Introduction

The Government of Zimbabwe recognises the micro, small and medium enterprises (MSMEs) as important contributors to job creation, poverty alleviation and development. While there is common interest in leveraging this potential, the lack of accurate and reliable information about the sector and the challenges it faces obstructs the development of targeted and evidence-based strategies to promote MSME growth. In recognising this, the Ministry of Small and Medium Enterprises and Cooperative Development in conjunction with FinMark Trust and the World Bank embarked on a FinScope MSME survey.

The FinScope MSME survey is a research tool which was developed by FinMark Trust. It is a nationally representative survey focusing on small businesses and their financial services needs.

Objectives

The FinScope MSME survey has the following objectives:

■ To assess the size and scope of the MSME sector in Zimbabwe
■ To describe the levels and landscape of access to financial products and services (both formal and informal)
■ To identify the most binding constraints to MSMEs development and growth with a focus on access to financial markets (identifying the barriers to financial access for small business owners)
■ To identify and describe different market segments with specific development needs in order to stimulate segment related innovation
■ To propose recommendations regarding financial assistance to MSMEs and financial policies
■ To serve as a baseline against which the impact of interventions can be assessed over time

Partners

FinScope MSME Zimbabwe is designed to involve a range of stakeholders engaging in a comprehensive consultation process, thereby enriching the survey and ensuring appropriateness and buy-in. The survey was carried out under the auspices of the Ministry of Small and Medium Enterprises and Cooperative Development and funded by the Multi Donor Trust Fund headed by the World Bank. A Steering Committee chaired by the Ministry of Small and Medium Enterprises and Cooperative Development was set up which comprised representatives from FinMark Trust, ZIMSTAT, Ministry of Industry and Commerce, Ministry of Finance, Ministry of Youth Development, Indigenisation and Empowerment, Ministry of Gender, Women Affairs and Community Development, Ministry of Tourism, Bankers Association of Zimbabwe, Insurance Council of Zimbabwe, Insurance and Pensions Commission, Reserve Bank of Zimbabwe, Zimbabwe Association of Microfinance Institutions, Confederation of Zimbabwe Industries, Zimbabwe National Chamber of Commerce, and Zimbabwe Council for Tourism. These stakeholders performed an integral role in the design of the survey questionnaire and provide valuable insight into the MSME sector. The survey was implemented by Research Continental Fonkom (research supplier) with support from Africa Corporate Advisors (local project coordinator), ZIMSTAT and FinMark Trust.

Methodology

In this survey, MSMEs are defined by the number of employees (according to the Small Enterprises Development Corporation Amendment of 2011) including individual entrepreneurs (0 employees), micro (1-5), small and medium size businesses (6-75)*. A nationally representative sample of small business owners was drawn, including those who:

■ Are 18 years or older
■ Perceive themselves to be business owners/generating an income through business activities
■ Employing 75 people or less as well as entrepreneurs without any employees

Following a multi-stage sampling process and comprehensive listing exercise (listing over 57 000 households in 500 Enumerator Areas, identifying 15 906 business owners), a total of 3 222 face-to-face interviews were conducted by Research Continental Fonkom (September 2012). The sample frame and weighting of the data was conducted by ZIMSTAT. In addition, ZIMSTAT played a vital role in the training of enumerators and quality control process during fieldwork.

*Note: The definition for small and medium size businesses depends on the sector and has been taken into consideration here (small: 6 to 30/40 employees, medium: 30/40 to 75 employees)
People

MSME sector’s contribution to development:

- Employment: 5.7 million people are working in the sector
- Poverty alleviation: modest contribution to poverty alleviation (40% of MSME owners earn less than US$ 200 per month) BUT vital role of survivalist businesses as a buffer against slipping deeper into poverty, reducing individual and household vulnerability

