RURAL WOMEN ENTREPRENEURS, INFORMAL SAVING, SELF-FINANCED INVESTMENT AND DEVELOPMENT

From the African Community of Practice on Management for Development Results at the African Capacity Building Foundation

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SYNOPSIS

About 100 million African women are involved in informal banking. The main causes of their formal financial exclusion are low education; poverty; traditional legal and sociocultural constraints; and conflicting domestic and professional roles. Informal banking provides a platform for enhancing the financial inclusion of these women while accelerating their empowerment and social and economic security.

This case study is derived from activities of women from the Chinamhora communal area close to Harare in Zimbabwe. It focuses on *Kutamburira Musha* (which means toiling for the home or family), an informal women's banking group formed under the Wadzanai Community Development Association (WCDA), a community-based organization involved in community self-funded activities. The study highlights the positive impacts of informal banking and investment groups in women's socioeconomic development, and presents policy recommendations.

Key findings. Women enhanced their social and economic security, acquired decision-making power in households, and overcame constraints imposed by male-dominated market forces. Additionally, capacity building programs from *Kutamburira Musha* empowered the women with skills that built group confidence and ensured successful outcomes. Subsequently the group improved the financial security of its members.

Key lessons. Rotational savings and credit associations (ROSCAs) can partner with financial services businesses, as shown by Econet Savings (EcoSavings) clubs in Zimbabwe. This model can be adapted for financial inclusion and mainstreamed in managing approaches promoted by regional bodies like the Southern Africa Development Community, African Union, and the African Development Bank to support governments in enhancing the economic inclusion of women and achieve the Sustainable Development Goals and Agenda 2063.

Main recommendations. Financial inclusion of women has to be built into all entrepreneurial services and products. It is important to review the legal and regulatory framework and ensure that it caters to married, divorced, single, and young women and men, without discrimination; and to encourage couples to register property such as land and houses jointly or ensure that they have equal access to marital property. More user-friendly models and institutions should be built—using the experiences of institutions and organizations such as WCDA that have tapped the capacities of marginalized groups—to enhance financial inclusion of poorer groups and reduce the costs and conditions of financial transactions.

Introduction

ROSCAs are a worldwide phenomenon among the poorest communities and operate under names specific to countries or regions, including *tandas* in Latin America, *pandeiros* in Brazil, *stokvels* in South Africa, *osusu* in Nigeria*, xitique* in Mozambique, and *chamas* in Kenya. The majority of their members are female due to their exclusion, in great part, from the formal economic and financial mainstream.

It is estimated globally that more than 1.3 billion women operate outside the formal financial system, 100 million of them in Africa (Demirguc-Kunt, Klapper, and Singer 2013). More than 70 percent of people from emerging markets do not have formal bank accounts (Goss et al. 2011). In Africa, 70 percent of women are financially excluded and their access to finance and financial services is consistently behind that of males (MFW4A et al. 2012). Women from rural areas are particularly affected by discriminatory exclusionary mechanisms and traditions. According to Daniels (2015), some of the barriers to women's access to finance are low education, low financial literacy and incomes, lack of tangible assets or collateral, legal and sociocultural constraints, and conflicting roles in the household and professional spheres.

Although rural women produce most of the food consumed in households, they "receive less than 10 percent of all credit going to small farmers and only 1 percent of the total credit for the agricultural sector in Africa" (Clark 2010). A study to establish male and female access to credit by the World Bank and the International Finance Corporation in 2012 showed that 21 out of 28 countries in Africa, under law, discriminated against women, and that married women have more legal restrictions than single women. In Kenya, 40 percent of smallholder farms are run by women, yet women only receive 10 percent of micro, small, and medium enterprises credit (DFID 2013). Grundling and Kaseke (2010) noted that 58 percent of small and medium enterprises in South Africa are run by women but only 43 percent of women who run small businesses have bank accounts, against 52 percent of their male counterparts. World Bank data indicate that despite lack of access to credit, Africa has the world's fastest growth in female entrepreneurs (Muhumuza 2014). Jerven (2013) argues that African women's significant contribution to the informal economy is undervalued and underappreciated due to the absence of reliable data.

