

**CREDIT CHALLENGES FACED BY FEMALE (SMES): A CASE
STUDY OF MUFUMBWE DISTRICT.**

BY

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award of the Master of Business Administration.**

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DECLARATION

I, Euodia Kangungu, hereby declare that this is my original work and has not been submitted to any other College, Institution or University other than the University of Zambia and that all sources of information have been duly acknowledged in partial fulfilment of the award of the Masters of Business Administration.

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APPROVAL

This Dissertation by Euodia Kangungu is approved as a fulfilment of the requirements for the award of the degree of Master of Business Administration (MBA) and Zimbabwe Open University.

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ABSTRACT

The objective of the study on Credit Challenges faced by female Small and Medium Enterprises (SMEs) in Mufumbwe District of Zambia, was to examine the constraints experienced by female SME owners in their quest to access credit facilities from financial institutions, to fund business initiatives such as start-up endeavours, business operations, and business expansion. The study employed a descriptive analytical quantitative and qualitative methodologies. The sample for the quantitative approach for the study comprised 80 female SMEs and 1 Bank while 2 institutions dealing with SMEs were included as key informants for the qualitative approach. Questionnaires were used to collect data which was subsequently analysed using Descriptive analysis. For the qualitative approach, interviews were for data collection while content analysis was used for data analysis. The findings revealed that access to credit facilities has a significant relationship with female SME capabilities of procuring new technology and improving performance for them to survive and attain sustainability and growth, hence the need to resolve the long-standing female SME financing challenges like high interest rates, short term loan product offerings, and rigid requirements of collateral and audited financial statements.

On the other hand, the study revealed that female SME survival was not only dependent on accessibility to credit facilities but also proper SME management, which affects operations and profitability and subsequently loan repayment capabilities. The findings also revealed that banks continued to prefer immovable assets as collateral when lending to female SMEs. The study therefore recommends taking measures to resolve the credit challenges in female SME financing through formulation of schemes to lend to groups of female SMEs at relatively low rates while the group members of female SMEs share default risks, implementation of Credit Guarantee Schemes, formulation of collateral registers with guidelines on valuation and disposal of securities, as well as provision of incentives to banks that lend and effectively monitor the performance of female SMEs to ensure success.

Key Words: Female Small and Medium Enterprises (SMEs)

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DEDICATION

This Dissertation is dedicated to my dad Mr Chrissy Kangungu who often speaks about the importance of education .He has always encouraged me to work hard and never give up on education no matter what obstacles I face in life. He has laid a great foundation upon which this success is premised and certainly he is the happiest person to read the Thesis. I am also grateful for the friendship and counsel build on a wonderful relationship with the Lord Jesus Christ and I shall forever be grateful for that. I am also grateful that he always encouraged me to attain further education.

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ABBREVIATIONS

MFSMEs	Micro Financing of Small and Medium Enterprises
OECD	Organization for Economic Co-operation and Development
SMEs	Small and Medium Enterprises
UNSDG	United Nations Sustainable Development Goals
ZDA	Zambia Development Agency

OPERATIONAL DEFINITIONS OF TERMS

Small Enterprise is any business enterprise registered with the Patents and Companies Registration Agency (PACRA) bearing the following features:

- i) In the case of manufacturing and processing enterprises, total investment of plant and machinery, (exclusive of land and buildings), between Forty Thousand Kwacha (ZMW40,000.00) and One Hundred Thousand Kwacha (ZMW100,000.00);
- ii) In the case of trading and service providing enterprises total investment of up to Two Hundred and Fifty Thousand Kwacha (ZMW250,000.00);

Medium Enterprise is any business enterprise larger than a small enterprise registered with PACRA and bearing the following features:

In the case of manufacturing and processing enterprises, total investment of plant and machinery, (exclusive of land and buildings), between Three Hundred and One Thousand Kwacha (K301, 000) and Four Hundred Thousand Kwacha (K400, 000);

ii) In the case of trading and service providing enterprises total investment between One Hundred and Forty-One Thousand Kwacha(K41,000) and Four Hundred Thousand Kwacha(K400,000);

Access to Credit facility- good physical contact to lenders that are willing to lend or absence of hindrances to obtaining financial products like deposits, loans and services including insurance and equity products at an affordable cost.((Shane & Venkataraman, 2000)

Challenges to accessing credit facility- obstacles or hindrances faced in attempts to obtain funds for start-up businesses and operations. (Shane & Venkataraman, 2000).

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CHAPTER 1

INTRODUCTION

1.1 Introduction and Background

Small and Medium Enterprises (SMEs) are globally recognized as a key driving force to economic development, jobs and wealth creation. According to the OECD (2018), Female SMEs play an important role in economic growth, job creation, regional and local development and social cohesion. Several SMEs are entrepreneurial in nature and are, therefore, very important to the innovation and economic growth of a country (Spear 2006). SMEs operate in diverse industries or groups of businesses like provision of services, agricultural, trade and the manufacturing sectors. Some of these companies are very innovative and have the potential to grow (Shane & Venkataraman, 2000).

Female SMEs play an important role in creating dynamic, market oriented economic growth, employing the growing workforce in developing countries, alleviating poverty and promoting democratization. According to Alfred Nuwagaba (2010), conducted a research on female SMEs carried out at Cavendish University Zambia. Zambia's vision 2030 has acknowledged the critical role female SMEs play in the development, growth and competitiveness of all sectors. In reality, entrepreneurs in Mufumbwe district may not have harnessed credit-lending facilities due to various reasons as compared to their counterparts in developed countries who enjoy better access to credit facilities. There is an increase and growing recognition of important role that female Small and Medium Enterprises (SMEs) play in economic development. Female SMEs in Zambia contribute about 50% of employment hence their importance to economic empowerment cannot be overemphasized.

The SME sector is estimated to account for 97 % of all businesses in Zambia, 70 % of GDP and 88% of employment (ZDA, 2017). SMEs also play a key role in society as they tend to employ a large share of the most vulnerable segments of the workforce (ZDA, 2017). ZDA also holds the view that improving SMEs would help to reduce the youth unemployment rate and increase 2 the number of women in employment, as well as contribute to the progress towards achieving the United Nations Sustainable Development Goals of reducing social exclusion and enhancing productive capacities. Furthermore, it is accepted that SMEs have the potential to help achieve the Sustainable Development Goal on biodiversity and protection of wildlife, forestry and water that affect climate change (ZDA, 2017)

Access to credit facilities is a critical prerequisite for the development and creation of SMEs (OECD, 2018). Long standing challenges in access to credit facilities limit creation and growth of SMEs in many countries, which has often given rise to policy intervention (OECD, 2018).

In an effort to develop the Female SME sector, the Zambian government has taken several interventions. In November 2016, the Industrial Development Corporation (IDC) of South Africa signed a line of credit of USD20m with the Development Bank of Zambia (DBZ) to support SMEs in Zambia and in October 2010 the African Development Bank (ADB) approved USDh50m line of credit to DBZ for lending to local SMEs (ZDA, 2017). Other Government interventions include establishing the Citizens Economic Empowerment Commission and signing through ZDA, Memoranda of understanding with various banks among them Banc ABC, Madison Finance and Mizuho Financial Group to facilitate access to credit facilities for female SMEs. Despite the foregoing, most female SMEs in Zambia still struggle with accessing loans thereby making it difficult for them to grow (Nuwagaba, 2015).

Microfinance or banks have for a long time been seen as a powerful tool for sustainable social economic development of a country. The granting of micro credit facility at fair and affordable terms to alleviate financial constraints of the poor households have been recognised by the private sector and public sectors, researchers and other stakeholders (Cedric, 2012, Hugh, 2007). The microcredit market sub sector has grown overtime, and by the year 2010, MFIs are able to provide micro credit facilities to around 200 million clients and above and about 1 billion persons in developing countries have been able to better their lives due to microcredit.

However a credit facility can be said to be a property, money, or other material goods that is given to another party in exchange for future repayment of the credit facility value plus interest and other finance charges. A credit facility can be for a specific one time amount, or it may be availed as an open-ended line of credit up to a specific limit. Credit facilities come in different forms like personal, commercial, secured, and unsecured facilities.

Credit facilities have been said to have their own negative role and impact, studies have been conducted and it has been confirmed by several studies. Critics say that credit facilities have not increased incomes, but have driven poor households into a debt trap, in some cases even leading to suicide. They add that the money obtained as credit facility is often used for durable consumer goods or consumption instead of being used for productive investments, that it fails to empower women, and that it has not improved health or education. The available evidence indicates that in many cases credit facilities have facilitated the creation and the growth of

businesses. It has often generated self-employment, but it has not necessarily increased incomes after interest payment. Duan, et al. (2002) Researched on Addressing its skill challenges in SME's insights from three country investigation. Journal of European Industrial Training, Vol. 26, Issue 9, p4 30, 12p.

Female SMEs need credit facilities to purchase services or equipment to run their businesses. However, most lenders are not willing to lend to SMEs on account of high default risk. A subsidy could change lenders' practices in lending to SMEs because it compensates for the lower returns to lenders from lending to less profitable SMEs that previously could not get financing (USAID 2019). Economic theory would suggest that access to subsidized credit should lead to higher SME growth, which is why subsidized credit lines and credit facilities are popular (Ayyagari et al. 2017)

OECD (2013) writes that some governments (Kazakhstan, the Kyrgyz Republic and Mongolia), support SME access to finance through measures like subsidized interest rates, direct credit facilities and tax exemptions, typically targeting specific sectors of the economy in order to support their development.

Female Small and medium enterprises (SMEs) are very instrumental for the development of an economy , for example creation of employment, increasing tax base for the country, improving incomes for the low earners among other benefits (MCTI, 2007; MOF, 2002).Considering the 1996 baseline survey of female SMEs in Zambia, about 97 percent of businesses are in the micro small and medium enterprises sector and the sector employs about 18 percent of the labour force and a lot of them are women accounting for 47 percent (Parker, 1996).

This research is vital for policy makers on the theme of micro financing and identification of challenges being faced by female SMEs in the country particularly in Mufumbwe district. The female small and medium enterprises sector in Zambia has been growing on a phased approach in a sense that, female SMEs in the country have always existed in the informal sector and they have overtime been greatly contributing to the economic development of the country (UNDP, 2004). In the country they have been known to employ a large number of people and thus helping to provide income for the households as they are lifted out of poverty and the country continues to recognize that, a clear playing field is vital for the survival and operation of female SMEs (UNDP, 2004 and 2006; Zambia development agency, 2015).

1.2 Problem Statement

This research was meant to establish the credit challenges faced by female SMEs. A case study done in Mufumbwe district Market. Despite the role of female SMEs in the Zambian economy, the financial constraints they face in their operations are daunting and this has had a negative impact on their development and also limited their potential to drive the national economy as expected. This is worrying for a developing economy without the requisite infrastructure and technology to attract big businesses in large numbers.

Most female SMES in the country lack the capacity in terms of qualified personnel to manage their activities. As a result, they are unable to publish the same quality of financial information as those big firms and as such are not able to provide audited financial statement, which is one of the essential requirements in accessing credit facilities from the financial institution. As a result, information on their financial condition, earnings, and earnings prospect may be incomplete or inaccurate. Faced with this type of uncertainty, a lender may deny credit, sometimes to the firms that are credit worthy but unable to report their results (Coleman, 2000).