### Business owners: 2.8 million

<table>
<thead>
<tr>
<th>2 million (71%)</th>
<th>800 000 (29%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual entrepreneurs</td>
<td>Business owners with employees</td>
</tr>
</tbody>
</table>

| Gender | 47% are male | 46% are male |
| Age    | 28% are 30 years or younger | 30% are 30 years or younger |
| Education | 31% have primary education or less (including 4% without any formal education) | 28% have primary education or less (including 7% without any formal education) |
| Position in the household | 66% are heads of households | 64% are heads of households |
| Sources of income | 49% reported that the business is their only source of income | 48% reported that the business is their only source of income |

### Employees: 2.9 million

<table>
<thead>
<tr>
<th>Paid versus unpaid employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
</tr>
<tr>
<td>Unpaid</td>
</tr>
<tr>
<td>Paid in kind</td>
</tr>
<tr>
<td>Paid in kind and money</td>
</tr>
<tr>
<td>Temporary/seasonal/contract paid</td>
</tr>
<tr>
<td>Part-time paid</td>
</tr>
<tr>
<td>Full-time paid</td>
</tr>
<tr>
<td>Other</td>
</tr>
</tbody>
</table>

#### Paid and Unpaid Employees

- 29% are male
- 71% are female

**Percentage of business owners among total adult population per province***

- 46% of the adult population (18 years and older) in Zimbabwe are MSME owners
- Mashonaland East has the highest proportion of MSME owners compared to the total adult population (56% of adults are MSME owners)
- Harare has the lowest proportion of MSME owners (only 38% of adults are MSME owners) – probably due to the availability of other income generating activities/salaried jobs

*Using population figures per province from the FinScape Consumer Survey Zimbabwe 2011

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**Working hours and sources of income**

- Long working hours but low levels of income
- 50% work 8 hours or more a day, 69% work 6 to 7 days a week
- But 40% earn less than US$ 200 per month, and a further 11% reported that they do not have a monthly income

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**Distribution of business owners population**

**Province**

- Mashonaland West: 5%
- Mashonaland Central: 8%
- Mashonaland East: 12%
- Mashonaland North: 13%
- Masvingo: 5%
- Manicaland: 9%
- Matabeleland South: 18%
- Matabeleland North: 9%
- Midlands: 14%
- Bulawayo: 18%
- Harare: 44%

**Urban/rural**

- 34% Urban
- 66% Rural

**Gender**

- 47% Male
- 53% Female

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*Note: The map and pie charts depict the distribution of business owners by province, urban/rural status, and gender.*

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*Source: FinScape Consumer Survey Zimbabwe 2011*
Businesses

Business sector (self classified)

<table>
<thead>
<tr>
<th>Sector</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>43</td>
</tr>
<tr>
<td>Wholesale and retail</td>
<td>33</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>9</td>
</tr>
<tr>
<td>Other services</td>
<td>7</td>
</tr>
<tr>
<td>Energy and construction</td>
<td>3</td>
</tr>
<tr>
<td>Art, entertainment, culture,</td>
<td>2</td>
</tr>
<tr>
<td>education and sport</td>
<td></td>
</tr>
<tr>
<td>Accommodation and food activities</td>
<td>2</td>
</tr>
<tr>
<td>Transport</td>
<td>1</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>1</td>
</tr>
</tbody>
</table>

Registration/license

- 85% of all MSMEs are not registered/licensed
- 15% are registered/licensed

- 10% of individual entrepreneurs are registered/licensed
- 25% of micro businesses are registered/licensed
- 37% of small businesses are registered/licensed
- 36% of medium size businesses are registered/licensed

Age of the business

<table>
<thead>
<tr>
<th>Phase</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Start-up</td>
<td>40</td>
</tr>
<tr>
<td>Growth phase</td>
<td>31</td>
</tr>
<tr>
<td>Established</td>
<td>21</td>
</tr>
<tr>
<td>Mature</td>
<td>8</td>
</tr>
</tbody>
</table>

Young businesses

- 71% are in operation for 5 years or less

Turnover of the sector is estimated to be at least

US$ 7.4 billion in 2012

(only 65% of MSME owners reported turnover)

