is because women must own and enjoy the program.”*

### b) Small Group Loans (SGL)

These loan products can be accessed by those that do small to medium size businesses. In this category, the group should consist of between 5 to 10 members only and can borrow loan amounts ranging from K1, 500 (US \$136) – K30, 000 (US \$2, 727). The official had this to say:

*“The advantage with group loans is that interest on the loans obtained is low. If one member in the group defaults, the other group members contribute to assist the defaulting member. The loan amounts range from K2000 (US \$182) to K50, 000 (US \$4, 545). We encourages women to be more in a group with only one or two men.”*

c) Individual loans

The official explained that:

*“These individual loans are available to anyone whether male or female; there is no discrimination.”*

Individual loans are in to four categories:

1. Express loans between K5, 000 (US \$455) and K15, 000 (US \$1, 364),
2. Micro – loans between K15, 000 (US \$1, 364) and K99, 000 (US \$9, 000),
3. Small enterprises (SE) between K100, 000 (US \$9, 091) – K700, 000 (US \$63, 636) ,
4. K700, 000 (US \$63, 636) and above available for big firms or companies.

For individual loans collateral is needed to secure the money. The official indicated said that:

*“Formal amounts between K99, 000 (US \$9000) and K700, 000 (US \$63, 636) are strictly meant for big companies.”*

For individual loans it is clear that due to collateral requirements, women are automatically excluded. As the official indicated, the larger amounts where collateral is required are strictly for big companies and this therefore means that micro and small sized businesses in the informal sector are less likely to have access to formal finance than big companies.

Again the official said:

*“All in all our clientele range from micro, small scale businesses to big companies. We assess how long one has been in business. The economic/ business activity is what qualifies one to access our business loans. If the business is small, we push it to groups. As long as the business is small we push it to groups. What limits a woman’s capacity to get a viable loan for a viable business is the type of business one does. There are no restrictions as long as one’s business is doing well.”*

This indicates that as long as the business is small, it is pushed to group loans. It therefore means that women who comprise the majority micro and small business owners in the informal sector are automatically pushed to group finance.

Just like at FINCA and Vision Fund Zambia, government departments have group lending methodology targeting poor and vulnerable women so that they are able to sustain themselves. The aim is to up lift the lives of the poor women they assist and this was what was said during the discussion:

*“To obtain our loans we want women to be in small groups of between five to twenty members. We deal with poor but viable members of the community, particularly women so that they can sustain themselves.”*

As I indicated earlier, women agree (accept) to joining groups simply because they are more aware (conscious) of shared responsibilities or because they lack collateral and are required to engage in group programs. During my research one woman indicated that:

*“We do not have houses, cars or any valuable items to use as collateral when borrowing money from MFIs, so we are asked to form small groups of five or ten people mainly women. The reason we form groups is to assist each other in case of default. If one member defaults, we contribute money to repay the loan for the defaulting member.”*

Lending methods are generally related to broader social missions (Murdoch, 2009). Micro-finance (credit) providers usually endeavour to reach poorer households, particularly women. Of late, a range of services that were not offered are now provided and these are micro-insurance and savings. In a similar vein other non-financial services like basic literacy are provided to women.

#### **4.2.1 Problems of group lending methodology**

Group lending methodology constricts women’s capacity to get viable loans for viable business projects. Because of high demand for business loans by many women groups, loans are smaller. Secondly micro-finance institutions have taken it that women in the informal sector are in small income generating activities and therefore require less capital. The reason given is that women are more risk adverse hence less likely to ask for huge

loans that exceed their repayment capacity. It was indicated by one woman during the interview that:

*“Because of the group arrangements, we are not able to get enough money to do meaningful business. Because of groups the loan institutions decide how much we get and in most cases loans are smaller compared to what we want to do.”*

Below is figure 1 indicating various sources (choices) of micro-finance for a woman in the informal sector.