Informal banks and investment groups have emerged as a critical component of women's informal financial activities. Exclusion from the formal economy has forced African women to develop alternative structures and initiatives to meet their financial needs (Njenga and Ng'ambi 2014). The informal sector significantly reduces household poverty and enables those people with little or no access to formal employment to make a living. The informal sector therefore acts as a safety net for unemployed people in the region, particularly women, as outlined in an Advocacy Strategy by the Southern African Development Community (SADC 2011).

Evidence indicates that the informal economy is a source of employment more attuned to the needs of women (Ramani et al. 2013). The majority of women conduct their business from their homes or on the streets (Chen 2001). Njenga and Ng'ambi (2014) observe that men tend to overpopulate upper-segment jobs, and concludes that women engage in the sector because it is the best or only option enabling them to earn a living.

The informal economy accounts for 80 percent of new jobs in Africa and is a major contributor to wealth. According to World Bank estimates, the informal economy generates 40 percent of gross national product in low-income nations. The AfDB (2013) notes that this sector is not on the development agenda of African countries or their multilateral development partners, and that organizing the informal sector and recognizing its profitability and utility for the poor can contribute to economic development and improve the capacity of informal workers to meet their basic needs. In the same vein, increasing their incomes and strengthening their legal status are effective means to attain positive development results.

Those aspects could be achieved by raising government awareness, allowing better access to financing, and fostering information on the sector. AfDB (2013) and the Beijing Platform of Action (1995) cite the expansion of the informal economy and the need for women to gain access to capital and training to contribute to sustainable development, recommending that governments implement national policies that support traditional savings, credit, and lending mechanisms for women (Strategic Objective F.1).

The SADC Protocol on Gender and Development (2008) obligated governments to review, amend, or repeal laws that discriminate against women on the ground of sex and gender by 2015. The African Union Gender Policy (African Union 2009) enjoined African states to adopt policies and enact laws ensuring equal access, benefits, and opportunities for women and men in trade and entrepreneurship, and consider women's contributions in the informal and formal sectors to meet the MDG targets for gender equality and empowerment, poverty eradication, education, healthcare, and combating HIV/AIDS. Many of these targets were not met in Africa.

In Africa, women prefer saving and investing in their local, informal banks. In South Africa, 11.5 million adult South Africans are members of the over 70,000 *stokvels*, with females constituting the majority of members. The areas where investment is commonly channeled are ROSCAs, pooling resources and paying out to individual members, accumulated savings and credit associations, burial societies, and purchasing power groups.

Some international development agencies including CARE, Oxfam, Catholic Relief Services, and PLAN have developed programs building on ROSCAs to boost agricultural productivity and poverty eradication among rural female populations. These organizations operate in 23 countries globally, 18 of them in Africa (Allen et al. 2010). Noting that savings groups are a viable alternative for most people experiencing economic exclusion, funders are also promoting the ROSCAs to facilitate the acquisition of social capital, improve gender relations, women's leadership, and community social and economic development. Burjorjee et al. (2002) observed that the benefits are used by women more productively, through investment of a large share of proceeds in children's nutrition, clothing, health, and education.

Methodology

This case study is derived from activities of women from the Chinamhora communal area close to Harare in Zimbabwe and focuses on *Kutamburira Musha*.

It was written through literature review, field visits, and interviews with members of *Kutamburira Musha,* and neighbors and families. Members of newly formed groups, and agricultural, technical, and extension staff of the government were also interviewed. The Wadzanai Community Development Association staff facilitated meetings with the women's group and explained the inputs they provide to groups in the form of training, technical assistance, and advice.

Case study

Women in Zimbabwe have operated savings-led finance schemes (*mikando*) for over 50 years. In particular, market women vending vegetables from stalls rented from local authorities are active in informal savings schemes. Women pool finances and lend them to individual members on a rotational basis to enhance individual group members' savings capacity. Operations initiated at very low financial levels gained greater visibility in the 1990s with more women forming groups to finance investment and consumption, resulting in development agencies harnessing the potential for building sustainability around women's economic activities to end poverty and improving household-level gender power relations. As a result, the number of groups has increased and created innovative strategies that cushion women against hardships experienced due to the economic crisis in Zimbabwe since 2000.