<table>
<thead>
<tr>
<th>Type</th>
<th>Number of employees</th>
<th>Percentage of business owners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual</td>
<td>0</td>
<td>71%</td>
</tr>
<tr>
<td>Micro businesses</td>
<td>1 – 5</td>
<td>24%</td>
</tr>
<tr>
<td>Small businesses</td>
<td>6 – 30/40</td>
<td>4%</td>
</tr>
<tr>
<td>Medium businesses</td>
<td>30/40 – 75</td>
<td>1%</td>
</tr>
</tbody>
</table>

Of those who are registered

- 71% are registered/licensed
- 17% are registered/licensed
- 6% are registered/licensed
- 7% are registered/licensed

Main operating locations

- 39% operate from residential premises (home, homestead, garage)
- 22% operate from a farm (small holding/plot)
- 11% operate door to door/go directly to customers
- 9% operate from the street/pavement
- 6% operate from a traditional market
Analytical framework

**Financial inclusion**

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

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

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

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

Informally served = BOs who have/use financial products and/or services which are not regulated, e.g. farmer associations, savings clubs/groups, private money-lenders

Banked = BOs who have/use financial products and/or services provided by a commercial bank regulated by the central bank

Served by other formal financial institutions = BOs who have/use financial products and/or services provided by regulated non-bank formal financial institutions, e.g. insurance companies

Overview

Only a quarter of business owners are financially included:

- 43% of business owners (1.2 million) are financially excluded, i.e. they do not use any financial products or services (neither formal nor informal) to manage their business finances
- 50% of business owners (1.4 million) have/use informal mechanisms to manage their business finances
- 18% of business owners (475 000) are formally served, including both banked and other formal non-bank products/services
- 14% of business owners (382 000) are banked
- 7% of business owners (186 000) have/use other formal non-bank products/services

Product uptake is driven by:

- Bank savings and cash withdrawal
- Insurance
- Informal savings (savings groups)

Overlaps

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

- Financially excluded business owners (43%)
- Business owners who have/use informal products/services but NO formal products (39%)
- Business owners who have/use formal non-bank products/services but NO commercial bank products (4%)
- Business owners who have/use commercial bank products (14%)

Access Strand

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

- Financially excluded business owners (43%)
- Business owners who have/use informal products/services but NO formal products (39%)
- Business owners who have/use formal non-bank products/services but NO commercial bank products (4%)
- Business owners who have/use commercial bank products (14%)
### Key take-outs

Comparing the Access Strand across location, provinces, business size, and gender reveals that levels of financial inclusion are higher:

- In urban areas (64%) compared to rural areas (53%)
- In the main urban centres Bulawayo and Harare (both with 68%) compared to more rural provinces such as Matabeleland North with 41% inclusion
- Among medium size businesses (92%) compared to small (82%) and micro businesses (69%) as well as individual entrepreneurs (51%)
- Among registered/licensed businesses (71%) compared to those that are not registered/licensed (54%)
- Among women (58%) compared to men (56%)
Financial inclusion

Banking

- Only 14% of MSME owners are banked, i.e. use formal financial products and services offered by a commercial bank
- The majority of business owners do not use/have a bank account for business purposes
- In fact, only 3% use a bank account in the name of the business

Product uptake

Of those who use a bank account for business purposes:

- Cash related transactions are the most common
- 99% of MSME owners pay their employees in cash

<table>
<thead>
<tr>
<th>Transaction</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash withdrawal</td>
<td>70</td>
</tr>
<tr>
<td>Cash deposit for the business</td>
<td>63</td>
</tr>
<tr>
<td>Balance enquiry</td>
<td>28</td>
</tr>
<tr>
<td>Request bank statement</td>
<td>20</td>
</tr>
<tr>
<td>Paying business account</td>
<td>18</td>
</tr>
<tr>
<td>Buy cell-phone airtime for the business</td>
<td>14</td>
</tr>
<tr>
<td>Pay utility bills</td>
<td>10</td>
</tr>
<tr>
<td>Money transfers between account</td>
<td>9</td>
</tr>
</tbody>
</table>