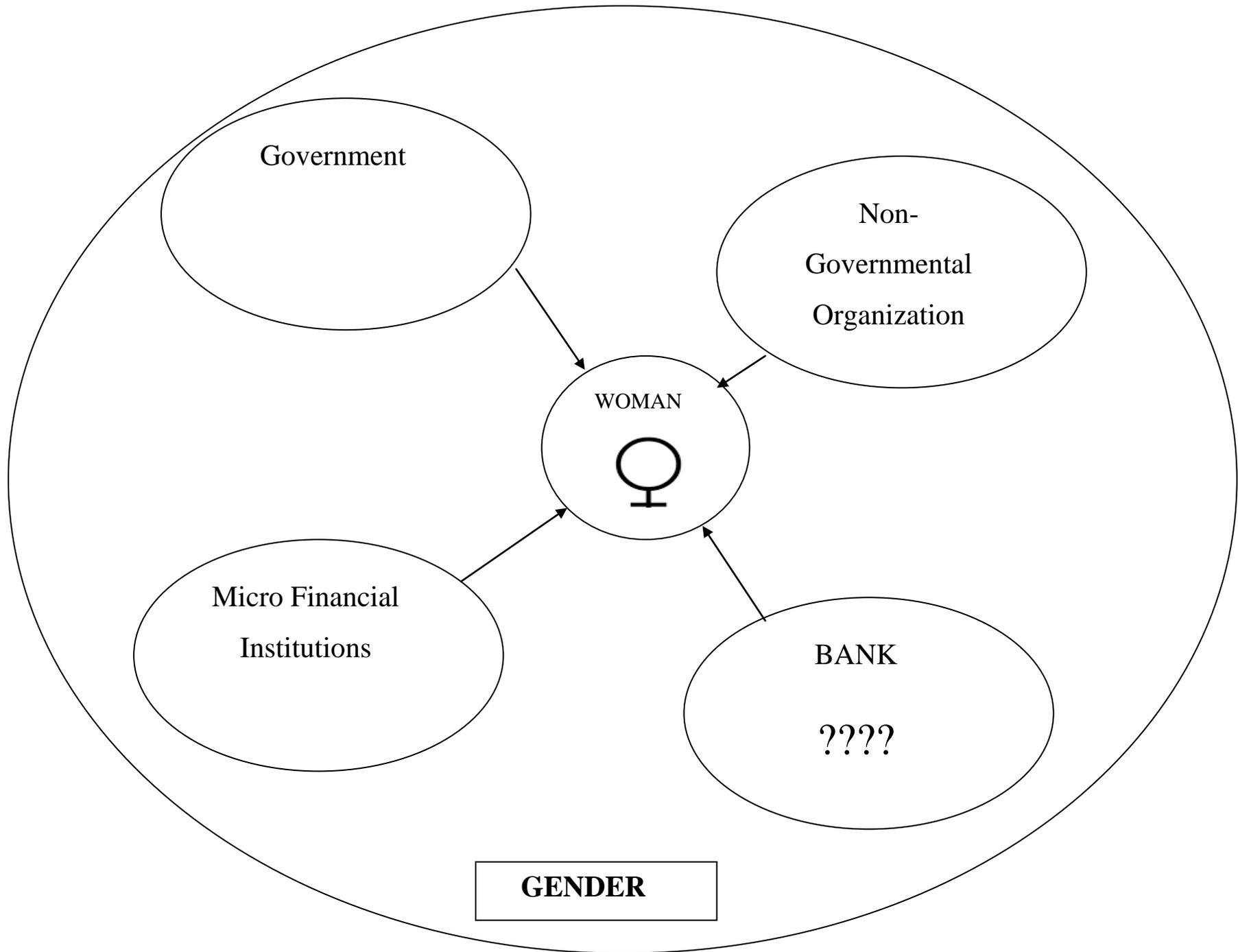


Figure 1: The figure above shows various sources (choices) of finance for woman

### 4.3 Regulation and monitoring

With micro-financing, there are no strict regulations. Microfinance programs do not require collateral arrangements; there are no lengthy procedural or bureaucratic loan applications and disbursement procedures. Institutions that lend to business women in the informal sector often use "collateral substitutes" to overcome their lack of usual collateral, like property, equipment or capital. A good example is the peer pressure or joint liability arrangement in lending to "solidarity" groups. The groups are basically informal organizations of poor people who are organized, owned, run (operated), and managed by the members, based on solidarity, common interest, and resource pooling (Murdoch, 1999). For example at FINCA, the official indicated that;

*“We require women to form groups. The group itself acts as collateral as group members monitor one another to enforce repayments of the loans.”*

Another official at Vision Fund Chipata indicated that no collateral arrangements are required as members monitor each other to enforce repayments. During the interview the official said the following:

*“Our business loans are collateral free. All our clients are required to do is form groups. The group is collateral enough to enforce repayments. No loan contracts are signed.”*

A microfinance group is a social device in which members participate by means of making themselves socially and economically accountable to each other. The group-based credit arrangement tackles the problems of screening and enforcement by incorporating shared liability principle and peer monitoring. A group-based lending contract in actual fact makes a borrower's neighbors co-obligator to loans (Murdoch, 1999). Consequently, in group lending contracts (Arrangements), the burden of screening and selecting, monitoring, and enforcement of repayments are, to a very big extent, transferred from the micro-credit institution to the group members. The group members investigate each other's behavioral integrity and creditworthiness with the help of available social networks to prevent irresponsible and credit risky borrowers from joining the group. In highlighting what micro-finance lenders do in their lending contracts, I will indicate the statements

given by official from MFIs, government and NGOs. The official at FINCA in highlighting what is done at their institution he said:

*“We are helped by the group members in coming up with groups. The groups themselves assist in monitoring and enforcing repayments.”*

Similar sentiments were echoed by the official at Vision Fund Chipata.

*“We ensure that our clients, in this case women come up with their own groups. They decide on their own who joins the group since they know each other very well. The reason we do all this is to ensure that the money we lend out is safe. We are in business, so we do not want to lose out.”*

The Ministry of Community and Mother and Child Health officials said:

*“Our loans are provided to women groups who have to pay back. Group members are conscious of what they are supposed to do. By this I mean that members investigate each other to assess who is credit worth and capable of paying back. The burden of selecting, monitoring and enforcing payment is shifted from us as a ministry to the groups.”*

The YWCA official said that women work in groups to share ideas, responsibilities and monitor each other. She indicated that:

*“Women survivors of violence in those groups help us monitor to see whether what we are doing is bearing fruits or not. Our women are in to savings groups where they lend each other money which they pay back. To enforce payment members they themselves have a way of enforcing repayment. If one member in a group is a problem, group members know what is to be done.”*

What happens is that after group members receive the loans, they begin monitoring each other to ensure that every member of the group invests the loan in a business venture that will guarantee repayment by the peers. Members create a social tie and local network to obtain the necessary information and create social sanctions and bring pressure on defaulting members. The peer pressure is an instrument in the group lending that used in the process of enforcing quick repayment (Murduch, 1999).

The schemes discussed above follow the Grameen Bank model and very often the outcome is failure. Women are not succeeding. This is a clear indication that the model is old and need to be revised to suit the current situation. It is assumed by micro-finance providers

that giving women money to start income generating projects is enough when in actual fact it is not. I will now turn to discussing the reasons why the schemes outlined above seem not to work to the benefit of business women in the informal sector. Women can achieve their full potential in business but it is very worrying that legal, social and economic barriers have continued to hinder them.

#### **4.4 Factors that affect women's business performance**

##### **4.4.1 Legal Barriers**

Findings indicate that though the Constitution of Zambia (Amendment) [No. 2 of 2016 of 2016 under Part II under Article 10 (1) and (2) provide for the creation of an economic atmosphere that encourages personal initiative and self-reliance among the citizen, in order to promote investment, job creation, wealth and economic empowerment of citizens in orders to contribute to sustainable socio and economic development, it does not provide for social and economic rights. Since socio-economic rights are not enshrined in the Zambian Constitution, they are not justiciable. Women cannot sue the state for failing to meet its obligations of providing incentives that promote business development for them. The only option is to rely on global and regional human rights instruments to make the state comply.

However, Zambia signed the Maputo Protocol on 3<sup>rd</sup> August, 2005 and ratified it on the 2<sup>nd</sup> May, 2006. By virtue of signing and ratifying the Protocol, the country is obliged by it. The Zambian government obligations to promote women's economic activities are indicated in the Protocol. According to Article 13 (c) government is duty bound to create conditions that support and promote economic occupations and activities of women in the informal sector. Article 19 (b), (c) and (d) places the burden upon the government to make sure women participate at every stage in the conceptualization, decision making, implementation and evaluation of government development programs and policies. The government is also duty bound to ensure women's access to and control over productive resources like land. The Article again places the burden upon the government to promote women's access to credit, training and skills development. It therefore means that at least in theory women entrepreneurs in the informal sector can demand for their entitlements from government as provided for by the Maputo Protocol (Mariwo, 2008). The obligations

that Zambia has must not just end at paper work but must translate in actual implementation necessary to the benefit of women's business development.

The government commitment towards women's entrepreneurial development should be reflected in the country constitution; but what is happening is that there is a gap between what is provided for in the Maputo Protocol, the country's constitution and the legislative structure (frame-work) regarding women's socio-economic rights.