Another issue is the inadequate capital base of most female SMEs in the country to meet the collateral requirement by the banks before credit facility is given out. In the situation where some female SMEs are able to provide collateral, they often end up being inadequate for the amount they needed to embark on their projects female SMEs assets- backed collateral are usually rated at carcass value to ensure that the credit facility is realistically covered in the case of default due to the uncertainty surrounding the survival and growth of female SMEs (Binks et al., 1992)

However, female SMEs have continued to experience insufficient funding and this adversely affects their development and sustenance, subsequently diminishing their ability to effectively contribute to national economic growth (Karatin, 2015). In Zambia, the unmet demand for credit facility by both formal and informal female SMEs is estimated at an annual finance gap of \$5.2 trillion which is 1.4 times more than the current credit supply to SMEs (Zambanker, 2018). It is also worth noting that CEEC in 2018 funded 64 female SMEs against the target of 1600 because of the low level of empowerment funds released by the Zambian Treasury since 2014 with no funds having been released in 2018 compared to the budgeted ZMW42 million (CEEC Annual Report, 2018).

As indicated in the preceding paragraph, hence the interest to undertake this investigation with a case study of Mufumbwe district.

Based on the highlighted credit challenges faced by female SMEs in the preceding paragraph, it suffices to say that both MFI and commercial banks are meant to serve female SMEs so as to help them grow. Hence the study to undertake the credit challenges that female SMEs face.

1.3 Purpose of the study

The purpose of the study was to establish credit challenges faced by female SMEs. A case study of Mufumbwe district of Zambia with a view to formulating mitigation measures and eventually enhance their contribution to national economic growth or development of the nation.

1.4 Research Objectives

General Objective

To highlight the credit challenges faced female SMEs in Mufumbwe district.

Specific objectives

1. To establish the credit challenges female SMES face.
2. To investigate the credit challenges affecting the operations.
3. To determine alternative sources of funding for female SMEs resorting to how viable they will be.

1.5 Research Questions

Based on the specific objectives, this study will seek to answer the following research questions:

- 1.1 To what extent will these female SMEs face these credit challenges?
- 1.2 What credit challenges affect the operations of female SMEs in Mufumbwe district?
- 1.3 What are some of the ways that are going to determine the sources of funding for female SMEs?

1.6 Significance of the study

Female SMEs have been recognized by both developed and less developed countries as instruments for economic growth and development, there is an obvious and serious to resolve long standing credit challenges in accessing financing which is one of the crucial factors to female SME survival, sustainability and growth.

Therefore, the significance of this study was the fact that it was aimed at giving a coherent analysis of the nature of the credit challenges in accessing business financing for female SMEs in Mufumbwe and in the Country at large with a view to finding effective remedies. This study was timely because the Country is presently confronted with challenges like low economic growth and high unemployment rate which could be mitigated through a robust female SME sector.

Firstly, for the government, this study will help the necessary financial institutions understand the factors that influence credit challenges that are faced by female SMEs. This study was conducted to inform policymakers on the measures and policies that can be implemented to increase access to credit facilities for female SMEs among financial institutions. This would feed into the government policy of increased access and growth to credit facilities as their productivity increases. Government and other stakeholders can use the knowledge to develop innovations, laws and policies to enhance female SME access to credit facilities. In turn it is hoped that the survival and growth of SMEs will enable them to significantly contribute to the reduction of unemployment levels especially for youths and women and the enhancement of the Country's gross domestic product.

Secondly, for the female SMEs, it contributes to the body of empirical evidence on the factors that influence credit challenges that are faced. This study offers an opportunity to explore this area more by doing other research that builds on it and fills the gaps that it will expose.

Finally, for the rest of the country, this study may allow for the provision of better credit facility services that are adapted to female SMEs needs. Increased understanding of credit facilities that are offered by financial institutions to SMEs is likely to have a ripple effect that would increase usage, which would benefit the customers and the nation.

1.7 Scope of the study

Firstly, this study was conducted to establish credit challenges faced by female SMEs and in order to identify remedial measures from the actors' point of view, which would provide an evidence and alternative base for stakeholders in the SME sector to address the challenges. The study was conducted in Mufumbwe district in Zambia. In this study, the research was undertaken in Mufumbwe district market with a concentration in the central boma town. Mufumbwe district was selected due to its small population density and low concentration of economic activities.

The population of female SMEs in Mufumbwe district is indeterminate as some of the registered SMEs are dysfunctional while some of those that are operational are not registered. Although Mufumbwe has a diverse business opportunities for female SMEs, most of them are focused on farming where they are either contracted directly by agricultural firms or sub-contracted by other SMEs to carry out farming or supply, repair, maintain or operate farming equipment. Other business opportunities include trade, agribusiness, construction, and service provision. The scope of the study was limited to recruiting volunteers who are female SMEs to participate by responding to questionnaires and interviews. The period for the researcher to engage volunteer participants was 2 months.

1.8 Limitation

Due to time constraint, a relatively small sample size of 80 female SMEs were employed and as such it limited the extent to which data would generalise the issues that were raised. Again it would have been better to have sample some female SMEs in the Southern and Northern part of the district compared to just those in the central boma area forming the sample frame. But due to time constraint, it was not possible to travel to those areas. Language was also a barrier in that most of the SMES in Mufumbwe district do not understand English.

1.9 Theoretical Framework

The Theoretical framework explains the concept of the study and the theories used in this study for the purpose of determining the credit challenges female SMEs face.

The Push and Pull Theory

Pull factors include all those reasons that emphasize and encourage SMEs entrepreneurship as positive and desirable alternative that pull the SMEs to their choice. It is needless to say that ambitions differ among individuals on the basis of their personal characteristics. The ambitious factors do not always influence an individual to undertake an activity. The factors which force people to start business enterprises are termed as push or compelling factors. It is very difficult to draw a dividing line between entrepreneurs' ambitions and compulsions. (Brush 1990)

From the above theory will specifically show that the pull or ambitious factors motivate the SMEs to initiate the ventures. Therefore, ambitions which nourish the achievement motivation bring about economic growth and development.

From the push theory it basically shows factors that compel or push one to take initiatives to start a business. The rise in unemployment, underemployment and unstable or unsatisfactory job conditions and prospects have also pushed a growing number of people into creating their own job through setting up small business. The rise in unemployment rate is as the result of the increasing proportion of educated individuals seeking paid work.

Some other factors have pulled some people into entrepreneurship nevertheless, including personal ambition, creativity, a desire for independence to be one's own boss, self-realization and an ambition to improve the quality of working conditions, to raise economic returns, and to develop a flexibility that caters for the combination of family responsibilities with gainful employment

In general, the theoretical framework and concept aims at making research findings relevant, acceptable and generalizable for research-related theoretical structures (Dickson, and Joe 2018).

Correia, & Wormald. (2008). Challenges Facing SMEs in Accessing Finance from Zimbabwe. The theoretical framework connects the researcher to existing knowledge. Guided by a relevant theory, you are given a basis for the hypotheses and choice of research methods. Articulating the theoretical assumptions of a research study forces you to address questions of why and how. It permits you to intellectually transition from simply describing a phenomenon you have observed to generalizing about various aspects of that phenomenon. Having a theory will help identify the limits to those generalizations. A

theoretical framework will also specify which key variables will influence a phenomenon of interest and highlights the need to examine how those key variables might differ and under what circumstances.

1.11 Research Ethics

In order to address ethical considerations aspect of this dissertation in an effective manner, there will be need to expand discussions of each of the following points to at least one paragraph:

1. Voluntary participation of respondents in this research will be important. Moreover, participants will have rights to withdraw from the study at any stage if they wish to do so.
2. Respondents will participate on the basis of informed consent. The principle of informed consent will involve the researcher providing sufficient information and assurances about taking part to allow individuals to understand the implications of participation and to reach a fully informed, considered and freely given decision about whether or not to do so, without the exercise of any pressure or coercion.
3. The use of offensive, discriminatory, or other unacceptable language will be avoided in the formulation of Questionnaire/Interview/Focus group questions.
4. Privacy and anonymity of respondents will be of a paramount importance.
5. Acknowledgement of works of other authors used in any part of the dissertation with the use of Harvard/APA/Vancouver referencing system according to the Dissertation Handbook
6. There will be maintenance of the highest level of objectivity in discussions and analyses throughout the research.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This Chapter will describe aspects that are connected to the study of credit challenges faced by female SMEs in Mufumbwe district in Zambia. The Chapter will proceed to review literature based on the study research objectives and questions. Literature on challenges and interventions by various stakeholders aimed at addressing the credit challenges will be reviewed since this study seeks to recommend courses of action that will address female SMEs' difficulties in accessing these credit facilities.

This literature will be different in that it will basically focus on the type of financing available to these female SMEs without forgetting to also look at the sources of credit for these female SMEs. In the final sub-sections, will look into how female SMEs development can be promoted and the importance of financial institutions banks in helping the development of these female SMEs.

This study fits in the existing literature in that a lot of research has been carried out on regionally, globally, and locally reviewing credit challenges faced by female SMEs in accessing credit facilities. Most of these researches concentrated on their study areas based on their own objectives but this literature being undertaken will concern itself with collateral requirements, cost of credit, and availability of information on finance and business risks in one combination.

To start with, female SMES make significant contribution to the global economy year in and out, especially through innovation, job creation, and wealth creation. Still, there is critical room for improvement, as women currently make up 70% of the 1.3 billion people living in poverty. These female SMES often face a lack of capital, which is one of the primary barriers to the full participation of women in the economy through avenues such as entrepreneurship.

The majority of female SMEs face challenges in acquiring credit facilities they need to reach their potential. According to OECD (2017) they researched on increasing productivity in small traditional enterprises and stated that these credit challenges vary from rigid collateral requirements, cost of credit, inadequate information, and short repayment periods among others.

Research has been carried out on regionally, globally, and locally reviewing credit challenges faced by female SMEs in accessing credit facilities. However, we will start with the global region.

2.2 Global Studies

Hallberg (2002) researched on the Strategy and Management in the Smaller Enterprise Journal of International Money and Finance in United Kingdom states that financial institutions can comprise an important piece of the puzzle by providing credit facilities to female SMES and thus can claim to enhance women's economic empowerment. The International Labour Office Director General Juan Somavia, asserts that microcredit or financial institutions plays a critical role in empowering women as it helps deliver newfound respect, independence, and participation for women in their communities.

Women earn only 50-70% of men's earnings and may not have collateral to secure these credit facilities. This poses a big challenge, as information collected in turkey determined that access to human, financial, and family capital each positively relates to the likelihood of becoming an entrepreneur. Unequal access to these forms of capital based on gender therefore negatively impacts female SMES. Additionally, the prevalence of women's involvement in the informal sector 74% of women's work in Sub-Saharan Africa and 63% in South Asia leads to their de-prioritization from commercial banks. Small Business Credit Availability and Relationship Lending researched in Turkey. (Berger, etaal (2006).

According to Decker, (2006) who researched on Specific Challenges for Small and Medium Sized Enterprises (SME's) In Business Proceedings of The International Conference On E-business in UK States that , a lack of access to credit facilities has been noted as a primary barrier to female SMEs. This effect is particularly noticeable among impoverished women, as wealthy women have more options such as turning to personal savings or family finances to start businesses. This is where financial institutions comes into the picture. On the other hand, financial institutions provides financially marginalised female SMES access to capital through credit facilities that can range from just \$100 to thousands of dollars. The practice is widespread and the MIX Market estimates that in 2015, 125 million people worldwide received microcredit facilities, valued at around \$100 billion cumulatively.

The credit facilities are offered without collateral, although most microfinance or financial institutions do collect interest on these credit facilities. Repayment rates are impressive, reaching 98 to 99% for most microfinance institutions. Exact details vary between programs, some may offer group lending programs, weekly repayment schemes, or financial literacy programs. In addition to the microcredit facility itself, microfinance institutions may include savings programs, training courses, insurance plans, and more. These resources further compound the benefits of the microloan for financially marginalized groups.