Savings and investments

Overview

<table>
<thead>
<tr>
<th>Category</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banked</td>
<td>13</td>
</tr>
<tr>
<td>Other formal</td>
<td>1</td>
</tr>
<tr>
<td>Informal</td>
<td>42</td>
</tr>
<tr>
<td>At home</td>
<td>53</td>
</tr>
<tr>
<td>Excluded</td>
<td>28</td>
</tr>
</tbody>
</table>

Savings Strand

<table>
<thead>
<tr>
<th>Category</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banked</td>
<td>12</td>
</tr>
<tr>
<td>Other formal non-bank</td>
<td>35</td>
</tr>
<tr>
<td>Informal</td>
<td>24</td>
</tr>
<tr>
<td>Home only</td>
<td>28</td>
</tr>
<tr>
<td>Excluded</td>
<td>28</td>
</tr>
</tbody>
</table>

Main savings mechanisms

Of those who save:

- 65% keep their savings at home
- 21% save with a club
- 23% buy something and sell it later for profit
- 17% save with a commercial bank

<table>
<thead>
<tr>
<th>Category</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home</td>
<td>65</td>
</tr>
<tr>
<td>Saving in a club</td>
<td>31</td>
</tr>
<tr>
<td>Buy something and sell later with profit</td>
<td>23</td>
</tr>
<tr>
<td>Commercial bank</td>
<td>17</td>
</tr>
</tbody>
</table>

Drivers

- 14% of business owners are banked
- BUT only 3% use a bank account in the name of the business

Drivers for banking choice mainly relate to availability and referrals:

- 34% chose the bank because they already have a personal account there
- 25% because of convenience
- 20% chose a bank because it was recommended by friends/family
- Only 16% chose the bank because of its product offering = lack of appropriateness of banking services/products

Barriers

- 86% of business owners are not banked

Main barriers to banking relate to monetary reasons (affordability):

- 69% are not banked because the income/business is too small
- 34% reported that they are not banked because the business is not making enough money
- 21% are not banked because their income is irregular
- 9% do not know anything about banking = lack of financial literacy

Drivers

- 72% of business owners save (mainly at home)

Drivers for savings relate to managing and growing the business:

- 49% save to have the money when they need it
- 40% save to grow/expand their business
- 32% save for the future
- 25% save for day-to-day running of the business

Barriers

- 28% of business owners do not save

Main barriers to savings relate to monetary reasons:

- 74% do not save because the business is not making enough money
- 23% put all the money back into the business and hence do not save
**Borrowing and credit**

**Overview**
- **Banked**: 2%
- **Other formal**: 2%
- **Informal**: 4%
- **Family/friends**: 8%
- **Excluded**: 85%

**Credit Strand**
- **Banked**: 22%
- **Other formal**: 4%
- **Informal, e.g. money lender**: 7%
- **Excluded**: 85%

**Main borrowing mechanisms**
- 51% borrow from friends and family
- 15% borrow from a commercial bank
- 11% borrow from MFI, CFU, SEDCO, WDF
- 6% borrow from informal sources, e.g. money lenders

**Main coping mechanisms**
- 63% of MSME owners did not have any strategies in place to cope with potential problems
- Only 2% claimed insurance

**Insurance and risk management**

**Insurance Strand**
- **Formal**: 5%
- **Informal**: 15%
- **Excluded**: 80%

**Main risks**
- Natural disasters (drought, rain/floods, fire): 46%
- Low selling prices: 22%
- Not being paid: 19%
- Lack of raw materials: 16%
- Illness/death of business owner: 15%
- Theft of business stock: 15%
- Loss of income: 10%

**Main reasons for borrowing relate to managing and growing/upgrading the business:**
- 60% to grow their business
- 28% for day-to-day needs
- 14% to finance stock
- 7% for agriculture
- 7% to upgrade business facilities

**Main barriers to borrowing relate to monetary reasons:**
- 31% are afraid to borrow
- 27% are worried they will not be able to pay it back
- 20% reported they have no one to borrow from
- 13% do not know where to borrow

**Main barriers to insurance relate to affordability and lack of knowledge:**
- 43% are not insured because they cannot afford it
- 23% have never thought about it
- 17% do not know how it works
- 13% have never heard about it
- 6% do not know how to get it
Challenges