The Citizen Economic Empowerment Act No.9 of 2006 serves to support the economic empowerment of targeted citizens who are marginalized and disadvantaged in terms of access to economic resources and whose development ability have been hindered by sex, race, status in society, disability or gender among others. The Act established the Citizen Economic Empowerment Commission (CEEC) and the Citizen Economic Empowerment Fund (CEEF). The Act gives powers to the CEEC that are stipulated in section 3 which are to promote the broad based economic empowerment of targeted citizen, citizen empowered companies, citizen influenced companies and citizen owned companies. The mandate of the CEEC is foster broad based economic empowerment of the citizens. It was realized by government that Zambian citizens were not fully involved in the running of economic affairs of the country and this was attributed to so many factors like issues of race (the white) had so much priorities, sex (cultural issues), gender, status, disability among other factors as indicated above. When it comes to access and control of resources men would have an upper hand; resources like land men had so much control. In order to redress these inequalities CEEC came on board to provide the necessary empowerment that would help women to have access and control of the resources the country has. The CEEC official indicated that:

*“In order to redress these inequalities CEEC was established to provide the necessary empowerment that would help women to have access and control of economic resources we have in Zambia. As the commission we have classified what we call targeted women, youths, the disabled, men and people living with HIV/AIDs. It is a deliberate move of categorizing them as such so that they are not left out.”*

While the CEEC appears to disburse funds, promoting and supporting gender equality in terms of accessing, controlling, owning, managing and exploiting economic resources to citizen empowered companies, citizen influenced companies and citizen owned companies,

this is not the case for targeted citizens, the category to which women micro and small scale businesses in the informal sector belong (Samasumo, 2014). The commission has classified what is called targeted women, youths, disabled, men and people living with HIV/AIDs, but does not clearly state whether the targeted women belong to the informal sector or formal sector. It is vague or not clear in its mentioning of targeted women though it has classified targeted women according to sex, gender, disability among others. This was revealed during my research. The official from CEEC indicated that:

*“Though we may say businesses owned by women in the informal sector may come for business loans, we have not assisted anyone yet, but we have assisted big companies in the formal sector. They are the majority clients so far.”*

The statement from the official indicates that the CEEC is there to support big business enterprises in the formal sector. It indicates to me that the official seemed to know what to say and not exactly what is done (implemented) at the CEEC. The CEEC only supports big business projects such as innovative Information Communication Technology (ICT) and energy projects, cooking oil projects, processing and others. The officer indicated that:

*“We provide financial, technical and other support to the subsector. We want to provide support to the subsector in each district. For example, in Lundazi we have gemstones. This is one sector which has potential. This is what we call “Value chain”. We look at the value of the particular endowment in a particular area.”*

The projects that CEEC supports clearly indicate that women with micro and small businesses in the informal sector are excluded. The women that I interviewed cannot meet the conditions set by the CEEC. Information such as business plans, market overview, management strategy, budget, work plans, proposed security, financial statements and others cannot be met considering the fact that they do not have business training and entrepreneurial skills. Figures 2 and 3 below indicate examples of business projects supported by CEEC ([www.ceec.org.zm](http://www.ceec.org.zm)).



**APPLICATION FORM  
FOR INNOVATION PROJECTS  
FOR YEAR 2016**

**Project Identification Number**

**Type of Project** (*e.g. innovative ICT and energy projects*)

**Date Applied**

1.0 APPLICANT INFORMATION	
<b>1.1 Name of Applicant</b>	
a. Legal Form of Applicant (e.g. Limited Company, Cooperative, etc)	
b. Copy of business registration certificate	Yes <input type="checkbox"/> No <input type="checkbox"/>
c. Physical address of applicant	
d. Contact Number(s) for applicant	
e. Category of applicant	Youth <input type="checkbox"/> Women <input type="checkbox"/> Men <input type="checkbox"/> Physically Challenged <input type="checkbox"/>

1.2 Shareholders of the Business:							
No.	Full Names	Nationality	NRC/ Passport No. (provide copy of ID)	% share holding	Position in the Business	Physically Challenged (Disabled)	
						Yes	No

2.0 DESCRIPTION OF PROPOSED PROJECT	
Following the Business Plan Outline below, kindly formulate your business plan and attach this form:	
1.0	Executive summary
2.0	Vision
3.0	Mission
4.0	Business Model (Describe the businesses activities of the Enterprise from operations to sales)
5.0	Income Sources (List in bullet form ALL the income sources of the business arising from business operations - how will the business be making money?)
6.0	Key Success Factors

- 7.0 Market
  - 7.1 Market Overview
    - 7.1.1 Trends in Demand for your line of business
    - 7.1.2 Trends in Supply for your line of business
    - 7.1.3 Proposed Main Buyers and Suppliers for your Company
  - 7.2 Current and Projected Market Share for your business
  - 7.3 Competitiveness Analysis (describe what advantages, if any, your business will have in terms of the following:)
    - 7.3.1 Location of business operations
    - 7.3.2 Technology used in production and marketing of goods/services
    - 7.3.3 Volume of production
    - 7.3.4 Quality of products/services
    - 7.3.5 Cost of production
    - 7.3.6 Price of products/services
    - 7.3.7 Financing sources
    - 7.3.8 Other
- 8.0 Management Strategy
  - 8.1 Personnel
  - 8.2 Phasing of investments and business operations
- 9.0 Budget
- 10.0 Workplan Year 1
- 11.0 Requested Loan Facility
  - 11.1 Purpose, Amount and Tenure
  - 11.2 Drawdown Plan
  - 11.3 Repayment Plan
  - 11.4 Results
    - 11.4.1 Profitability
    - 11.4.2 Sustainability
    - 11.4.3 Socio-Economic Impact
- 12.0 Proposed Security for the Loan
- 13.0 Risk Assessment
- 14.0 Business Background
  - 14.1 Dates of Registration and Commencement of Operations
  - 14.2 Affiliated Companies
  - 14.3 Core Business Activities
- 15.0 Ownership
  - 15.1 Shareholding
  - 15.2 Board of Directors
  - 15.3 Senior Management Profiles
- 16.0 Country Factors
  - 16.1 Legal and Regulatory Framework governing your industry
- 17.0 Major Stakeholders of your industry
- 18.0 Your Current Creditors and Debtors
- 19.0 Disclosure of on-going Claims and Litigations against your Company

**Annexes**

- 1.0 Financial Statements Past Three Years
- 2.0 Projected Financial Statements for Duration of Loan
- 3.0 Performance Management Plan (Monitoring and Evacuation)
- 4.0 References
  - 4.1 Testimonials
  - 4.2 Personal Sureties
  - 4.3 Past and Present Bankers
  - 4.4 Latest Tax Clearance certificate
- 5.0 Insurance Information
- 6.0 Asset Valuation Report