Rural women have created savings and investment groups to mobilize resources to support their (frequently informal) economic activities. *Marounds* (rounds), as women's investment groups are popularly referred to, are common in rural and urban areas. Jena (2015) notes that *mikando/marounds* have grown exponentially in an increasingly informal economy in which women cross-border traders have joined forces and pooled large amounts of money for the purchase of bulk or high-value commodities from China, Dubai, South Africa, and other countries. Jena also notes that when women form their groups and decide how much to contribute and on the frequency of contributions and sharing of proceeds, the system guarantees that every member benefits equally.

In 2015, Econet—Zimbabwe's largest mobile network—launched the EcoCash Savings Club, a mobile money service to support *mikando/marounds* throughout Zimbabwe. Econet indicates that savings groups earn interest on funds over one dollar, every 30 days, pointing out that EcoCash Savings Clubs enable people to pool funds safely, securely, and transparently since all members can check the group's account at any time and move money between the individual and group wallet and bank account. Given the popularity of mobile banking among the poor in Zimbabwe, financial inclusion for the poor is likely to improve significantly because EcoCash agencies are accessible in many rural areas in the country.

***Kutamburira Musha* women's informal bank**

Ten women aged 30–60 formed *Kutamburira Musha* in 2010, facilitated by WCDA, which provided capacity-building skills and helped the group develop both a constitution to regulate operations and a business plan to guide group activity. WCDA also provided leadership training, strategic planning, financial management, project planning, and implementation at group and family levels. WCDA continues to play a monitoring and advisory role.

Issues prompting group formation centered on economic and social security in the short and long terms. Goals influencing group formation centered on the ages, roles, and responsibilities of members in their families and factors negatively affecting their performance. Concerned about food security, school fees, and other basic needs, group members initially contributed a dollar a day, pooling 10 dollars a day, which was loaned to one group member to buy food and meet other needs.

The positive impact of the scheme prompted group members to increase contributions to two dollars a day. Increased incomes earned by group members rotationally helped them expand their income generation base by introducing a diverse range of activities such as buying and selling frozen drinks, stationery, and other items needed by school children. They sold these items at reasonable prices and offered customers credit. Higher incomes earned resulted in higher subscriptions levied to achieve higher goals for the group. Pooling 10 dollars per member, the group undertook wholesale purchasing of food every fortnight, for distribution to group members. Payouts every fortnight enabled the group to open a bank account and hold regular meetings to assess group and individual matters, democratizing decision making.

Group members live in the same community and know each other as agricultural producers growing and selling tomatoes and other vegetables locally and at Mbare market in Harare. Farming on family land, they customarily have little or no decision-making authority over this land, which is accessed through their spouses who control incomes earned through vegetable sales. The middlemen controlled and restricted women's access to buyers at Mbare market, such that the women realized only low prices for their produce.

For generations, lack of alternative skills and resources restricted women's ability to venture into alternative income-generating projects. The entry of better resourced males, who were the main beneficiaries of a 2000 land reform program, threatened to force women out of the market as large quantities of better produce were dumped on that market, causing a glut that reduced profits and incomes.

Evaluating their activities against time and incomes earned, the group resolved to sell produce directly to market women in Hatcliffe, just outside Harare and closer to Chinamhora. That decision lowered transport costs and caused a loss of income to middlemen and eliminated competition from other producers. Women stopped traveling and spending nights in risky open spaces at Mbare market, saving time that they used for other activities and learning new skills.

As individual incomes increased, group contributions were increased to 50 dollars fortnightly, facilitating the introduction of activities with long-term income and security implications.

The outcomes of the women's initiatives

Table 1 outlines the progression of activities. Members 1, 5, 6, 8, 9, and 10 directed their investments at growing their businesses and diversifying their income; members 2, 3, 4, and 7 improved the comfort and quality of their homes, living and working spaces, and security; member 3 also bought a television set.