According to Deminguc (2003) who conducted a research in America on Small and Medium Enterprises across the Globe World Bank working paper WPS2127 contends that Female SMES make up the largest portion of microcredit borrowers. In 2015, 80% of borrowers were women. Microfinance institutions target women in an attempt to mitigate the aforementioned gender inequalities which make it difficult for women entrepreneurs to thrive. Moreover, women demonstrate higher repayment rates than men. They are considered less likely to default as a result of an assumption that women are more susceptible to group pressures to repay. Measuring the extent to which microcredit empowers these women is complicated, to say the least.

Examining poverty rates with regard to income before and after microcredit facility is somewhat inconclusive. World Bank economist Shahidur in a 2005 study tracked a microcredit program in Bangladesh for more than 10 years. Khandker found that poverty rates decreased by more than twenty percentage points among the earliest microfinance borrowers, and that this impact was stronger for female entrepreneurs. On the flip side, a 2015 round up of randomized controlled trials of microcredit facility programs in multiple countries found that borrowers did not significantly increase their incomes relative to the control groups.

In addition to the benefits that the female SMEs contribute to the economy, they are also other benefits when it comes to credit facility lending expected to lead to improved nutrition and improved education of the borrowers' children. Some argue that microcredit empowers women. In the United States, United Kingdom and Canada, it is argued that microcredit helps recipients to graduate from welfare programs (Bateman, 2010).

Studies have also demonstrated reductions in domestic violence and improved family relations. The benefits of microcredit facilities go beyond simply the borrower herself: for example, the International Labour Office Geneva (2015) states that money earned by women as a result of

microfinance programs is often re-invested into children's education. They note that this particularly benefits young girls. Even considering these benefits, it is important to note the concerns that microcredit facilities may have an adverse impact on some women. For one, it is possible that male family members may fully take control over loans.

Additionally, the International Labour Office Geneva contends (2015) that microcredit credit facility sometimes increase the amount of work for women within families, because of the responsibility for credit facility repayment. These problems provide insight into the considerations microfinance institutions should keep in mind when developing future microcredit facilities models for women.

Audretsch, (2001), researched on the dynamics of entrepreneurship at the University of North Carolina at Greensboro, Department of Economics who states that, discussing female SMEs economic contributions is uniquely important during Women's History Month as the world strives to acknowledge the critical role that they play in every facet of society. Overall, microcredit facilities provide an innovative solution to the barriers female SMEs face. Whether these credit facilities have the intended effect on poverty is still up for debate, but they clearly do lead to gains in the quality of life for many women. Moving forward, microfinance institutions and development organizations should venture to improve upon microcredit facilities models and continue to foster women's economic empowerment worldwide.

Access to medium to long- term credit facilities necessary for capital investment is still difficult hence the significance of this study to establish other measures that could mitigate the challenges. In summation, it can be said that the highlighted measures may be appropriate for addressing challenges faced by the female SMEs in accessing credit facilities. For instance, the Japanese stakeholders and others in Asia which include China and Korea have been making significant strides in addressing the SME's difficulties and enhancing their growth by adopting various measures like CGS which countries like Zambia could domesticate with a view to promoting SME growth (Yoshino & Taghizadeh 2018; USAID 2019).

Hallberg (2002) researched on the Strategy and Management in the Smaller Enterprise Journal of International Money and Finance in United Kingdom contends that developing countries should be interested in female SMEs because they account for large share of firms and development in these countries. Young (1994) on the other hand contends that female SMEs

are not only important because they are a source of employment but also because they are a source of efficiency, growth and economic decentralization.

Kleindl, B. (2001) who did conducted a research on Competitive Dynamics and New Business models for SME's in New York further noted that there is no universal definition for female SMEs since the definition depends on who is defining it and where it is being defined. For example, in Canada female SMEs are defined as an enterprise that has fewer than 500 employees and small enterprise as one that has less than 100 employees. This sector is characterised by low levels of education and training of the self-employed. They are mostly family owned businesses and there is little separation of the business finances from that of the owners even to the point that the owners or operators personal account is the same as that of the business

According to Winborg and Landstrom,(2000) researched on Effects of Access to Financial Credit on the Growth of Women Owned Small Retail Enterprises in UasinGishu in Kenya they stated that, strict credit facility conditions are a major challenge to female SMEs' access to these facilities. Banks or any other financial institution usually requires that clients provide collateral like land or other immovable property to secure their credit facility.

However, Mutira (2017) states that many creditworthy female SMEs do not have the types of collateral required by commercial lenders and therefore have trouble accessing the needed credit facilities. Yoshino (2017) states that start-up companies were finding it increasingly difficult to borrow money from banks because of strict asset-backed lending as most banks require that female SMEs have collateral which tends to be the major significant factor for mitigating the credit risk of the female SMEs.

As indicated by various scholars, collateral requirement is a challenge to most female SMEs because sometimes these businesses are owned by low-income entrepreneurs and families who normally do not have tangible valuable collaterals. Even when collaterals are offered, it is difficult to determine their market value. Often these problems result in the rejection of female SME credit applications (Bruhn et al 2013).

Several studies have accentuated the importance of female SMEs in contributing to economic growth and job creation which makes SME sector development key among topics on the global development agenda. Many scholars have also highlighted that the ability of female SMEs to stimulate growth and significantly contribute to economic development is limited by their

ability to find adequate finance. World Bank (2021) indicated that the size of the financing of credit facilities shortfall is in excess of \$2 trillion and suggests that an estimated one-half to two-thirds of formal female SMEs lack proper access to credit facilities. Access to credit facility is one of the severe constraints faced by female SMEs, in addition to weak investment climate and poor infrastructure.

Mutira (2017), states that the financing constraint is more severe in less-developed countries, where financial markets are not well-developed, regulatory, and legal frameworks are weak, informational asymmetries are persistent, and risk management systems are not as robust; contending that a developed financial sector helps mobilize and allocate resources, and manage risks, thereby contributing to economic development. It is a notorious fact that commercial banks are the major source of funding for female SMEs as they provide approximately 70 and 58% of funding to formal micro enterprises and SMEs, 20 respectively (OECD 2016). For informal female SMEs, commercial banks provide around 30% of the funds, while for micro enterprises, the figure is around 21%.

He further went on to state that around 55 to 68% of formal SMEs-13.8 to 20.4 million firms-in developing economies are estimated to be unserved or underserved by the formal financial sector. This amounts to a credit gap of \$0.9 to \$1.1 trillion and is equivalent to 26 to 32% of current outstanding SME credit facility. Almost half of this credit gap is for medium sized enterprises, while small and very small enterprises constitute 29 to 36% and 19 to 23% respectively of the total credit gap for formal SMEs. In contrast, in developed economies, around 16% of formal SMEs are unserved or underserved, which amounts to a credit gap of 5 to 6% of current outstanding SME credit in these economies (OECD 2016).

The gap relative to current outstanding female SMEs credit varies widely across regions. For example, Sub-Saharan Africa and Middle East and North Africa would require more than 300% increase in outstanding female SMEs credit to close this financing gap, compared to 7 to 8% and 25 to 30% in East Asia and the Pacific, and Europe and Central Asia, respectively (IFC Report 2013).

Because of the credit gap, this study analyses alternative sources of funding or credit facilities which include state-owned banks or other government agencies, non-bank financial institutions, personal savings, investment angels and relatives and friends. The availability of

alternative finance can reduce dependence on bank lending as the main source of finance and could therefore increase the resilience of the financial system and the wider economy.

2.3 Regional (African Studies)

Cressy and Toivanen (2001), the effectiveness of microfinance banks in reducing the poverty of men and women at Akinyele Local Government, Oyo State Nigeria, *Journal of Development and Agricultural Economics* says that female SMEs in Ghana are heterogeneous group- ranging from small workshops making furniture, metal parts and clothing to medium-sized manufactures of machinery as well as service providers such as restaurants, consulting and computer software firms. Some are traditional livelihood enterprises that are satisfied to remain small; others are growth-oriented and innovative.

Many researchers have observed that female SMEs enhances competition and entrepreneurship therefore they suggest that direct government support can boost economic growth and development they also grow and boost employment more than large firm because they are labour intensive and make better use of scarce resources with very small amount of capital.

Finally, they are very important in the fight against poverty as they help in the poverty reduction strategy for most government especially those in the developing countries where poverty is most severe. Since they employ poor and low income workers and are sometimes the only source of employment in the rural area, their contribution cannot be overlooked.

Female SMEs have unique issues which affect their growth and profitability and hence, diminish their ability to contribute properly and effectively to sustainable development of the economy. Among those issues is inadequate access to loans or credit facilities. Despite the efforts by various stakeholders, lack of access to loans is almost universally indicated as a key problem facing female SMEs .Winborg, (2000) from Kenya on *Effects of Access to Financial Credit on the Growth of Women Owned Small Retail Enterprises*.

2.4 Local (Zambian Studies)

According to Roper (2000), modeling small Business Growth and Profitability, Small Business Economics. Banks incur costs in assessing credit, monitoring credit facilities and transaction costs are directly related to profitability. The higher the cost of processing a transaction, the lower the return. Female SME credit facility often consume time to assess, monitor and manage performance. Nuwagaba (2015) also reported that financial institutions in Zambia face high financing costs and this makes access to finance by female SMEs difficult as they are in turn charged high interest rates. Many banks perceive small businesses to require much more advisory support than large corporate clients and this involves cost.

Chisala, C. (2008) *Unlocking the Potential of Zambian Micro, Small and Medium Enterprises* "Learning from the International Best Practices - the Southeast Asian Experience" also reports that most commercial banks in Zambia consider the cost of lending to the female SME sector to be considerably higher than lending to other sectors adding that, high costs are attributed to the relatively greater amount of time necessary to monitor female SME credit facility compliance and that commercial banks do also factor in a premium for risk when determining the interest rates (Winborg 2000).

Findings in a study conducted by Mutiria (2017) showed that the cost of acquiring these credits is also a major challenge for female SMEs seeking business financing because the cost of acquiring a credit facility to do business usually reduces the revenues and profits of the business. However, there was a knowledge gap as the scholar did not demonstrate how high interest rates on credit facility could be reduced for female SMEs to increase earnings for them to survive and sustain businesses. Findings by Deresa (2012) also show that lack of affordable loan products was a major challenge to the growth and expansion of SMEs.

Roper, (2000) *Modeling small Business Growth and Profitability, Small Business Economics*. In their study stated that many female SMEs credit facility beneficiaries complained that financial institutions do not explain how interest rates are calculated on their credit facility. This means that most female SMEs, do not understand terms and conditions, and are also oblivious of the interpretation of the percentage charged on the credit facility. Meanwhile, Yoshino and Taghizadeh Hesary (2017) reported that it was difficult for banks to evaluate female SMEs since they did not often have solid accounting systems.

According to ZDA (2015), there are gaps and challenges in information from funders to the female SMEs in Zambia that are affecting SME financing and hindering the growth. It is asserted that most lenders do not give specific details on how the SMEs can access the funds and these funds have strict rules which are mostly unfavourable and time consuming for SMEs. The survey findings by Ackah & Vuvor (2011) shows that SME operators understand little about the basic principles of commercial bank lending and borrowing practices and conversely, the survey showed that small business owners normally give false information when accessing loans from financial institutions hence the need to adopt the Theories of change on Access to Credit Information (USAID 2019) by improving Credit registries.