Signature \_\_\_\_\_ Date \_\_\_\_\_

Figure 2 Innovation Projects



**APPLICATION FORM  
FOR WATER-BOTTLING PROJECTS  
FOR YEAR 2016**

**Project Identification Number**

**Type of Project** (*e.g. development of water-bottling plants*)

**Date Applied**

<b>1.0 APPLICANT INFORMATION</b>	
<b>1.1 Name of Applicant</b>	
a. Legal Form of Applicant (e.g. Limited Company, Cooperative, etc)	
b. Copy of business registration certificate	Yes <input type="checkbox"/> No <input type="checkbox"/>
c. Physical address of applicant	
d. Contact Number(s) for applicant	
e. Category of applicant	Youth <input type="checkbox"/> Women <input type="checkbox"/> Men <input type="checkbox"/> Physically Challenged <input type="checkbox"/>

<b>1.2 Shareholders of the Business:</b>							
No.	Full Names	Nationality	NRC/ Passport No. (provide copy of ID)	% share holding	Position in the Business	Physically Challenged (Disabled)	
						Yes	No

<b>2.0 DESCRIPTION OF PROPOSED PROJECT</b>	
Following the Business Plan Outline below, kindly formulate your business plan and attach this form:	
1.0	Executive summary
2.0	Vision
3.0	Misslon
4.0	Business Model (Describe the businesses activities of the Enterprise from operations to sales)
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6.0	Key Success Factors

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  - 7.1 Market Overview
    - 7.1.1 Trends in Demand for your line of business
    - 7.1.2 Trends in Supply for your line of business
    - 7.1.3 Proposed Main Buyers and Suppliers for your Company
  - 7.2 Current and Projected Market Share for your business
  - 7.3 Competitiveness Analysis (describe what advantages, if any, your business will have in terms of the following:)
    - 7.3.1 Location of business operations
    - 7.3.2 Technology used in production and marketing of goods/services
    - 7.3.3 Volume of production
    - 7.3.4 Quality of products/services
    - 7.3.5 Cost of production
    - 7.3.6 Price of products/services
    - 7.3.7 Financing sources
    - 7.3.8 Other
- 8.0 Management Strategy
  - 8.1 Personnel
  - 8.2 Phasing of investments and business operations
- 9.0 Budget
- 10.0 Workplan Year 1
- 11.0 Requested Loan Facility
  - 11.1 Purpose, Amount and Tenure
  - 11.2 Drawdown Plan
  - 11.3 Repayment Plan
  - 11.4 Results
    - 11.4.1 Profitability
    - 11.4.2 Sustainability
    - 11.4.3 Socio-Economic Impact
- 12.0 Proposed Security for the Loan
- 13.0 Risk Assessment
- 14.0 Business Background
  - 14.1 Dates of Registration and Commencement of Operations
  - 14.2 Affiliated Companies
  - 14.3 Core Business Activities
- 15.0 Ownership
  - 15.1 Shareholding
  - 15.2 Board of Directors
  - 15.3 Senior Management Profiles
- 16.0 Country Factors
  - 16.1 Legal and Regulatory Framework governing your industry
- 17.0 Major Stakeholders of your industry
- 18.0 Your Current Creditors and Debtors
- 19.0 Disclosure of on-going Claims and Litigations against your Company

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1.0	Financial Statements Past Three Years
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4.0	References
4.1	Testimonials
4.2	Personal Sureties
4.3	Past and Present Bankers
4.4	Latest Tax Clearance certificate
5.0	Insurance Information
6.0	Asset Valuation Report

**Signature** \_\_\_\_\_ **Date** \_\_\_\_\_

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Figure 3 Water-Bottling Projects

The Small Enterprises Act 425 of Zambia only provides for the identification of small enterprises, institutions and projects which require financial assistance, provide information on the sources of finance and promote local investment for micro and small enterprises, but it does not seek to promote and support micro and small scale business activities for women in the informal sector who are the majority and more disadvantaged. The Act does not create a legal environment for women micro and small business entrepreneurs in the informal sector to demand their right to entrepreneurship development.

The Micro, Small and Medium Enterprises Development Policy's (2008) objective is to provide for the lively support and participation of all major stakeholders in the Micro, Small and Medium Enterprises (MSMEs). The feature of this policy is partnership and enabling environment. The policy aims at facilitating the creation and development of viable MSMEs that contributes to Gross Domestic Product (GNP) by 2018. The policy aims at enhancing the value utilization and value addition of raw materials in selected areas and improves productivity in the MSMEs by the year 2018.

However, this policy does not provide for the active support and participation of micro and small businesses in the informal sector. According to the policy, the informal sector is neither taxed nor monitored by the government and not included in the government's Gross National Product (GNP) as opposed to the formal economy. It therefore means that micro and small businesses in the informal sector where the majority of women I interviewed are found do not meet the legal status and total investments criteria stipulated by the policy (Pages 15 – 17).

National Gender Policy of Zambia (2014) though it aims at attaining of the gender equality in development process by minimising the existing imbalances by providing equal opportunities for both men and women so as to participate actively and contribute to economic development of the country, it is inadequate as it does not clearly state practical corrective measures or actions to enforce where discrimination exists.

#### 4.4.2 Socio-cultural challenges

In the Women, Commerce and Law class of 2015 it was interesting to learn that socio-cultural barriers relate to the primary roles of women encompassing family and domestic responsibilities which reduce the women's entrepreneurial credibility (standing). Patterns of women's entrepreneurship are depicted as reflecting the reproductive life cycle of interruptions and discontinuities even in the field of business. Women respondents I interviewed have adopted coping strategies to overcome the challenges that are a result of their many roles or responsibilities; interaction of the private and public responsibilities and roles as evidenced during the study. Many women I interviewed carried along with them young children to their places of trading. Some indicated that they leave their young children with their siblings at home. While busy going about their trading activities women have no option but to attend to urgent family matters. During the interview one woman charcoal trader indicated that:

*“We leave our young children with their older siblings who take care of them when we are here selling our charcoal. There are times when we are forced to abandon selling in order to go attend to our children. For example, on Monday 11 December, 2016, our friend's child fell ill and she was forced to stop selling her charcoal in order to take the child to the clinic for medical attention. This affects our business. The sales are poor because I have many things to attend to besides business.”*

This clearly indicates that women have dual roles to play. Doing business and taking care of children at the same time. According to Tong (1989), the institution of marriage combined with reproduction, caring and mothering roles are at the centre of women's oppression. Marriage may become a hindrance to the effective performance of the women's entrepreneurial capability. As indicated in the above statement, the woman was forced to leave her business activity to attend to the sick child thereby affecting business progress. This negatively impact on the profits as sales reduces due to prolonged absence from business. The situation is worsened by the fact that there are no day care facilities to enable business women to balance work and family responsibilities.