### Start-up

**Main constraints starting the business**

- **Sourcing money**: 57%
- **Equipment/raw material**: 26%
- **Not enough customers**: 17%
- **Identifying prospect clients**: 11%
- **Finding business premises**: 9%

**Main source of money to start the business**

- **Own money sources**: 59%
  - Given free from family/friends: 14%
  - Spouse/partner: 9%
  - Loan from family/friends: 7%
  - Other: 11%

### Operation and management

**Main constraints operating/managing the business**

- **Sourcing money**: 52%
- **Equipment/raw material**: 21%
- **Not enough customers**: 15%
- **Too many competitors**: 11%
- **Being owed money**: 9%

### Business acumen

**Education and skills training**

- 31% have primary education or less (including 5% who have no schooling)
- 73% acquired the necessary business skills informally (through informal networks such as family and friends, previous job, or while managing the business) while 27% acquired the skills formally (through a training programme, school, university/college)

**Business experience**

- 28% are 30 years or younger

**Understanding of financials**

- 49% do not keep financial records
- Only 8% have up-to-date financial/accounting records
- 29% did not know their turnover
- 6% have a written business plan

**Access to formal financial services**

- Only 3% have a separate business bank account in the name of the business

**Informality**

- 85% are informal, i.e. they are not registered/licensed

**Limited use of sophisticated marketing strategies**

- 82% rely on word-of-mouth to advertise their business
- 14% do not market/advertise their business at all

**Positive attitudes**

- 83% are decisive (agreed with the statement: if you make up your mind to do something you do not let anything stop you, and you are happy to take charge of and see things through)
- 68% are flexible if further change is warranted in the future (agree with the statement: you would easily consider venturing into a new business)
- 75% regularly assess their competitors

**Motivation to start the business**

- 63% reported their main motivation to start their business was driven by economic need (poverty, unemployment, provide for the family, make more), and 34% actually saw an opportunity

**Low levels of income**

- 40% have a personal monthly income of less than US$ 200

**High dependency**

- 49% reported that their business is the only source of income
- 66% are heads of households and often the main income earner

**Sustainability**

- 23% would close their business if they were offered paid employment

**Ease of entry – low capital requirements**: 48% required US$ 100 or less
- 10% did not require any money

**Necessity driven**
Growth

Main constraints to grow the business

<table>
<thead>
<tr>
<th>Constraint</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sourcing money</td>
<td>43</td>
</tr>
<tr>
<td>Operational space</td>
<td>11</td>
</tr>
<tr>
<td>Too many competitors</td>
<td>6</td>
</tr>
<tr>
<td>Bad weather/natural disaster</td>
<td>6</td>
</tr>
<tr>
<td>Electricity and water supply</td>
<td>5</td>
</tr>
<tr>
<td>Equipment/raw material</td>
<td>5</td>
</tr>
<tr>
<td>Being owed money</td>
<td>5</td>
</tr>
<tr>
<td>Transport</td>
<td>4</td>
</tr>
</tbody>
</table>

“Growing the business” = main reasons for savings and borrowing

Sustainability versus risk diversification
Survivalist entrepreneurs might prefer to invest in new business(es) instead of growing the existing one

- Given opportunity would leave Zimbabwe for good: Agrees 14, Disagrees 83, Don’t know 3
- Worried that their business would shut down: Agrees 27, Disagrees 70, Don’t know 3
- Would close the business if offered a paid job: Agrees 23, Disagrees 74, Don’t know 3
- Would easily consider venturing into a new business: Agrees 68, Disagrees 29, Don’t know 3

Business support

Only 9% of MSME owners have ever used business support

Of those who used business support, 72% reported that the help they received was useful

Business support mechanisms

Of those who used business support:
- 20% used support provided by Cottco
- 13% used bank institutions
- 5% used the Ministry of Small and Medium Enterprise and Cooperative Development
Recommendations and conclusions