The other primary reason why female SMEs continue to face growth challenges in developing countries, despite significant support from governments and other organizations is lack of access to new technology and poor or insufficient technological capabilities (World Bank, 2013), noted that small businesses are still hindered by their lack of technological implementation, despite great technological advancements globally.

UN General Assembly (2018) Entrepreneurship for Sustainable Development; Report of the Secretary-General United Nations: New York, also write that the engagement of Information Technology in development of SMEs is a formidable step in ensuring systems efficiency that leads to increased productivity. It is clearly evident that female SME business involves more than financial start-up, as it also requires the use of technology to make it a success and subsequently build a favourable repayment culture of credit. However, it can be said that most female SMEs fail to procure and employ new technology because of paucity of funds.

To address the challenges female SMEs face, some governments and financial institutions are relaxing collateral requirements or eliminating them altogether. Innovations for Poverty Action (IPA) reports that the Colombian Government, with the support from the International Finance Corporation (IFA 2013) introduced a new Secured Transactions Reform that provides a legal framework for accepting movable collateral like vehicles, machinery, accounts receivable and inventory. The reform has two main facets. The first one, it establishes a unified online registry for all movable assets used as collateral, so that potential creditors can verify whether assets offered as collateral are subject to other obligations. Second, the law improves enforcement in cases of default. By reducing banks' risk in accepting alternative forms of collateral, the reform is expected to increase access to credit for SMEs (IPA).

Similarly, in Zambia, Government enacted the Movable Property Security Interest (MPSI) Act no. 3 of 2016 which aims to make movable property a reliable form of collateral assets, thereby diversifying the nature of assets used as surety in SME having access to credit facilities or financing.

Nuwagaba A. (2015). Micro financing of Small and Medium Enterprises (SMEs) in Zambia; International Journal of Business and Management invention Vol. 4. Lusaka: Cavendish University, in their report stated that Credit Guarantee Schemes were effective tools in the quest to reduce the supply-demand gap in SME credit facilities but their statement is based on findings from a survey conducted in Asia and therefore poses a geographical gap for findings to be applicable to the Zambian scenario. However, the Zambian Government through the Ministry of Finance in 2017 set up an Entrepreneurial Fund for the private sector to enable the establishment of a system that facilitated the issuance of long-term credit guarantees to SMEs in Zambia at low-interest rates (Daily Nation March, 2020).

The Zambia Credit Guarantee Scheme Limited (ZCGS) was set up with the aim of providing a platform for financial institutions to offer affordable financial products and services at reduced risk to female SMEs, thereby promoting growth and competitiveness of SMEs. There were also indicative reports that US\$5Million had been provided as seed money by Government for the scheme and in September 2018, the ZCGS was officially launched (Daily Nation March, 2020).

However, there has been little information that can point to how the organization is contributing to addressing the problems they sought to cure in SME financing. It remains to be established whether the credit guarantee scheme has indeed been actualized and contributed to alleviating the challenges in access to credit. Nonetheless it is agreed that credit guarantees are ideal for reducing risks and encouraging banks to lend significantly to SMEs but there should be precautions taken by the guarantors to ensure that banks take keen interest in lending to viable SMEs and effectively monitor the investments. Implementing the CGS would be in line with the Theory of Change on Credit Guarantee (USAID, 2019) and recommendations by the OECD (2018).

The Zambian Government, through the Ministry of Youth, Sport and Child Development (MYSCD) implemented the Multi-Sectoral Approach to Youth Empowerment Programme with the aim of empowering registered youth owned SMEs in various youth empowerment programmes to enable them contribute to sustainable national development (MYSCD 2020).

The MYSCD provided business credit facilities to Zambian youth citizens aged between 18 and 35 years, with a Green National Registration Card, youth owned companies and youth cooperatives for the development of businesses in various industries among them timber and honey value chain, plastic recycling plants, small scale mining, micro, small and medium enterprises, resettlement of youth in youth resettlement schemes, skills development programmes, youth innovation fund, Pave Zambia Youth Empowerment Programme and youth milling plants (MYSCD 2020).

Furthermore, in 2020, the Ministry of Tourism and Arts launched a ZMK30 million youth empowerment fund under the Presidential Arts Development and Empowerment Scheme aimed at helping artists mitigate the economic impacts of the COVID-19 pandemic (African Decision Newsletter 2020). The scheme provided a revolving fund that offered credit facilities to arts businesses and practicing artists who were registered members of national arts associations in Zambia. Credit facilities amounts ranged from ZMK2 000 to ZMK1 million, payable within one to six years, depending on the amount (African Decision Newsletter 2020). On the other hand, the World Bank through partnership with the Zambian Government has been supporting empowerment for women through the Girls' Education and Women Empowerment and Livelihood (GEWEL) programmes.

The World Bank provided an additional \$142 million GEWEL Project in 2021 to support the government of the Republic of Zambia to increase access to livelihood support for women and access to secondary education for disadvantaged adolescent girls in extremely poor households in selected districts (World Bank 2021). The Supporting Women's Livelihoods (SWL) component was implemented by the Ministry of Community Development and Social Services and has so far provided 75,000 women from extremely poor households in 51 districts across all 10 provinces of the country with livelihood packages consisting of life and business skills training, a productive grant equivalent to \$225, mentorship, and support to form savings groups (World Bank 2021).

Despite these initiatives, there is still limited access to female SME having access to credit facilities. Namusonge and Kihoro (2012). The Government funding programmes are limited to a few people and in some instances are politically motivated. Further, high interest rates and prohibitive collateral requirements still place significant constraints on the growth of many SMEs. It is also difficult to determine the correct market value of movable assets.

Some scholars argue that the best source of new female SME having access to credit facilities is through SMEs' own funds. However, most female SMEs owners have low income and as such, saving for business purposes is extremely difficult. This is certainly the case in Zambia and other developing countries where the majority citizens fail to have significant savings on account of high costs of living and low income. It is therefore imperative that challenges in debt financing for SMEs are resolved as bank credit facility remain the major source of business finance. This gave rise to the need for this study, to generate ideas from the actors' point of view on viable ways the challenges could be addressed but also taking into consideration the world's best practices

The female SMEs have not performed really well and hence has not played expected vital role in the economic growth and development of Zambia Nuwagaba A. (2015). *Micro financing of Small and Medium Enterprises (SMEs) in Zambia*; International Journal of Business and Management invention Vol. 4. Lusaka: Cavendish University

This situation has been of great concern to the government, citizenry, operator's practitioners, and the organized private sector year in year out. The government through its budget allocations, policies and pronouncements have signified interest and acknowledgement of the crucial role of the female SMEs, sub-sectors of the economy and hence made policies for energizing the same.

The development of female SMEs is viewed as one sustainable way of reducing the levels of poverty and improving the quality of life of households through wealth and job creation. The contribution of female SMEs to employment, growth, and sustainable development is a widely acknowledged fact. A 1996 Baseline Survey on female small enterprises in Zambia shows that the sectors consists of approximately 97% of all enterprises in the country and employ 18% of the labor force of whom 47% are women (Parker, 1996).

These credit facilities constraints operate in a variety of ways in Zambia where undeveloped capital market forces entrepreneurs to rely on self- financing or borrowing from friends or relatives. It also forces them to rely on high cost short term finance which is also complicated.

Inadequate access to funds for investments is one of the greatest constraints to female SMEs growth while access to credit facility is an important determinant of firm performance. Coast, R. (1937) researched on the Nature of the Firm and he goes on to state that, Access to credit facility allows female SMES to invest in productive assets that promote growth, increase

production, and hire new employees as inputs to production (ibid 1937). However, female SMEs face high interest rates and do not get long term loan products, or may not even get loans at all because they do not possess collateral and audited financial statements.

Kambone (2017), *The Impact of Small and Medium Scale Enterprises in Achieving Sustainable Development Growth in Zambia: Information and Communications University School of Business*. States that , *Female Small and Medium Enterprises in Zambia*, indicates that part of the problem in failure to access loans or credit is legal (requirement of immovable collateral) as well as informational (credit history and probability of repayment). Additionally, most financial institutions do not factor loans based on contracts or trade credit or equity investing, all of which might otherwise benefit high-growth female SMEs (ibid 2011). To address these challenges female SMEs financing programs are common among donors and policymakers with a view to developing new products and programs to provide female SMEs with the financing they need to grow. Interventions include subsidized loans, credit guarantees, and risk-sharing arrangements.

Because of general risk in female SMEs lending and inadequate information on the creditworthiness of SMEs, lenders usually ask for collateral to guarantee a credit facility. Data from the World Bank Enterprise Survey shows that around 79 percent of credit facilities or lines of credit require some form of collateral (World Bank, 2014). However, movable assets, as opposed to fixed assets like land or buildings, often account for most of female SME's capital stock (Ayyagari et al., 2017) ,*SME Finance. World Bank Policy Research Working Paper 8241*.

For example, in the developing world, 78 percent of the capital stock of businesses is in movable assets like machinery, equipment, or receivables, while only 22 percent is in immovable property (Ayyagari et al., 2017). On the other hand, lenders are often unable to accept movable assets as collateral because of non-existent or outdated secured transaction laws and collateral registries (World Bank 2014; USAID 2019).

Inadequate access to funds for investments is one of the greatest constraints to SME growth while access to financing is an important determinant of firm performance Correia, Flynn &Wormald. (2008) *Challenges Facing SMEs in Accessing Finance from Financial Institutions: The Case of Bulawayo, Zimbabwe*, Access to financing allows firms to invest in productive assets that promote growth, increase production, and hire new employees as inputs to production (USAID 2019). However, as already pointed out, in the attempt to access debt

financing, SMEs face high interest rates, do not get long term credit facility products, or may not even get loans at all because they do not possess collateral and audited financial statements.

ZSD Zambia (2017) indicates that part of the problem in failure to access credit is legal (requirement of immovable collateral) as well as informational (credit history and probability of repayment). Additionally, most financial systems do not factor credit facility based on contracts or trade credit or equity investing, all of which might otherwise benefit high-growth SMEs (USAID 2019). To address these constraints, SME financing programs are common among donors and policymakers with a view to developing new products and programs to provide SMEs with the financing they need to grow. Interventions include subsidized loans, credit guarantees, and risk-sharing arrangements (OECD, 2016; USAID 2019).

OECD (2013) reports that SMEs do not provide adequate information and often lack capacity to produce adequate financial reporting, resulting in limited information available for the bank to make an informed lending decision. Because banks cannot adequately assess the risk and expected returns of the loan, they either charge a risk premium or deny the credit facilities. Therefore, improving the flow of information between SMEs and lenders could promote SME lending (OECD, 2013, USAID 2019)

Many financial institutions with their systems place unnecessary restrictions on collateral, leaving lenders unsure whether a loan agreement or credit facility agreement will be enforced by the courts (Ayyagari 2017). Even with appropriate systems in place, uptake may be slow, since lenders must develop new products, learn to evaluate new types of collateral, and develop new practices for collection and liquidation (USAID 2019).

Therefore, collateral system reforms could lead to greater lending, especially for smaller and younger firms. World Bank (2018) indicates that after reforms enlarging collateral menus were passed in a number of Eastern European countries to include movable assets like machinery and equipment, firms in movable-intensive sectors borrowed more, invested more in fixed assets, hired more workers, and became more efficient and profitable. Accordingly, the expansion of collateral laws to include movable assets can have positive impacts on female SMEs growth, efficiency, and profitability if stakeholders adopt the Collateral Law Theories of Change.

Female SMEs need credit facilities to purchase services or equipment to run their businesses. However, most lenders are not willing to lend to female SMEs on account of high default risk.