However it important to take a social approach which advocates for government to address the unequal gender roles through making available childcare facilities to overcome the problem of mothering and caring. This is important because support for women

entrepreneurs should take in to account women's reproductive responsibilities as well as existing relations and roles (Tong, 1989). Women's capacity for amassing capital is affected by their tendency as mothers and wives to spend whatsoever income they make on the wellbeing of their families and avert risks so as to make provisions for the future. Women have many responsibilities of providing for their families, that is close relatives and extended families. Most micro or small enterprise financial resources are not usually secluded (isolated) from personal finances and therefore family responsibilities (obligations) are met from profits or resources earned in the business. Their demands usually drain the incomes or earnings and the small savings made by the business. As a result the business is deprived of such money which would have been used in the business for expansion and growth (Muriungi, 2011). During my research, it was common for women talking about using the profits they make from the daily sales to buy food, and other home requirement. One woman said:

*“When you have no food at home you cannot just sit and watch. We use our daily earnings (sales) to buy food and whatever is lacking at home. We make sure the family does not suffer. The businesses we do are meant to solve family problems. We even provide for our extended family members from the small earnings we make.”*

Women may become barriers to their own entrepreneurial potential (business expansion and growth) because of lack of financial discipline. They to some extent contribute to limiting the growth of their businesses. The loans they get, before investing in their businesses they take part of the money to buy luxuries like cosmetics and clothes. Women have many things that they admire. It is common for many of them to spend part of the loans obtained from micro-finance providers on other luxuries. One woman indicated that:

*“.....we have a problem as women because we admire so many things from our colleagues who have, so when we get the money we are tempted to buy the same things we admire from our colleagues.....”*

Lack of financial discipline by women can be another limiting factor to the expansion and growth of business for them. The only solution to this lies in women themselves developing financial discipline by avoiding admiring things that retard business expansion and growth. It is by having self discipline that they can avoid spending their capital on unnecessary things.

In the private sphere (marriage circles) husbands forcefully request their wives to surrender part of the profits realized from the business (from the daily sales). If for example the wife objects to her husband's demands, she is threatened with divorce. Sometimes women are reminded that they are under the care of their husbands. Due to the patriarchal nature of much of the Zambian society, a woman is not supposed to object to the husband's demands. During the interview one woman indicated said:

*“Our husbands follow us to the market where we sell the goods. When they come they demand to be given part of the profits we make from the daily sales. The money they ask for is for buying beer to drink with their friends. When they demand, we give them because in our culture we are taught to obey our husbands. Refusal is a sign of disobedience. From fritters or charcoal we do not make enough profits to be able to service our loans and invest back in the business.”*

Obedying the husband's request or demands for anything, in this regard money stems from most of the Zambian culture where a woman is subordinate to the husband and is required to obey. In my view this therefore puts the woman who wants to expand her business at a disadvantage. Tong (1989) argues that female subordination is embedded in customary hindrances that prevent women's penetration in large and well developed business venture. I discovered that the men who demand for money to buy beer do not support their wives in providing for their families. When men get their salaries all they do is to spend money on alcohol and other things unknown to their wives. Making demands for money impacts on the business' capacity to expand. The end result is for the business to stall or fail as there will be no money to plough back in the business.

Another reason associated with socio-cultural barriers (factors) is little or lack of business training and entrepreneurial skills. Limited or lack of business training perpetuates women's limited capacity for expanding and growing their businesses from micro and small sizes in the informal sector to large scale sizes in the formal sector. The majority women traders I interviewed in Chipata are constrained by lack of business training and entrepreneurial skills. During my research I encountered many women whose projects were not doing well. For example there were two groups of women in Lunxhwakwa and David Kaunda areas running the poultry projects, raising broiler chickens for sale. I discovered that these women involved in poultry lacked learning skills in raising healthy chickens and because of lack of skills these women failed to continue their poultry

business. Chickens ended up dying forcing business to fail and close. When the business closes it therefore means that women fail to pay back the loan obtained from the lenders. It was indicated by one woman I interviewed in Lunxhwakwa that:

*“We got a loan of K20, 000 (US \$1, 818) from ILO through Chisomo Community Program for keeping chicken for sale. From the loan we bought 200 chicks and paid for the chicken shelter but the challenges we faced were that some chicks died of diseases. The second time we bought another 200 but was also a failure; the same thing happened with the third chicks. They all died due to poor care and diseases.”*

Similar sentiments were expressed by another woman in David Kaunda (DK) that:

*“We accessed a loan of about K18, 000 (US \$1, 636) from ILO through Chisomo a community based NGO as group in order to venture in to a poultry project. Quite alright we started well. The first set of chicks grew and we managed to sell them. Later we started experiencing problems. The second and third set of chickens perished (died) before we could even start selling them. Now we have problems of paying back the loan we got from ILO through Chisomo Community Program.”*

This is a clear indication that women lacked skills in raising health chicken no wonder the birds die of diseases. To the women the chickens died out of natural causes. They could not tell what could have caused their chickens to die and this is what one woman said:

*“.....sitiziba camene cipaya nkuku zathu. Koma zikufa so cabe....”* Literally translated as; “We do not know why and what is killing our chicken but they die just like that.”

The statement shows that women do not know anything about chicken diseases such as New Castle and any other diseases that may affect their poultry. If women were given the right training on how to identify the diseases, preventive measures would have been put in place to avoid such disastrous outcomes. It also clearly shows that giving money to women to do income generating activities is not enough. To operationalize the value of capital, skill training is very important. As a result of such failures women fails to repay the loans owed to the creditors like it was indicated that:

*“We were supposed to finish repaying the loan in July 2015 but we failed because the business was not doing fine. Our poultry business completely failed. We are remaining with the balance of K10, 500 (US \$955) to clear the loan. We are willing to pay back but we are unable to due to lack of funds at the moment.”*

It was clear from nearly all the women I had discussions with that they did not have business training and entrepreneurial skills. Women indicated that the training they received before getting micro-credit (business loans) from micro-finance providers focuses around loans servicing only. The only training women received before accessing the funds from micro finance providers such as government and NGOs is about how to make loan repayments and savings. Nearly all the women I interviewed expressed similar views. It was indicated that:

*“The only training we receive before we are given money is how to make repayments of the business loans we received. We have no idea about making business projections, or indeed any entrepreneurial skills; all we know is wake up and its business as usual: buying and selling. We do not even record our daily sales anywhere.”*

The statement tells me that micro credit providers only want to play around how to recover the money given to women. Their pre-occupation is how to recover their money and not promoting women’s business expansion. It therefore follows that the ability to tap into new markets, demands for one to have expertise, knowledge and business contacts. However women I interviewed lacked training and experience on how to participate in the market place and hence are not able to market the goods and services strategically. Besides women are not exposed to the competitive markets at the national level, hence lack good trading practices (Mahbub, 2000).