Table 1: Progression of activities of individual women group members

Member	Project	Sustainability project	Outcomes
1	Poultry broilers and egg layers	Built three rooms and four chicken runs for a chicken project	Renting out rooms and selling fully grown chickens
2	Piggery project	Built toilet, kitchen, and store room	Investment in home comfort and better hygiene
3	Buying and selling items including plastic	Increased accommodation by two rooms	Home improvement and purchase of television set
4	Buying and selling glassware and china	Built own accommodation	Enhanced comfort and security
5	Piggery	Built three rooms for rental	Renting rooms to civil servants
6	Piggery	Built pig sties and chicken houses	Scaled up existing piggery project, bought deep freezer
7	Broiler chickens and egg layers	Increased accommodation space	Greater home comfort and security
8	Retail outlet	Grocer's shop	Grocery shop to boost income
9	Catering, cooking and selling food at Growth Point	Building rooms for rental at Growth Point	Construction in progress projected to treble monthly income
10	Catering, cooking and selling food at Growth Point	Building rooms for rental at Growth Point	Construction in progress projected to double monthly income

Overall assessment

The group empowered and improved the security of its members. Women in the informal bank and investment group know each other well and belong to the same social networks through religious and kinship ties. Their experiences in their communities and Mbare market and a shared vision of the changes they desired for securing livelihoods strengthened their solidarity. The group is the locus for decision making on economic activities, empowering its members.

These experiences demonstrate that women and the poor can be agents of social change and active elements in Africa's transformation.

Capacity building by WCDA empowered the women with skills that built group confidence and successful outcomes. The group was formed by women who desired to achieve set goals for securing livelihoods and resolved to initiate activities that could be scaled up to meet higher goals. Ties among group members were strengthened by their adherence to defined goals and capacity building by WCDA. Good leadership and management skills training, including high levels of accountability by group members, contributed to the achievement of positive outcomes.

WCDA has ensured that the resources pooled matched the needs of group members since its inception, including the technical skills needed for initiating and running projects at the group and individual levels. Other skills developed included financial accounting and accountability to group and individual members.

Positive outcomes at the individual, family, group, and community levels.

- The group achieved better use of time and resources through joint planning, decision making, and implementation at group and individual level activities.
- Five new groups formed as a result of the success achieved by the *Kutamburira Musha* group. A successful development model for poverty eradication and empowerment of women has been created and can be replicated.
- Group members moved from survival to more sustainable goals that enabled them to achieve greater security in their lives with longer-term benefits.
- Members reported improved gender power relations at the household levels with their involvement in decision making and planning; more respect for group members within the community; greater income and social security for members of the group and family members; and enhanced leadership roles for group members within the community.

Recommendations

- It is important to develop a database of successful models for financing business enterprises and projects of marginalized women. Replicating and publicizing them and providing financial and other support to the organizations that have successfully supported women's businesses is critical.
- Advocacy is critical on poverty eradication through women's economic empowerment and access to finance from formal institutions, as is building on women's capacities.
- National accounts and development discourses must reflect the roles that women play in development through their non-formal economic activities.
- Development planners and implementers need to improve their awareness of the impact of women's economic activities to facilitate the use of women's capacities for enhancing economic and social development.

Recommendations on using results information by state and non-state actors

- Build financial inclusion of women into all entrepreneurial services and products.
- Overhaul all financial products with the help of organizations such as WCDA and women who use ROSCAs to ensure that the products respond to the gendered needs of borrowers.
- Overhaul the legal and regulatory framework and ensure it caters to married, divorced, single, and young women and men without discrimination.
- Encourage couples to register property such as land and houses jointly or ensure that they have equal access to marital property and protection from its abuse by either spouse.
- Develop more user-friendly models and institutions, using the experiences of institutions and organizations such as WCDA, with experience in tapping the capacities of marginalized groups, to enhance financial inclusion of poorer groups

and reduce the costs and conditions of financial transactions.

- Develop dispute resolution mechanisms and accessible and user-friendly institutions for prompt, affordable, and fair mediation and settling of financial disputes, using the experiences of community organizations such as WCDA.
- Tap and scale up the activities of community-based organizations in Africa to support and steer women's groups through decision making over financing, business planning, training, implementation, and monitoring, and train and mentor women entrepreneurs to achieve development results in Africa.
- Encourage public and private bodies and other entities in Africa to procure a defined proportion of their goods and services from women's businesses to improve their financial inclusion.
- Initiate and sustain an Africa-wide policy dialogue to generate, explore, and develop various models and processes for funding women's businesses using the experiences of *mikando/marounds* in Zimbabwe, *stokvels* in South Africa, and other ROSCAs and accumulated savings and credit associations in Africa.

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