A subsidy could change lenders' practices in lending to these female SMEs because it compensates for the lower returns to lenders from lending to less profitable female SMEs that previously could not get financing (USAID 2019). Economic theory would suggest that access to subsidized credit should lead to higher female SME growth, which is why subsidized credit lines are popular (Ayyagari et al. 2017)

Between 1979 and 1991, the World Bank provided Sri Lanka with \$110 million in financing for female SMEs through a series of four credit programs, known as the Small and Medium Industries (SMI) Program. The World Bank did not lend the funds directly; rather, the Program operated through an autonomous body known as the National Development Board (NDB). The NDB provided capital to participating financial institutions (PFIs), which then retailed the loanable funds to firms.

Under the Program, firms would approach the participating credit institutions and apply for a loan. Upon approval, the firm's application would be forwarded to the NDB, which, in turn, would approve the loan and consequently refinance the PFI. A 10-year study of the Program showed that, although receiving the subsidized credit facility did lead to higher levels of investment for financially constrained firms, the firms did not increase their profits anymore nor did they become more economically efficient than those firms that received a credit facility without the subsidy and as such, subsidies should be used with precautions to ensure that they are prudently utilized and monitored (World Bank, 2014).

However, it is worth mentioning that this assertion poses a geographical and knowledge gap in the context of female SMEs experience in Zambia as it is yet to be established whether these female SMEs in Zambia would remain unprofitable even after being offered subsidized credit facilities.

Duan, et al. 2002 contends that it must also be stated that although credit facilities subsidies increase female SME access to funds and consequently investment, mechanisms for effective monitoring should be put in place to ensure that SMEs do not over invest in equipment and machinery without proper projections of returns. The investment should be commensurate with returns. The other downside of credit subsidies is that they tend to distort competition in the market which is why it is imperative that they be deployed with care.

Most governments worldwide have expressed interest in developing the female SME sector because it carries the potential to significantly contribute to economic development. Most

governments are also aware that female SMEs are often unable to raise finance for their profitable projects. Investment opportunities are potentially lost, and the result is that national wealth is lower than it might otherwise be. Phiri (2016) writes that governments are eager to support innovation, where female SMEs often excel and consequently boost economic growth and employment opportunities. To support female SMEs in Zambia, government-owned agencies or programmes like the Citizen Economic Empowerment Commission (CEEC) currently provides debt finance to female SMEs at 12% (CEEC Annual Report 2018), against the commercial banks' average nominal 21 lending of 25.6% as of February, 2021. This rate was considered too high to support economic growth. (Monetary Committee Statement 2018). The Citizens Economic Commission Act No. 9 of 2006 is principally aimed at uplifting the targeted citizens who have suffered marginalization, to level the playing field and raise the citizens to a position where they can effectively participate in the national economy and most importantly, to ensure that women, youth and physically challenged persons have access to capital necessary to start and build businesses and fund local mechanisms for investments. The CEEC supports businesses like agribusiness, aquaculture, informal gold mining, manufacturing, packaging, product development and facilitates market access.

The CEEC had between 2008 and 2018 received ZMW284, 181,000 against the budget and amount approved by parliament of ZMW760, 743,710 thereby creating a finance gap of 63% (CEEC Annual Report 2018). CEEC had a recovery rate of 62% in 2018 against the annual target of 65% out of the issued loans amounting to ZMW42, 743,710. The commission only funded 64 projects against 1600 applicants in 2018 because Government did not release funds in that particular year. As a result the Commission was only able to issue credit facilities using funds from loan repayments or credit repayments for 2017. As much as the CEEC has provided an opportunity, especially to female SMEs, it can be argued that access to CEEC funding is limited because of insufficient funding by Government coupled with defaults in credit facility repayment by previous beneficiaries. Improved disbursement of funds by Government could significantly enhance access to female SMEs financing thereby impacting the living standards of the citizens especially those in rural areas since 90% of projects are funded in accordance with the Commission's district value chain approach policy (CEEC Annual Report 2018).

Furthermore, there is the issue of alleged politicization of CEEC because of Section 6 of the Citizens Economic Empowerment Act which provides that 'The President may give to the Commission such general or specific directions with respect to the discharge of its functions as the President considers necessary and the Commission shall give effect to such directives'.

Section 7 further states that ‘The Commission may, after the approval of the Minister, enter into agreements with any organization or institution on any matter relevant to the carrying out of the Commission’s functions under this Act’.

Kachungu (2017) argues that the two sections in the Act demonstrate that the Commission does not operate or formulate policy decisions without the oversight of Government. Kachungu (2017) further asserts that the greatest challenge the Commission is experiencing in this regard is that all commissioners are appointed by the President through the Minister, and not accountable to the National Assembly, adding that, with such a reporting structure, there is a risk that Parliament might fail to appreciate the status and importance of the Commission. However, Kachungu (2017) did not elaborate how the control of CEEC operations through the cited legal provisions led to politicization of the funds where it could be argued that CEEC finance was only available to those female SMEs that were politically aligned to the ruling party. Theoretically such an argument could support an assertion that the politicization of the CEEC led to increased non-payment on the loans as some of the funded female SMEs may not have what it takes to run their businesses successfully but still access funds through political connections. There appears to be a knowledge gap on the issue of politicization of the funds under CEEC. Because of limited access to CEEC funding, female SMEs that may not have access to other alternative sources of financing continue to rely on commercial bank financing. Growth is thereby negatively affected.

Meanwhile, Phiri (2016) writes that citizens that have made attempts and/or have acquired loans from CEEC complain of the collateral requirements in the form of land, equipment and group security of guarantee. Kachungu (2017) adds that citizens also complain about the credit facility application procedure which is described as long and complex as they are required to complete and sign an eleven (11) paged application form which is challenging to those who have low level education. The other challenge in accessing funds from CEEC is attributed to factors like length of time it takes to process the application due to large numbers of applicants and limited funding received from the government, among others (Phiri 2016). These challenges still remain an impediment to female SMEs accessing funds despite Government efforts to alleviate female SMEs financing constraints.

CHAPTER 3

3.0 METHODOLOGY

The purpose of this Chapter will be there to discuss and describe the methodology that was used in this study. It will highlight the research design, research site, population, sampling procedure and data collection instruments. It also presents data analysis.

3.0 Philosophical perspective

Philosophical perspectives are important because, when made explicit, they reveal the assumptions that researchers are making about their research, leading to choices that are applied to the purpose, design, methodology and methods of the research, as well as to data analysis and interpretation. At the most basic level, the mere choice of what to study in the sciences imposes values on one's subject.

Cressy and Toivanen. (2001) contends that by looking at the relationship between a subject and an object we can explore the idea of epistemology and how it influences research design. However this philosophical perspective will guide the research in that it will be concerned with all aspects of the validity, scope and methods of acquiring knowledge, such as what constitutes a knowledge claim, how can knowledge be acquired or produced and how the extent of its transferability can be assessed. This philosophical perspective of epistemology will be of vital to this study because it influences how researchers frame their research in their attempts to discover knowledge.

3.1 Research Design

This research design method employed in the study was the data collection techniques that was used and the target population, the sample size and sampling techniques as well as the data analysis method employed. It finally looked at the procedures that were faced in gathering these evidence.

The data for this study was gathered through the use of primary and secondary data sources. The primary data source for this study involved the use of a questionnaire. The questionnaires were then distributed to female SMEs operators and or owners for first-hand information for processing towards answering the research questions.

3.2 Research Site

This study was done in Mufumbwe district of North-western Province. The district also has quite a number of female SMEs which have made numerous contacts with the financial institution that is in the district for credit facilities and therefore have a lot of experiences to share. Therefore, it was easy for me as a researcher to approach these female SMEs since I reside within the district itself.

3.3 Study Population

Nuwagaba A. (2015), contends that Zambia has over 1.2 million businesses in the SME sector, both informal and formal, adding that almost half of this population perceive access to credit as a major obstacle to SMEs in Zambia. However, the population of female SMEs in Mufumbwe is not exactly known or well established because some SMEs are not registered while others who are registered are non-operational. It is worth noting and knowing that it is difficult and expensive to collect data from every individual or business player for large and dispersed populations and therefore it will be appropriate to use a sample. Additionally, carrying out research using a sample of the population makes storing and analysing smaller data sets easier and more reliable.

3.4 Sampling Procedure and Sample Size

This study used purposive sampling technique to select female SMEs. This kind of sampling was used to identify the cases individuals or communities' best suited to helping answer the research question.

Duan, et al. 2002 states that Sampling methods refer to how we select members from the population to be and the selection of a subset or a statistical sample of individuals from within a statistical population to estimate the characteristics of the whole population. This sampling technique is also known as judgmental sampling or selective sampling, and it is often used when the population being studied is too small, too difficult to access, or too heterogeneous to use probability sampling methods. In order for interviews to produce adequate qualitative data, the study that was used was purposive sampling to engage participants who will provide in-depth and detailed information. Since the population of Mufumbwe from the central district is small, 100 registered female SMEs are currently registered with PACRA and eighty (80) participants were picked for the study.

3.5 Data Collection Instruments

In this research, the data collection tool that was used was an interview guide for both our entrepreneurs and financial institutions. This is an appropriate data collection tool because the target groups are very busy people and very hard to get information from since they have to attend to their customers. Therefore, the interview guide was fit to use because it was quick and took less than an hour to do the interview rather than giving the respondents questionnaires were they could easily forget about them in the process of making sure they attend to their customers.

3.5 Interviews

The Interview Guide will be made up of a set of open-ended questions which will help the researcher to obtain in-depth information from experts/officials dealing with SMEs. Ayyagari M (2017), writes that interviews are most effective for qualitative studies because they help to explain, understand, and explore research subjects, opinions, experiences, and phenomena. Interviews in this study also allowed flexibility to the researcher to rephrase and make follow-up questions to better understand the responses from participants. The interview guide consisted of questions which addressed the four (4) research objectives and questions of the study.

3.6 Sources of Data

The sources of data which were used are secondary and primary data where secondary is basically information that is sourced from different sources. These sources are from the internet, reports, books, newspapers and case studies or reports related to this research, journals and articles. It is important to consider secondary sources of data because it gives a broad understanding and ideas on what has to be done or researched about the topic. Duan, et al. (2002) .While primary data is information collected for a specific purpose. It is also tailored to bring out the data that will help with the study. It is also vital because one will get firsthand information. It enables the researcher to get as close as possible to what actually is happening or happens and it is hands on. In the report about 75% to 65% of the primary will be used. And for the target group I had two target groups and these are female small and medium enterprises (SMEs) and financial institutions.

Female SMEs included green groceries, the clothing and shoe vendors, food vendors, salons, cereals vendors, poultry vendors. This group was important in that actual information was given regarding credit facilities since they are the ones doing some form of business while financial institution were also important because they gave the insert information they have on the issue of accessing credit facilities and they are the ones that give out these facilities.

3.7 Data Analysis Technique

This analysis and interpretation of data done using data analysis, used both qualitative and quantitative data. From there it interpreted the data into graphs or just an explanation after which the discussion of the findings were given. After the answered questionnaires were collected, they were checked for uniformity, accuracy, completeness and consistence. The data that was collected from the in-depth interviews was also examined and inspected closely and thoroughly checked, after which, closed-ended questions were then analyzed by coding each response that was to be allocated a numerical figure to represent each response. These, responses were then manually analyzed and then expressed in form of tables.

Thematic analysis was used to analyze open-ended questions. This involved reading through all responses to the questions and grouping them in to common categories called themes. Each theme that was represented had those responses portraying a similar idea. Each question had have several themes, each representing a common idea. The themes on each question was then tabulated in form of tally tables. Tally tables then be made to indicate how many respondents subscribe to a particular theme.