#### **4.4.3 Economic factors (challenges)**

Under this section factors that explain barriers to women’s capacity to entrepreneurial development include the following; competition in the market, poor quality of goods sold, lack of marketing knowledge, high interest rates and council levies. During my research in Chipata, I discovered that women face economic barriers listed above. Capital though not adequate is readily available and provided by micro-finance providers, such as government and NGOs exclusively for women’s business development but the end result is business failure.

Women complained about stiff competition from other traders dealing in similar or related commodities. Micro and small businesses in the informal sector are vulnerable to

competition from their counterparts who introduce latest (new) products or improve their services. For businesses facing competition, it is difficult to respond rapidly to the competition because of they lack the resources to do so (Muriungi, 2011). New competitors like mini-supermarkets and supermarkets with a wide variety of products are emerging worsening the situation for those dealing in related products with such big enterprises. I noticed during my research that women deal in similar (related) commodities such as charcoal, second hand clothes, shoes, groceries and food items. I attributed this to lack of market information. This was confirmed by one woman I interviewed and she said:

*“Sometimes we fail to sell anything. This is because of stiff competition we face from fellow traders who deal in similar items like us. We sell charcoal, also others sell charcoal. This makes business not to peak. If we see a friend selling charcoal we copy, if it is fish we switch to fish. We lack market information about what is prevailing. We get carried away with what others are doing without understanding why?”*

From the statement it is clear that market information is lacking in the women. Women lack knowledge about what customers need. The things that women buy may be of poor quality hence attracting very few or no customers to buy. Women traders in Chipata have no business contacts and lack knowledge of how to deal with the business environment. They have little or no bargaining power, all of which further limit their growth in business.

High interest rates charged by micro-financial institutions coupled with repayment period constrain women’s capacities to expand their small businesses. FINCA and Vision Fund peg their interest rates at 18%. The interest rates are high and because of this women are perpetually in debt making it difficult to grow and expand. A woman from Umpawi women’s group indicated that:

*“Micro-credit institutions charge us very high interest on the money we borrow. We now know that these companies that lend us money are not interested in making us grow businesswise. They are only interested in making their own profits. For example if I get K800 (US \$73) then I am required to pay K144 (US \$13) interest, loan plus interest the total comes to K944 (US \$86), and then I am required to pay service charge K96 (US \$9). Remember that I am supposed to make two weekly repayments of K134 (US \$12) plus forced savings K20 (US \$2). Meaning that the two; weekly loan repayment plus forced savings the total comes to K154 (US \$14). The grace period (two weeks) in which to resume loan repayment is not enough. The time the business starts performing well you realize that you are required to resume repayments.”*

Forced saving are imposed on women so that if one member in the group defaults, the savings are forfeited to the loan company.

Business levies charged by Chipata Municipal Council are a thorn in the flesh of many women traders. The municipal council exaggerates by charging high levies to micro and small businesses trading in the streets, markets and shop corridors. Such small businesses do not manage to sell anything during bad days. The little that women make is spent paying for penalty fees for failing to pay on time. The women complained that levies are too much. During the interview one woman indicated that:

*“The daily business levies are too much. We are charged every day and if you do not pay in time, the penalty fee is too high. Because of this most of us do not remain with money to save.”*

#### **4.5 Discussion of the findings**

Findings indicate that despite having programs targeting women for empowerment through loans and grants the end results is business failure. Findings also indicate that legal, socio-cultural and economic factors constrain women’s business development making it impossible to move from micro and small businesses in the informal sector to medium and large scale business enterprises in the formal sector. Giving money to women for income generating activities is not working. The women are not succeeding and something must be done to address this state of affairs. The solution lies in doing the following:

**Mentoring and networking:** Established business women mentoring budding entrepreneurs. This is important as networks and associations of women entrepreneurs can provide much needed support for new and emerging women entrepreneurs. Women must be helped in creating business contacts and educate them on the importance of having bargaining power. Women running micro and small scale businesses must join professional bodies or be part of other networks in order to have access to business and market information. Networks are important as women are not deprived of awareness and exposure to good role models (Mahbub, 2000). One woman married to a police officer in Chipata has benefited from mentorship arrangements. Previously, this woman accessed micro-loan facilities but was not doing well in business due to lack of business mentors and role models. After

being exposed to business mentors and through networking her business has grown from small to medium size one. This is what she said:

*“I have been getting business loans from Microloan Foundation Zambia since 2010. Previous I could just get the loan without planning what to do with it. My business was not performing well; but after I got exposed to Mrs. Daniel Banda a seasoned business entrepreneur, I have learnt a lot about business planning, market assessment and other skills and now my business is doing well. I was doing trading in the market but now I own my own big shop dealing in electronics.”*

By way of comparison, in Australia the mentorship program is working well. They have established the Women in Small Business Mentoring Network that link new beginners with experienced big business owners through which ideas and knowledge are shared.

Establishment of day care facilities: Since the institution of marriage combined with reproduction, caring and mothering roles constrain the effective performance of the women’s entrepreneurial capability, it is important to support women entrepreneurs by establishing subsidized day care centres to enable business women balance business activities and family duties. Support to women entrepreneurs should take in to account of women’s reproductive and household responsibilities as well as existing relations and roles between women and their children (Tong, 1989). In addition engaging with men is just important so that they lessen the dual burden that the women are going through by making men take up women’s roles. This has been implemented in Sweden and is working very well. Men are also given paternity leave.

For the businesses to grow and move from the micro and small scale in the informal sector to medium and large scale in the formal sector (survive and grow) women traders do not only need financial services but also require business training and entrepreneurship skills. These business training and skills relate to market information, business management and vocational skills training, business advice, financial literacy, business building, skills and attitudes (Grant, 2006). Business training is important in operationalizing the value of money. Adequate business training and entrepreneurial skills will help women to expanding and growing their businesses from micro and small sizes in the informal sector to large scale sizes in the formal sector.