Key take-outs

PEOPLE: 5.7 million
2.8 million MSME owners and 2.9 million employees

- Employees: mainly male, but unpaid workers are mainly female
- MSME owners: middle age, mainly female, good levels of education, usually heads of households
- Often, income from entrepreneurial activity is supplemented by other sources of income such as other business(es) or job
- Main motivation to start the business is driven by need: survivalist rather than opportunists
- Largely positive attitudes towards the business BUT worried about sustainability
- Long working hours but low income

BUSINESSES: 3.5 million

- Mainly individual entrepreneurs and micro businesses
- Working mainly in agriculture, wholesale and retail
- Most of the businesses are located in the rural areas
- Operating mainly from residential premises and farm
- Mainly cash based
- Largely informal (not registered or licensed)
- Young businesses (mainly start up and growth phase, younger than 5 years)

FINANCIAL INCLUSION: 57% (formal 18%)

- 43% of MSME owners are financially excluded, i.e. they do not use any financial products/services (neither formal nor informal) to manage their business finances
- Informal sector pushes out the boundaries of inclusion
- 14% use products/services from commercial banks – used mainly for cash related transactions
- Savings: mainly at home; Borrowing: mainly from family/friends
- Main drivers: grow/expand the business
- Main barriers: monetary reasons (low/irregular income)
- Although MSME owners face a number of risks, most are not insured
- Financial inclusion is higher among:
  - Small and medium size businesses
  - Women
  - Registered/licensed businesses
  - In urban areas and main urban centres (Bulawayo and Harare)

CHALLENGES: Finance, raw material, operational space

- Challenges affecting financial inclusion:
  - Affordability (income from MSME is too low/irregular, bank charges are too high, insurance is too expensive)
  - Appropriateness (many MSMEs lack required formality and documentation such as address and financial records)
  - Accessibility/proximity (banks are too far away)
- Other challenges: informality, limited use of sophisticated marketing strategies, necessity driven
Conclusions

- **Development**: The MSME sector plays an important role in addressing unemployment in Zimbabwe with a total of 5.7 million people working in the sector (including the MSME owners). Further, the sector contributes significantly to poverty alleviation. Although effects on wealth creation are limited given the low levels of income among the majority of MSME owners — survivalist businesses play a vital role as a buffer against slipping into deeper poverty, reducing individual and household vulnerability.

- **Growth and sustainability**: The majority of businesses are young (in operation for 5 years or less). Sustainability and upward mobility is influenced by numerous factors:
  - Policy and regulations directed at the MSME sector (e.g. labour laws that affect hiring and firing of employees)
  - Macro economic environment (e.g. availability of wage employment versus need to take up self-employment)
  - Industry specific factors (e.g. vulnerabilities MSME owners face who engage in agricultural activities)
  - Individual characteristics (e.g. motivation to start the business, risk tolerance, education and training, networks, etc.)

- **Product uptake**: Low levels of access to and usage of (formal) financial products and services, and high dependency on internal networks (especially for credit) indicate that the current product set does not adequately address the needs of MSME owners.

- **Education and training**: Entrepreneurial action is linked to business acumen and sound business management skills. Although the majority of MSME owners in Zimbabwe have good levels of education, many of them rely on their own networks to acquire the necessary business skills. Challenges with financial management, record keeping and accounting, marketing and cost assessment indicate the great need for support mechanisms and training programmes, especially with regard to financial capability.

- **Formalisation**: The majority of businesses are not registered/licensed. Uncertainties, the scale of business activities, as well as the costs and complexities of registration affect the motivation to formalise the business. That could be a stumbling block in terms of identifying and designing appropriate support programmes, determining policy direction and relevant financial products and services to address the needs to the MSME owners in Zimbabwe.

- **Operational space**: The majority of MSME owners operate from residential premises, often due to the nature of businesses but also due to the lack of operational space. The lack of operational space was reported as a key challenge when growing the business.

- **Marketing**: The majority of MSME owners do not use sophisticated marketing strategies. However, many of them reported that they have challenges identifying new clients, having too many competitors and not enough customers, which indicates great need for support.