The general patterns of the themes were then analyzed to identify what the common views were on each question and also what the minority views were going to be. This way, each different opinion was to be given due consideration, and finally the analysis of the data collected through the in-depth interviews. These were analyzed by thematic analysis as described above. The responses from the interviews were reported in a narrative form. This analysis is done manually and the findings were given in a narrative form.

The research used Descriptive analysis in the IBM SPSS software version 28 to analyse the quantitative data which was obtained from closed ended questions on the questionnaires distributed to female SME owners and bank personnel. Descriptive analysis was useful in addressing research question number 1, 2 and 3 which sought to establish to what extent will these female SMEs face these credit challenges, also what credit challenges affect the

operations of female SMEs in the district and lastly what are some of the ways that are going to determine the sources of funding for female SMEs. Roldos (2021) writes that Descriptive analysis is the most basic and most common form of data analysis concerned with describing, summarizing, and recognizing patterns through calculations of existing data, like mean, median, mode, percentage, frequency, and range.

3.8 Time Frame

The study took one (1) month to collect data, analyse and write the report. However, it took two (2) months because of some respondents' unwillingness to engage in personal meetings.

CHAPTER 4

PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

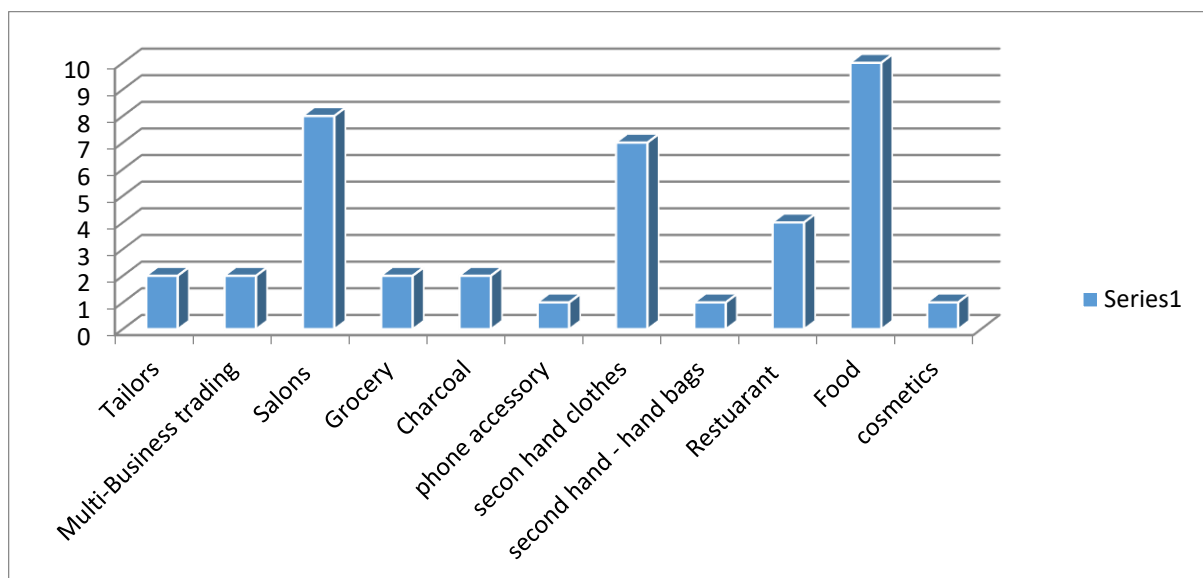
Presentation, analysis and discussion of research findings are discussed below. The focus is on providing answers to research questions raised from the above.

Demographic information

Our total population sample size was 80 female SMEs of which they were born in the years from 1956 to 1966, 1967 to 1977, and 1978 to 1988 and lastly from 1989 to 2008. Those who were born in the years between 1978- 1988 were eighteen, those born from the years 1967-1977 were fifteen, 1956-1966 were four and those born in the years 1989-2000 were three. The age range from 1978-1988 were the majority in terms of trading pertaining to their business, while fifteen people were the second and were in the age range of 1967-1977, those in the age range of 1956-1966 were only the four of them and lastly those in the range of 1989-2000 only consisted of three people.

From the total sample got, the majority of the sampled women who were married consisted of 24 women, of whom 11 were single, 3 were divorced and 2 were widowed and they reside in Mufumbwe district. Most of these female SMEs usually get their source of income from trading business such as saloons, groceries, kiosks ,restaurants and multi business trading's. Trade and commerce is the sector in which all our 80 sampled women.

FIGURE 1.Sources of income

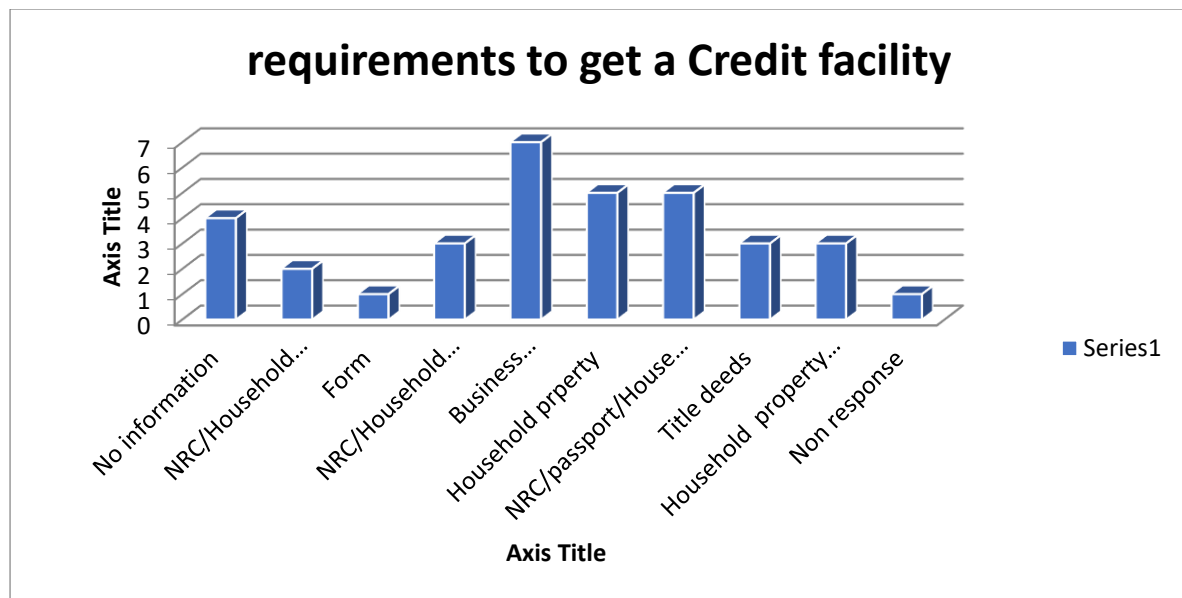


According to the figure above, the majority of the respondents are selling food such as beans, vegetables and any other type of food that can be cooked or cooked, followed by those in salons then, those selling second hand clothes, after that those having restaurant, then followed by those dealing in groceries, charcoal, tailoring and multi business meaning selling a lot of things under one shop and lastly the one selling second hand handbags.

The influence available of information on accessibility of Credit facilities

From our sampled population of 80 female SMEs, it was found that 77 have information about credit facilities but only 3 did not have information on loans.

FIGURE 2. Requirements to get a credit facility



It was found that most of the respondents who were the majority of them had information on credit facilities while the minority did not have any information like one of the respondents said “yes, I have heard of credit facilities being offered by financial institutions and I have information about them,” While the other said” no, I do not have any information about on credit facilities”.

When further asked about information they have about the requirements needed for one to get a credit facility the majority said they need one to have a business and track record of the business, followed by those who said one needs to have a green national registration card(NRC), then others said they need to have a passport photo, while others said just title deed and others households and a house, then others just household things only, whilst others said

track record of the business and certificated to show that one is registered, meanwhile other said one need NRC households and surety, the other said buying a form from the financial institution, as the other do not have any information on the requirement and lastly the other did not respond. For the respondents who said that they required to buy a form said that *“a church called international minister fellowship and affiliated churches approached me and asked me if I wanted to get a loan then I was told if I wanted to apply for a loan I needed to pay in order for me to get the form required to apply for a loan and that is what I did”*

The other female SMEs were asked if they had applied for a credit facility from any institution of which the majority with a number of 71 said no they did not apply for any credit facility while the minority which consisted a number of 9 said that they did apply and had access to having a credit facility. It can therefore be said that most of the female SMEs did not apply for the credit facilities due to various reasons that they had given, and among the reasons was that:

“They did not have the requirements like the collateral to pledge in order for them to be given the facilities while others said that they were scared to apply for a credit facility because they thought that if they fail to pay back the money then they will be arrested”.

Research Question 1

A question was asked to the respondents who had applied for credit facilities to say to what extent will female SMEs face these challenges?

20% of the respondents answered to say as long as most of them are not educated ,are not in formal employment and do not meet the necessary requirements intensified by also gender related factors like females lack of collateral and discriminatory regulations ,laws and customs. They further narrated to say that they would suggest closing the credit gap for female SMEs which would result in boosting the real income per capita growth rates in the country.

They also respondent to say that initiatives to expand female SMEs financing is there but few have a gender specific component .Solutions should tackle both the supply side such s policy bias ,discrimination and misconceptions about female credit risks and the demand side such as female reluctance to apply for credit facilities. Also by adding business trainings and mentoring will help to ensure productive use of capital. Because improved access to credit is most impactful when coupled with strong institutional environments, efforts should be made to establish more robust institutions and favourable business conditions.

Research Question 2

A question was further asked to the respondents who had applied for the credit facilities responding to research question number 2, what credit challenges affect the operations of female SMEs in Mufumbwe district

From the sample that was interviewed six (6) female SMEs agreed of having some challenges, while (3) three female SMEs said that they did not face any challenges in getting these credit facilities so for those who had challenges they narrated to say that:

“They were normally called for meetings from time to time so for them they thought that it was challenging somehow on their part. The other challenge that two of the female SMEs gave was that some they were approached by certain people from an unknown church to say that they were issuing out credit facilities to marketers and they were further told that they had to pay them for identification cards and other documents that needed them to apply for a credit, however these female SMEs did not get their credit facility after paying these people and they have later on took the matter to the court and waiting to be heard.”

Research Question 3.

The respondents were asked to say what will be some of the ways that are going to determine the sources of funding for female SMEs?

And some of the answers they gave are that government and other stake holders should give them some grants to boost their business. They further narrated to say that they is need to increase access to finance and remove some of the strict measures when it comes access to credit facilities and this will in turn help the female SMEs and will ultimately contribute to job creation. They further said that they is need to create an enabling environment to expand access to finance to female SMEs by supporting the establishment of credit guarantee scheme (CGS), issuance of SME Policy, and strengthening capacity of the regulator and sector.

Collateral requirements on accessibility of Credit facilities

From the total sample size of the female SMEs, there were nine (9) people who got credit facilities from various financial institutions who said that:

“they had to have some form of collateral while two (2) of the respondents said that they were required to show their businesses pertaining to how they are trading, three (3) said that they needed to check their household goods and two (2) people said that they needed to see all their

Household goods and 2 Businesses. And they said that they needed their houses; some were pledging their household goods, businesses, photocopies of their NRCs and title deeds”.

According to the responses gotten from the respondents they were further told that they needed to pledge different collaterals.