As indicated in the preceding section, women's failure in poultry business was because they lacked the necessary training in livestock rearing. Women lacked the much needed information and knowledge about ways of keeping and maintaining poultry. They needed training in different types of diseases that affect birds like chickens. Had women been adequately trained the problems they experienced would have been avoided. The story that could have been discussed now is business success but because skills were lacking the story is failure.

To respond to stiff competition and survive in business, women require market information and knowledge of marketing strategies. This can be acquired through business mentors and business training.

#### **4.6 Analysis of the findings**

##### **Failure**

In this section I will analyze women's business failure and factors contributing to failure and how to get around it. In analyzing business failure I will look at factors such as marital, poverty, conceptualization, supervision, default, earnings and gender stereotypes.

##### **4.6.1 Marital issues**

From the findings one of the factors that stands in the way of women's progress in entrepreneurship is marital issues. Marital issues contribute to preventing women from attaining the highest level of entrepreneurial potential (Winn, 2012). Women's child bearing responsibilities interfere with good business intentions. Young children on the other hand do not decide when to fall ill and school schedules with their parents' needs in mind (Winn, 2012).

Many women business owners find it challenging to balance their families with their business obligations. Many times women underestimate the extent to which their businesses interfere with their family or the extent that their family interfere with their business (Winn, 2012). Though women contribute to limiting the growth of their business, family obligations keep their businesses small. For business to grow, it also requires or

calls for one to spend more time in it. The women I interviewed in Chipata are usually the primary care givers. It was revealed that for those who are married, their husbands do not take on any household duties like washing, sweeping or indeed cleaning. It was indicated by one woman that:

*“Our husbands do not assist us in taking care of the children. They do not even assist in performing household duties such as sweeping and washing. We do the cleaning and washing before coming for business. After business hours we do most household work without the involvement of our spouses.”*

For a man to do household duties is taboo according to the traditions and customs among most tribes in Zambia. Even when the children get older family obligations for a woman do not lessen (Winn, 2012). As already indicated in the preceding section, the only way to get around problems of family obligations by women is to provide day care facilities to prevent the institution of marriage together with reproduction, caring and mothering roles from constraining the effective performance of the women’s entrepreneurial capability. Women need the support by establishing subsidized day care centres to enable them balance business activities and family obligations (Tong, 1989).

Another contributing factor to women’s lack of growth and failure in business is associated with marital issues. Women lack total control of their business activities. It is common for husbands to demand earnings from their wives’ daily sales such that when a woman refuses to succumb, she is abused and humiliated in the presence of the children and neighbours. Wives have no control over the earnings in business and because of such instances businesses are unable to pay back money owed to micro-financial institutions. One woman’s husband works for a local authority within Chipata, supervising grave diggers. He is fond of demanding for money from his wife’s business to buy beer. Due to persistent demands for business earnings, the woman defaulted and FINCA had to seize her household property to recover the money. The woman explained that:

*“My husband is a problem. He demands money from my earnings to buy beer even when he works for the council. The money he gets as salary is spent on buying few household items and the rest I do not know where he takes it. Because of my husband’s behaviour one day I defaulted my loan repayment of K483 (US \$44) and so FINCA came home and confiscated my household items like a DVD player, TV set, and a domestic drier.”*

To resolve marital issues where the husband interferes with the wife's business is something that is difficult. However something can still be done to try and avert the situation. The only way to resolve it is through sensitization, educating the men on the importance of supporting women's business activities.

#### **4.6.2 Gender stereotypes**

Gender stereotypes are also factors contributing to women's business failure. Gender differentiates between biological sex (male or female reproductive body organs) and socially constructed sex. Socially constructed sex is as a result of socialization. In terms of gender stereotypes women and men occupy social roles according to the traditional gender division of labor (Ahl, 2004). In economic arrangements, the socially constructed characteristics (traits) distinguish the capacities of women and men in entrepreneurship and this is why economic scholars have espoused the concept of the masculine perspective of business whereby business people including entrepreneurs are constructed as men. Excellent entrepreneurship is considered using masculine characteristics like; goal accomplishment, assertiveness, task achievement and self interest ignoring feminine characteristics in Small and Medium Enterprise performance (Ahl, 2004).

In Simone de Beauvoir's (1949) argument of the otherness of women and their relegation to the position of the second sex, female entrepreneurs are viewed as the other in terms of which the male entrepreneur is defined. In terms of gender division of labor men have always been expected to be providers and women caregivers. Scheiner made an argument of think "manager think man" since males are said to be task focused and strive to get the job done while women are said to be concerned with welfare of others above everything else (de Beauvoir, 1949; Ahl, 2004 and Illysova, 2005). Women are described mainly in relation to the family business and in terms of the family role.

Due to gender stereotypes women's income generating activities are considered less important and less likely to contribute to the economic development of the country. Because of gender stereotypes micro-finance institutions, government and NGOs, use small loans and grants as a way launching income generating programs for women. Micro and small business owners particularly women in the informal are viewed as poor who

only need small amounts of capital and not activities that promote genuine business development (Mariwo, 2008). Micro-finance programs draw their content from the life of women in the informal sector and this has implications that women are only good at income generating activities (projects). The perception created is that women can only do small projects that support their families. Stereotyping of women's business capacity based on the perceptions women in the informal sector are poor inhibit business growth and expansion. Micro-finance programs should have diversity. They should have levels of development, socio-economic contexts within which women are found rather than brand them as the same and develop a one size fits all policies and programs based on stereotypes (Mariwo, 2008).

#### **4.6.3 Conceptualization**

Conceptualization is defined as the ability to initiate ideas, concepts or programs by (BusinessDictionary.com). Business failure is also explained by the way women's programs are conceptualized. There is a general presumption that women's business expansion is covered under micro-loans provided to them for income generating projects. It therefore follows that when coming up with programs for women in the informal sector relating access to financial resources for business development, women are not involved in formulating or conceptualizing, decision making and assessing the programs. Lack of participation by women in formulating or conceptualizing, decision making and assessing of government programs in terms of Article 19 (c) underlies the inappropriateness of income generating activities (projects). This therefore tells a story that women in the informal sector are ignored by those tasked with the responsibility of policy formulating, the policy makers.