- **Informal mechanisms**: Every second MSME owner in Zimbabwe uses informal mechanisms to manage their business’ finances. As such, informal services such as savings clubs play a vital role in the financial services continuum especially in areas that are not served by formal financial institutions.

Recommendations

- **Enabling environment**: Given this crucial role of MSMEs, and especially of survivalist businesses, it is imperative to create an enabling environment by putting into place strategies to support upward mobility and growth of these businesses to mature into more sophisticated formalised enterprises.

- **Enabling policy and regulations**:
  - To enable credit flow, create an environment that leverages relationships and links between financial institutions and informal enterprises.
  - A focus on policies and technologies that contribute to improving the information available about borrowers to reduce lending constraints (e.g. SMME credit bureaux).
  - Examine the use of partial credit guarantees (PCGs), these can be a mechanism of risk transfer and risk diversification.
  - Address bureaucratic bottlenecks (e.g. during registration processes), harassment and corruption — which affects all businesses, but particularly micro enterprises.
  - Formulate a financial education strategy with a focus on interventions in the micro enterprises sector.

- **Product development needs to go hand in hand with consumer empowerment**: Providing appropriate savings and credit products, i.e. affordable (given the low levels of income), flexible (given the irregularity of income and seasonality), short-term — but at the same time promoting record keeping and future focused planning.

- **Education and training**: Addressing financial education at school level to unleash entrepreneurial talent among the youth and contribute to upward mobility for the next generation (intergenerational effects). In addition, focus on financial capability for MSME training programmes.

- **Promoting registration**: In order to promote registration, MSME owners need to understand the process of registering their business as well as the benefits it comes with. It is important to ensure that the process is transparent and easy, and that the cost is affordable. There is an opportunity to come up with incentives and a formalisation model which would suit the needs of the sector while contributing towards their financial inclusion, the use of micro franchising, loan booths, the advent of ninety nine year leases and the formation of SACCOs.

- **Local economic development and network support**: Connect smaller entrepreneurs to larger, well establish businesses (greater potential especially in urban areas) who can act as mentors and create a relevant business network, providing contextual learning opportunities/partnerships — this network support also increases the probability of survival and growth of newly formed businesses.

- **Need for marketing**: There is a great need to support MSME owners in their venture to market their products and services. Common marketing techniques for small business include networking, customer referrals, local business directories, local radio, road side billboards, pamphlets and local newspapers.

- **Leverage informal mechanisms**: There is a great potential to leverage informal financial services, e.g. to establish a level of credibility (credit history etc.) for the MSME owners.
About FinScope MSME

FinScope MSME is a nationally representative study focusing on small businesses and their financial services needs. FinScope assists in establishing credible benchmarks and indicators of financial inclusion, while at the same time providing insights into market obstacles to growth and highlighting opportunities for policy reform and innovation in product development and delivery.

FinScope findings can therefore be of value both to policymakers who wish to develop policy aimed at improving the functioning of financial markets, and to private service providers who are able to design product strategies around the segmentation and trends highlighted by the data, and to donors and non-governmental agencies who wish to support increased financial inclusion to specific regions or population groups.

The FinScope Small Business Survey was first piloted in South Africa in 2006 and since then the survey methodology has been applied in Zambia (2008), South Africa (2010), Tanzania (2010), Malawi (2012), and is currently underway in Mozambique.

Contact

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FinMark Trust, an independent trust based in Johannesburg, South Africa, was established in 2002, and is funded primarily by UKaid from the Department for International Development (DFID) through its Southern Africa office. FinMark Trust’s purpose is ‘Making financial markets work for the poor, by promoting financial inclusion and regional financial integration’. This is done by promoting and supporting financial inclusion, regional financial integration, as well as institutional and organisational development, in order to increase access to financial services for the un-served and under-served. In order to achieve this, FinMark Trust commissions research to identify the systemic constraints that prevent financial markets from reaching out to these consumers and by advocating for change on the basis of research findings. Thus, FinMark Trust developed the FinScope tool, including both the FinScope MSME Survey and the FinScope Consumer Survey.