A question was asked to the respondents if they had accessed any credit facilities to run their businesses and their answers were illustrated below:

“The majority was that thirty-one (71) of these female SMEs said they had not accessed any credit facilities, while a few from the total sample size which consisted of nine (9) people said agreed to having accessed credit facilities.”

This shows that a good number of female SMEs do not access credit facilities due to various reasons and a few people have accessed credit facilities to help them start up their businesses or to boost their businesses.

The influence of the cost of credit on accessibility of credit facilities

The question was asked to the respondents as to when they were supposed to pay back the credit facilities they got from the financial institutions, and they gave out their answers as follows:

“Five (5) female SMEs said that the credit facilities they got were required to pay back in (6) six months. While two (2) said that they were required to pay in three(3) months, one(1) female SME said one (1) year and the other one said in (10) months.”

Looking at the responses gotten from the field, some female SMEs paying back their credit facilities in different categories. Others had to pay back their facilities within a short period of time others in the middle of the year and the longer period was one year. This helped to know how long their payback period was.

This is a problem for many people even in other countries. SMEs fear to access credit facilities because of the high interest rate imposed on them while others don't see any wrong with the interest rate. The respondents were asked about the interest rate of the credit facilities they got if they were favourable or not favourable and the responses were as follows:

“The response was that, four (4) female SMEs said that the interest rate and the payback period was just too high, while two (2) said it was low and good, two (2) others had forgotten what the interest rate was and one (1) person said it was good while the other five (5)

respondents the payback and interest rate was not good also and the four(4) others said it was good for them and they did not complain at all. One respondent said that it was ok in the first months but towards the end it was hard but managed. It was good that she was even able to pay earlier than the day.”

Determining the interest rate as well as the payback period, some respondents were okay with both the interest rate and the payback period while others were not okay with both.

The credit facility that was gotten by these female SMEs had both negatives and positive effects on the businesses they were doing, and the information that was taken from them was illustrated below:

“Five (5) respondents said that it had some positive effects on their businesses in that it helped in boosting their businesses and helped with some form of capital to start their business and it was helpful since she used the facility for personal issues such as paying school fees. On the other hand the four (4) said that it had some negative effects due to the interest rate and it also involved paying the agent who needed some commission.”

The influence of business risks on accessibility of credit facilities

In relation to the above objective, 5 respondents said they had encountered business risks in accessing the credit facilities and 4 female SMEs respondents said they had never encountered any business risks in regards to their business. Risk factor is another aspect that explains the access to credit facilities by MSEs. Total risk (both business and financial risk) may be a dimension across which a financing gap might exist (Correia, Flynn and Wormald, 2008).

Respondents who were interviewed in this study identified the kind of business risks they were encountering and these risks encountered are described below:

“And the main risks that five (5) female SMEs mentioned was that their things were not being bought especially when there was no business, two (2) people said that their business was going down due to the increase in the dollar and the other two (2) said that things were expensive to buy in order to have an increase in their goods. The other response given was that credit facilities had some risks in that one would put in a lot of money in the business to buy things and the things bought would come out to be damages, for example second hand clothes. Another risk that another person encountered was that of food stuffs going bad. No customers, security and load shedding. People not buying the goods until they expire. One woman who sales charcoal like 90kg bags complained that transport is a problem for her and she faces

challenges like high cost of paying for the bags. She also has to pay for each bag so that she can take her charcoal with her by paying a fee of k45 kwacha.”

The respondents were asked how they were solving the business risks they were encountering and their answers were as follows:

“Three (3) people said they were solving them by getting a credit facility, while the other three (3) people said they do nothing about the risks encountered and three (3) people said that they trade into other businesses to boost to have some money to boost their business rather the income. One of the people interviewed said that, solving the business risks that female SMEs face is quite a challenge this is noted as people just resort to knocking off early hence locking their shops if they encounter no business at all . Others solve the problem by getting more credit facilities; others said that the risks they face are that they normally do not have security to their shops so they normally steal their goods. They capitalize their income at the month end, and at the beginning of the month they make more money and also prepare less to avoid losses and also marketing the business. As for the woman who sales bags of charcoal, she solves her problems by buying charcoal from those who already have passes in order for her to be allowed to go to the next step rather the stage. Others solve it by getting into more debts.”

Another question asked to the respondents was to find out if they think credit facilities are beneficial to small and medium enterprises:

“Of which seventeen (17) people said that yes they are beneficial, seventeen (17) respondents again said they were not beneficial and five (5) said they were neither beneficial nor bad. Among the female SMEs one said that credit facilities are beneficial if properly used to some people they expand the business and on the other hand she said that they are not beneficial if they are not used for the intended purpose. She went on to say that in some way credit facilities are not beneficial because the institutions are the ones who benefit more because of the high interest rate that some financial institutions do offer.”

The last question asked was that, if no to the question above what do you think should be done to improve the performance of credit facilities, and the respondents answered as follows:

“Six (6) people said the interest rate should be reduced while two (2) people said that the financial institutions should understand when someone complains. two(2) people said that they should change the payback period.one (1) person did not respond and one (1) person said that they should be giving enough time to people so that the credit facility can generate some profit.

Other person said that they feel uncomfortable when other people come to check their property, therefore they would like the financial institutions to stop checking their properties. The interest rate should be reduced and the payback period should be changed to a longer and not shorter period. The financial institutions should understand when someone fails to pay and not to get the things from people's houses and give chance to customers to get the amount they want."

22.8 FINANCIAL INSTITUTIONS

The following are the findings about the financial institutions that were interviewed. Out of the 3 institutions 2 two of them offer loans to the female SMEs while 1 one does not. When it comes to the requirements needed for the SMEs to apply for a credit facility 2 said they need collateral, while other 2 said they need to have a business and one said that they need movable assets such as household, equipment's and a car. Then, when it comes to the pay back all the institutions had their own payback period and they are as follows 3 months, while others said 18 months, meanwhile other said 6 months to 2 years then others 6 months to 5 years and lastly 3 years. It was found that the rate they have also differed 1 said 6.5%, then 1 said 3.5%, while some 8.5% at the same time others it depends with the economy and lastly they have a fixed amount.

When they were asked about the maximum amount they give the female SMEs, some answered that it depends with the female SME with how much they want, whilst others said k350, while others said K 6000, then others said they do not give credit facilities to female SMEs and lastly said it depends with the ability to payback. The kind of female SMEs that qualify to get their credit facility two said they have to be registered with the council or PACRA while the other said they do not give credit facilities to female SMEs. When it comes to the form of collateral they answered that title deeds that was one of them also 1 said household while 2 answered more than 1 answer which are assets and operational account with them and the other said title deeds and assets. Lastly if they educate the female SMEs on credit facilities they offer, 4 of them said yes they do while 1 does not offer credit facilities to female SMEs.

From the findings above about financial institutions it can explained that, that most of the financial institutions offer credit facilities while just a few of them don't offer these facilities. When they were further asked about the requirements they ask for when giving out these credit facilities to, each institution had their own various answers but it was found that the majority out of all the institutions that offer credit facilities said, they need someone who has a business while the other majority said need they need collateral and the other said they need movable assets such as household, equipment's and a car assets which they can sell and generate income from in case the female SME fails to payback. When they were further asked about how long is there payback period for one who get a credit facility, each of the institutions had their own answers, the other said 3 months, while other said 18 months, whilst other said 6 months to 2 years then others 6 months to 5 years and lastly 3 years as a result of such payback period, this

that is the reason we had varying answers how the female SMEs felt about the payback period some said it was good and other said it was too short like one of the respondents who liked the payback period said *” for me the payback period was ok because it gave me time to gain more income to be able to pay back”* While the other who did not like it, like one of the respondent who said *“ I did not like it, it was too short for me to payback whilst trying to generate income ”*.

It was also further discovered that these financial institutions have different interest rates when it comes to giving out credit facilities ranging from, 3.5%, 6.5% and 8.5% while the others said it depends with the economy and have a fixed amount. To add on, on what was already answered, on the maximum amount they give to female SMEs, one said that they give a maximum of k350, while the other said up to k6000, meanwhile the other said depending with what the SMEs want then the other said it also depends with the ability to payback and the other institution it was non response since it does not give out these credit facilities to SMEs. When they were further asked about who qualifies (SMEs) to get a credit facility, the majority said that, one who is registered with the council or PACRA while the other it was non response since do not give out credit facilities to female SMEs.

In addition, they were further asked about what form of collateral they need from SMEs, the majority said assets and operational accounts while the other said they need title deed and asset, as the other said household things and the other did not respond. Lastly when they were asked about if they educate the female SMEs that got or get credit facilities from them, the majority said “yes” they do offer education, they further said this is done by conducting seminars to educating them on how to apply and how to use them, also on one is applying for a facility that is when they are educated and the other non-response.

CHAPTER FIVE

22.9 Conclusion

The theme of this study was credit challenges faced by female SMEs. A case study of Mufumbwe district which sort to highlight difficulties faced by these female SMEs in accessing credit facilities from the financial institution to operate and grow their businesses. In achieving this, the study answered the following questions,

1. To what extent will these female SMEs face these credit challenges?
2. What credit challenges affect the operations of female SMEs in Mufumbwe district?
3. What are some of the ways that are going to determine the sources of funding for female SMEs?

Based on the total population sample size that was collected was 80 female SMEs of which they were born in the years from 1956 to 1966, 1967 to 1977, and 1978 to 1988 and lastly from 1989 to 2008. Those who were born in the years between 1978- 1988 were eighteen, those born from the years 1967-1977 were fifteen, 1956-1966 were four and those born in the years 1989-2000 were three. The age range from 1978-1988 were the majority in terms of trading pertaining to their business, while fifteen people were the second and were in the age range of 1967-1977, those in the age range of 1956-1966 were only the four of them and lastly those in the range of 1989-2000 only consisted of three people.

From the total sample got, the majority of the sampled women who were married consisted of 24 women, of whom 11 were single, 3 were divorced and 2 were widowed and they reside in Mufumbwe district. Most of these female SMEs usually get their source of income from trading business such as saloons, groceries, kiosks ,restaurants and multi business trading's. Trade and commerce is the sector in which all our 80 sampled women.

Based on the responses received through the questionnaires circulated to the female SMEs and interviews with financial institutions dealing with SMEs, the study acknowledges that female SMEs play an important role in any nation's economy and that sustainability of the world's economy is focused on the SME's ability to create wealth for the owners and employment opportunities for the lager population thereby alleviating poverty. Meanwhile, the study also confirms that female SMEs in Zambia like most SMEs in other countries are faced with major challenges in accessing these credit facilities. The challenges revealed by the study include

high interest rates and short repayment periods on bank loans and continued rigid requirements for SMEs to provide immovable collateral and other information needed by banks like audited financial statements.

Furthermore, the surveyed female SMEs held the view that Government can set up measures like effective legal framework, run support schemes and increase funding which would increase access to female SME business. Support schemes can take many different forms: low interest rate and long-term loan products to a group of SMEs which could share risks, Credit Guarantees and other instruments. Finally, it can be said that although banks remain the major source of credit for SMEs, the harsh conditions attached to credit facilities make it difficult for female SMEs to survive and grow. This is why stakeholders like Government, banks, nongovernmental organizations and SMEs need to take intensive efforts to implement measures that could address these challenges. Additionally, it is worth noting that the need to improve access to female SME access to credit facilities has gained momentum across the world and has become a policy priority for many economies as a way of complementing conventional bank finance.