#### **4.6.4 Training**

Lack of appropriate training is another reason that explains business failure. Giving money is all that is considered to get women started with business. Findings indicate that women have become experts at failure. This is because something is missing which is business training and entrepreneurial skills. This limited or lack of business training perpetuates women's limited capacity for expanding and growing their businesses from micro and

small sizes in the informal sector to large scale sizes in the formal sector. Nearly all the women I interviewed have recorded business failure attributing it to inappropriate training given to them. It came out clear during my research in the field that:

*“The only training we receive is savings and loan servicing. The institutions that assist us with these loans only emphasize on loan repayments.”*

The only pre-occupation by micro-loan providers is making sure women pay back the loans owed to micro-lenders. They seem not concerned with the growth of women’s business. Majority women traders I interviewed in Chipata are constrained by lack of business training and entrepreneurial skills. Women involved in poultry business recorded business failure due to lack of appropriate skills. This is a clear indication that giving women money for business projects is not enough. Chickens ended up dying forcing business to fail and close. One woman from the group said:

*“Our business failed because the chickens we started rearing all died due to unknown causes and predators like cats. We want to go back to Chisomo so that they can assist us with another loan to start another poultry project.”*

Offering money for business projects has proved to be not working to the advantage of women in the spirit of Article 13 (c) of the Women’s Protocol which obliges the government to promote women’s access credit, training, and skills development. Skills development and training is necessary to operationalize the value of money.

#### **4.7 Conclusion**

Findings indicate that the needs of women owning and running micro and small businesses in the informal sector have not been met and their active role in economic development has been ignored by government and NGOs in their policy formulations and implementation. Micro-finance is only taken as the only way of promoting business activities for women in the informal sector. This is also attributed to government and NGOs policies and programs which are based on the stereotyping women in the informal sector as poor. It has been revealed that micro-financing schemes for women provided by government and NGOs sector have the same characteristics and follow the same pattern from conceptualization, lending methodologies and regulations. The schemes follow the Grameen Bank model and

very often the result is failure. Women have failed to succeed. The Grameen Bank model cannot apply to the current economic situation and therefore needs to be revised.

The findings also indicated that the constitutional and legislative provisions, economic (competition, high interest rates, marketing) and socio-cultural factors (marriage, lack of skills training) affect and constrain women's business performance. The indication is that Zambia has failed to meet her obligation to provide socio-economic rights that support and promote women in the informal sector. The way forward to women's challenges lies in:

- Mentorship and networking where established women entrepreneurs can provide support for new and up-coming entrepreneurs
- Establishing day care centres to overcome problems associated with reproduction, caring and mothering and
- Providing appropriate skills training and entrepreneurship skills

#### **4.8 Emerging issues**

My original plan was to do research in both Chipata and Katete Districts but later my study focused so much on Chipata. I realized that Chipata had all I needed in terms of rich sources of information needed for my analysis.

Other issue that emerged was most government and private organizations were not able to avail me with copies of documents needed for my data analysis. I had problems accessing document like loan schedules from micro-finance providers.

## **Chapter Five**

### **Conclusion and recommendations**

#### **5.0 Conclusion**

The study has revealed that despite having various sources (choices) such as government, NGOs and micro-finance institutions for micro-finance, women's are not doing well. The result is always failure. The notion women are poor needing (requiring) income generating activities and not activities that promote business development, is the major contributing factor. Micro-finance is seen as the only way to see women getting started with business. Women's business projects are conceptualized on the basis of the poor woman who only needs small amounts of money for income generating projects.

Legal factors (constitutional and legislative), socio-cultural (marriage, lack of training, lack of financial discipline) and economic factors (such as competition, lack of marketing knowledge and high interest rates, council levies) are among factors identified as constraining women's business development. This gives an indication that government has failed to provide socio-economic rights that support and promote entrepreneurship development for women in the informal sector in violation of the Maputo Protocol Articles 13 (e) which obliges the government of Zambia to create conditions to promote and support the economic activities of women in the informal sector and Article 19 (b), (c) (d) which puts the burden upon the government of Zambia to ensure that women at every level take part in decision making, conceptualization, implementation and evaluation policies and programs. The government is obliged under International Human Rights Law to promote women's access to training and skills development and control over productive resources such as land.

#### **5.1 Recommendations**

To support and promote the women's entrepreneurship development I recommend the following:

## **5.2 Constitutional and Legislative measures**

Currently the Constitution of Zambia (Amendment) [No. 2 of 2016 of 2016 does not have the Bill of Rights. To make the constitution of Zambia relevant to women's entrepreneurship development, there is need to enshrine socio-economic rights in the constitutions and be justiciable for women to enjoy. Rights must be justiciable in order for women to seek judicial enforcement.

The CEEC should clearly state the targeted women by indicating women in the informal sector and women in the formal sector with measures that incorporate both categories put in place. As it stands the CEEC is only favorable for well established businesses and companies that meet the requirements and conditions set by the CEEC. It should not be vague but clear in its mentioning of targeted women though it has classified targeted women according to sex, gender, disability among others.

Apart from identifying small enterprises, institutions and projects which require financial assistance, provide information on the sources of finance and promote local investment for micro and small scale business activities, the Small Enterprises Act 425 of Zambia should, seek to promote and support micro and small scale business activities for women in the informal sector who are the majority and more disadvantaged. The Act must create a legal environment for women micro and small business entrepreneurs in the informal sector to demand for their right to entrepreneurship development.

The Micro, Small and Medium Enterprises Development Policy (Ministry of Commerce and Industry-2008) objectives should provide for the active support and participation of all major stakeholders in the Micro, Small and Medium Enterprises (MSMEs). The policy should also aim at facilitating the creation and development of viable MSMEs in the informal so that they can contribute to Gross Domestic Product (GNP) by 2018.

## **5.3 Socio and cultural**

To solve problems associated with reproduction, caring and mothering, government should establish subsidized day care centre facilities. This will enable women balance business activities and family responsibilities.

To move from the micro and small businesses in the informal sector to large businesses in the formal sector, women not only require business loans but appropriate skills training and entrepreneurship skills. Skills training and entrepreneurship skills will enable women make assess market environment, make business projections, make business plans and for those involved in livestock rearing, they will be able to detect animal diseases so that appropriate remedy is administered.

#### **5.4 Economic measures**

Micro-financial institutions must not be charging high interest rates. Interest rates should be favorable so as not to reduce money borrowed for investment purposes.

#### **5.5 Administrative measures**

For programs to be successful, women must at every stage be involved in decision making, conceptualization, implementation and evaluation of policies and programs initiated by government and NGOs. Business programs (projects) for women are failing because they are divorced from the actual needs and capacities of women as seen in the micro-financing implemented by micro-finance providers such as government and NGOs.

#### **5.6 Other measures**

Avoid stereotyping women as poor needing small amounts of money to venture in income generating activities. Micro-finance programs should have diversity. They should have levels of development, socio-economic contexts within which women are found rather than brand them as the same and develop a one size fits all policies and programs based on stereotypes.

Promote and encourage mentoring and networking among women involved in businesses. This is important as established women entrepreneurs can provide support and offer advice based on experience to new and upcoming business entrepreneurs.

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