23.0 Recommendations

Based on the research findings and in conformity with guidance by the OECD (2018), World Bank (2021) and USAID (2019), the study makes recommendations to enhance access to debt financing in the SME sector. The recommendations are also in line with the main objective of the study which was to examine credit challenges that female SMEs face in Mufumbwe District with a view to recommending solutions taken from the participants' point of view.

1. Government in conjunction with other stakeholders should formulate schemes to offer long term credit facilities to groups of female SMEs at lower rates while members of the female SME group share credit risks since banks have high interest rates because of high risks involved in SME lending. However, the interest rates reduce profitability which threatens survival of SMEs. To minimize the default risk, the recipient group should have an effective monitoring mechanism to ensure success amongst its members in order to strengthen credit facility repayment capabilities.
2. Government should consider formulating deliberate policies aimed at giving rewards like tax incentives and reductions of reserve ratios to banks or financial institutions that successfully support SME financing through provision of technical support and effective monitoring, since the study revealed lack of genuine interest by banks to support female SMEs financing due to high rates of default. Government should also come up with a deliberate policy to give incentives to banks that promote usage of alternative assets like contracts, cash receivables and equipment/machinery in view of rigid requirement of immovable collateral by most banks.
3. It is recommended that Government with other corporate entities and nongovernmental organizations should create and actualize Credit Guarantee Schemes to absorb a portion of the loss to lenders as a way of credit risk mitigation which can reduce cost of credit. However, such a scheme should set up effective monitoring and evaluation systems to ensure that female SMEs do not abuse the scheme. The scheme should effectively serve the purpose of mitigating inevitable credit risk and challenges and make banks and other financial institutions more willing to create long term credit facilities for female SMEs at lower rates.
4. It is recommended that stakeholders, i.e. banks, Government, utility and telecommunication companies and the Bank of Zambia network to improve and work on the information infrastructure for credit risk assessment. Collection of credit facilities data and performance

track records, reporting and data sharing should be continuous in order to address information asymmetries which affect lending decisions by most banks and other financial institutions.

5. There should be reforms in the CEEC funding programme to include retail traders, farming contractors and suppliers as opposed to the restricted lending to particular sectors like agriculture, manufacturing and creation of value chains etc. In addition, there should be consistent and increased funding to CEEC to allow more female SMEs to access credit facilities.

6. The Government should also come up with a deliberate policy to give incentives to banks and other financial institutions that promote usage of alternative assets like contracts, cash receivables and equipment/machinery in view of rigid requirement of immovable collateral by most banks.

Future research should focus on using larger sample sizes because they give more accurate average values, identify outliers that could skew the data in a smaller sample and provide a smaller margin of error. A larger sample size also gives the ability to draw conclusions with reasonable confidence. It is recommended that future studies should focus on taking industrial or categorical approach in studying challenges and finding solutions to SMEs in accessing credit facilities, as that would help policy makers especially with the introduction of the Ministry of Small and Medium Enterprises by the United Party for National Development (UPND) Government to take remedies that could be more effective since they would be applicable to a particular industry or category of SMEs as opposed to the broad approach which was taken by this study. Additionally, future studies should also further examine other variables like entrepreneurial and management skills to determine their impact on female SMEs success and subsequent credit facility repayment capabilities in female SME debt financing.

BUDGET

ACTIVITY	DESCRIPTION	UNIT PRICE(K)	TOTAL PRICE
Writing of the proposal	Typing, printing, refreshments and binding of the proposal.	<ul style="list-style-type: none"> Lump sum 	<ul style="list-style-type: none"> K150 <p style="text-align: center;"><u>SUBTOTAL</u> K150</p>
Pre-testing and editing of data collection tools.	Refreshments when visiting Mufumbwe market	<ul style="list-style-type: none"> Mineral water K 3 per bottle x 4 Lunch K 120 	<ul style="list-style-type: none"> K24 K120 <p style="text-align: center;"><u>SUBTOTAL</u> K144</p>
INTERVIEW GUIDE PREPARATION	<ul style="list-style-type: none"> Typing Printing Photocopying of interview guides 	<ul style="list-style-type: none"> K 4 per Interview guide x 40 	<ul style="list-style-type: none"> K160 <p style="text-align: center;"><u>SUBTOTAL</u></p>

			K160
DATA ANALYSIS	Food and refreshments	<ul style="list-style-type: none"> • Lump sum 	<ul style="list-style-type: none"> • K100 <p><u>SUB-TOTAL</u></p> <p>K100</p>
STATIONERY	<ul style="list-style-type: none"> • pens • Modem • Notepad 	<ul style="list-style-type: none"> • K2 X 4 • K150 X 1 • K30 X1 	<ul style="list-style-type: none"> • K8 • K150 • K30 <p><u>SUB-TOTAL</u></p> <p>K188</p>
Report		<ul style="list-style-type: none"> • Lump sum 	<ul style="list-style-type: none"> • K100 <p><u>SUB-TOTAL</u></p> <p>K100</p>
		GRAND TOTAL	K 842

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APPENDICE (A)

INTERVIEW GUIDE FOR FEMALE SMEs.

Research interview guide for female small and medium enterprises.

Topic: Credit challenges faced by female small and medium enterprises (SMEs): A case study of Mufumbwe district.

Dear respondents,

I am an MBA student in my final year at the University of Zambia undertaking a research as part fulfilment of my master's requirements.

You have been selected to participate in this study. It will be of great help if you accept to answer the questions in this interview guide truthfully.

Be informed that your responses will be treated with confidentiality and the information will be used solely for academic purposes.

Thank you.

1. Age last birthday?
2. What is your marital status?
3. What is your current source of income?
4. Under which sector does your business fall under?
5. Do you have any information about how to access credit facilities?
6. What information do you have on the requirements needed to access a credit facility?
7. Have you ever applied for a credit facility from any institution?
8. Have you faced any challenges in accessing credit facilities?
9. When applying for a credit facility have you been asked for collateral?
10. What form of collateral have they been asking for?
11. Have you accessed any credit facility to run your business?
12. How long was the payback period for the credit facility?
13. What was the interest rate of the credit facility you got?
14. How was the payback period as well as the interest rate to you?
15. What have been the effects of accessing this credit on your business?
16. Have you ever encountered any business risks in accessing the credit facility?

17. What kind of business risks have you encountered?
18. How have you solved them?
19. Do you think these credit facility are beneficial to small and medium enterprises?
20. If no, what do you think should be done to improve the performance of credit facilities?
21. To what extent will female SMEs face these credit challenges?
22. What credit challenges affect the operations of female SMEs in Mufumbwe district?
23. What are some of the ways that are going to determine the sources of funding for female SMEs?

APPENDICE (B)

INTERVIEW GUIDE FOR FINANCIAL INSTITUTION

1. Does your institutions offer credit facility to small and medium enterprises?
2. What kind of qualifications do you look for when obtaining these credit facility?
3. How long is payback period of the credit facility?
4. What is the interest rate on your credit facility?
5. What is the maximum amount of credit facility you offer to the SMEs?
6. What kind of SMEs is qualified to obtain your credit?
7. What kind of collateral is needed when obtaining your credit facility by SMEs?
8. Do you educate the SMEs on the credit facility that you offer?



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APPROVAL OF STUDY

IORG No. 0005376

HSSREC IRB No. 00006464

REF NO. HSSREC-2024-MAR-003

19th March, 2024

Ms. Euodia Kangungu

The University of Zambia

P.O. Box 32379

LUSAKA

Dear Ms. Kangungu

RE: "CREDIT CHALLENGES FACED BY FEMALE SMES. A CASE OF MUFUMBWE DISTRICT"

Reference is made to your submission of the protocol captioned above. The HSSREC resolved to approve this study and your participation as Principal Investigator for a period of one year.

REVIEW TYPE	ORDINARY REVIEW	APPROVAL NO. HSSREC:2024- MAR – 003
Approval and Expiry Date	Approval Date: 19 th March, 2024	Expiry Date: 18 th March, 2025
Protocol Version and Date	Version - Nil.	18 th March, 2025
Information Sheet, Consent Forms and Dates	<input type="checkbox"/> English.	To be provided
Consent form ID and Date	Version - Nil	To be provided
Recruitment Materials	Nil	Nil
Other Study Documents	Questionnaire.	
Number of Participants Approved for Study		

Specific conditions will apply to this approval. As Principal Investigator it is your responsibility to ensure that the contents of this letter are adhered to. If these are not adhered to, the approval may be suspended. Should the study be suspended, study sponsors and other regulatory authorities will be informed.

CONDITIONS OF APPROVAL

- No participant may be involved in any study procedure prior to the study approval or after the expiration date.
- All unanticipated or Serious Adverse Events (SAEs) must be reported to HSSREC within 5 days.
- All protocol modifications must be approved by HSSREC prior to implementation unless they are intended to reduce risk (but must still be reported for approval). Modifications will include any change of investigator/s or site address.
- All protocol deviations must be reported to HSSREC within 5 working days.
- All recruitment materials must be approved by HSSREC prior to being used.
- Principal investigators are responsible for initiating Continuing Review proceedings. HSSREC will only approve a study for a period of 12 months.

- It is the responsibility of the PI to renew his/her ethics approval through a renewal application to HSSREC.
- Where the PI desires to extend the study after expiry of the study period, documents for study extension must be received by HSSREC at least 30 days before the expiry date. This is for the purpose of facilitating the review process. Documents received within 30 days after expiry will be labelled “late submissions” and will incur a penalty fee of K500.00. No study shall be renewed whose documents are submitted for renewal 30 days after expiry of the certificate.
- Every 6 (six) months a progress report form supplied by The University of Zambia Humanities and Social Sciences Research Ethics Committee as an IRB must be filled in and submitted to us. There is a penalty of K500.00 for failure to submit the report.
- When closing a project, the PI is responsible for notifying, in writing or using the Research Ethics and Management Online (REMO), both HSSREC and the National Health Research Authority (NHRA) when ethics certification is no longer required for a project.
- In order to close an approved study, a Closing Report must be submitted in writing or through the REMO system. A Closing Report should be filed when data collection has ended and the study team will no longer be using human participants or animals or secondary data or have any direct or indirect contact with the research participants or animals for the study.
- Filing a closing report (rather than just letting your approval lapse) is important as it assists HSSREC in efficiently tracking and reporting on projects. Note that some funding agencies and sponsors require a notice of closure from the IRB which had approved the study and can only be generated after the Closing Report has been filed.
- A reprint of this letter shall be done at a fee.
- All protocol modifications must be approved by HSSREC by way of an application for an amendment prior to implementation unless they are intended to reduce risk (but must still be reported for approval). Modifications will include any change of investigator/s or site address or methodology and methods. Many modifications entail minimal risk adjustments to a protocol and/or consent form and can be made on an Expedited basis (via the IRB Chair). Some examples are: format changes, correcting spelling errors, adding key personnel, minor changes to questionnaires, recruiting and changes, and so forth. Other, more substantive changes, especially those that may alter the risk-benefit ratio, may require Full Board review. In all cases, except where noted above regarding subject safety, any changes to any protocol document or procedure must first be approved by HSSREC before they can be implemented.

Should you have any questions regarding anything indicated in this letter, please do not hesitate to get in touch with us at the above indicated address.

On behalf of HSSREC, we would like to wish you all the success as you carry out your study.

Yours faithfully,



DR. J. I. Ziwa

CHAIRPERSON THE UNIVERSITY OF ZAMBIA HUMANITIES AND SOCIAL SCIENCES RESEARCH ETHICS COMMITTEE - IRB

CC: Director, Directorate of Research and Graduate Studies
Assistant Director (Research), Directorate of Research and Graduate Studies
Assistant Registrar (Research), Directorate of Research and Graduate Studies

GANTTI CHART

