Nature of Rural Women's Financial Exclusion in Zimbabwe.

Matilda Pomerai, Sailas P. Mangwende (PhD)

Women's University in Africa, 549 Acturus Road, Manresa, Harare

DOI: https://dx.doi.org/10.47772/IJRISS.2024.804126

Received: 20 March 2024; Revised: 05 April 2024; Accepted: 09 April 2024; Published: 15 May 2024

ABSTRACT

Most rural women in the developing world are financially excluded from the formal financial sector. The purpose of this paper is to give an overview of rural women's financial exclusion in developing nations. Causes of rural women's financial exclusion is discussed. This helps governments, agro-based companies, banks and development partners to understand the extent of rural women's financial exclusion so that measurements to address such issues can be made. A desk research was used to carry out the study. Most literature show that rural women in Zimbabwe do not have the Know Your Customer (KYC) requirements needed by banks and financial institutions to open bank accounts and access loans for income generating projects. Banks do not want to relocate to rural areas because rural women are not an attractive clientele due to the feminisation of poverty rampant in rural areas. In most developing countries, just as is the case in Zimbabwe, there is a bias towards urban areas in the financial sector. Rural women do not own the acceptable collateral. Men own most of the acceptable collateral. There are also gender inequalities in the access to financial services in rural areas besides women constituting the largest population in world's rural areas.

Key words: rural women, financial exclusion, gender, Zimbabwe

INTRODUCTION

Formal financial services are vital in reducing poverty among rural women as they indirectly create employment through income generating projects. Women generally spend most of their income on household issues, especially those concerning children therefore financial exclusion exacerbates poverty in rural areas. Financial inclusion of rural women cuts the vicious cycle of poverty in rural areas. According to UNAID, (2023) in Sub Saharan Africa most people still live in rural areas, with the largest number of those living there are female. Patel, (2020) states that more than half (55%) of African women live in rural areas. It is therefore important to understand the nature of financial exclusion being experienced by rural women so that policies and programmes can be created and implemented to solve this problem.

DEFINITIONS OF FINANCIAL EXCLUSION

Akande, (2020) defines financial exclusion as a situation in which people do not have access to mainstream financial products and services such as bank accounts, credit cards and insurance policies, particularly home insurance and education loans. Rural women are excluded from the formal financial sector and do not have access to loans for income generating projects and insurance to cover them against shocks such as drought, floods and cyclones.

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS |Volume VIII Issue IV April 2024

1. Types of financial exclusion

According to Achugamu et al, (2020) there are different forms of exclusion ranging from banking exclusion, savings or pension exclusion, credit exclusion as well as insurance exclusion. Rural women from developing nations are prone to all these forms of exclusion and are more vulnerable during old age because they do not have pension facilities.

According to Anderson, Coetzee and Mattern (2021) rural women represent a majority of the financially underserved. They are vulnerable to both voluntary and involuntary financial exclusion. Shretha and Nursamsu, (2020) define voluntary exclusion as a situation where the population decides not to use formal financial services because they are not attractive and involuntary financial exclusion as lack of participation due to unavailability of or unaffordable financial services.

2. Definition of financial inclusion

It is important to define financial inclusion in this paper. Oleka and Onyia (2017) concur with Igwe, (2021) in pointing out that financial inclusion is a process which allows the unbanked, especially the dwellers in the rural and semi urban areas easy access to loans and deposit mobilisation by formal financial institutions, or availability of and usage by rural dwellers.

CAUSES OF FINANCIAL EXCLUSION

1. Unemployment

Financial exclusion is associated with poverty and social exclusion as measured by unemployment (Barboni et al, 2017). Rural women do not have formal employment, and this worsens their financial exclusion. Sometimes banks require payslips and confirmation letters from employers for one to open an account and for loans they require three months bank statements which rural women do not have. Rural women in Africa have less access in the labour market which worsens their financial exclusion. Patel, (2020) argues that compared to urban areas, rural women are more likely to be outside the labour market (51% vs 38%) and less likely to have part of full-time job (23% vs 31%). Wiesmann et al, (2016) in Patel, (2020) also state that past studies have found that rural women are less likely than urban women to have secure employment, are often unable to own or inherit land, and are disproportionally heading households as single parents.

2. Gender issues

Zhang and Posso, (2019) in Giron et al, (2022) demonstrate the presence of gender inequalities in financial inclusion and that women are more financially excluded mainly due to lack of documentation and gender discrimination in less developed nations in Asia and Africa. Some rural women do not have national identity documents required by formal financial institutions to access financial services. Achugamu et al, (2020) further state that financial exclusion increases the cost of using informal financial services often borne by the active poor in remote areas and women predominantly use orthodox financial services than men in rural communities.

Being a woman reduces the probability of having an official bank account and increases the probability of having a mobile account and saving in an informal manner (Giron, et al, 2022). Women face many barriers most outstanding being lack of income in Africa and Asia. Giron et al, (2022) also agree that being a woman reduces the probability of an official bank account in Nigeria. The probability is even higher in rural areas due to rampant poverty and patriarchal barriers. Ngoyani, (2022) in Chikweshe et al, (2023) states that in Africa it is estimated that 4 in 5 women lack access to financial services. The ratio is even worse in rural

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS |Volume VIII Issue IV April 2024

areas.

Recruitment gender inequalities that exist in the financial sector also worsen the financial exclusion of rural women. Wagh (2017) in Siwela and Njaya, (2021) points out that in some countries, most bank officials are men and this is hindrance and a challenge for female customers who feel uncomfortable and less confident to interact with males. Women are comfortable dealing with other women. Chassin, (2022) supports that in Africa, in many settings, women also feel uncomfortable interacting with men who are not their relatives or feel less confident approaching male agents than female ones. Anderson, (2023) recommends that female agents play an important complementary role in helping rural women start using digital services and then answering questions as well as solving problems.

3. Poor infrastructure

According to AFI, (2022) the characteristics of a rural population are low access to internet and poor infrastructure. Rural women have low income, are poor and lack the acceptable collateral to access bank loans. Lack of infrastructure (communication connectivity, inconsistent electricity poor road network, communication infrastructure) adversely impact on formal financial inclusion outreach (ILO, 2021 and RBZ, 2022). In Africa most rural areas have poor connectivity for rural women to utilise digital financial services and very few rural areas have electricity. Some rural areas are not even accessible. From a formal financial services provider's perspective, there are a lot of reasons why rural women remain financially excluded. Nginya, (2020) is quick to point that financial inclusion costs are high due to geographical inaccessibility, poor infrastructure and generally low population densities make it difficult to set up "brick and mortar" branches or even agency outlets to offer banking services at reasonable cost. Nginya, (2020) also states that they do not have gender-specific products.

4. Cultural barriers

In Africa the gender gap in financial exclusion varies significantly by regions, with the greatest disparities registered in the Middle East and North Africa region, with a 17% gap, and in Sub Sahara Africa where a 12% gap is registered (FAO, 2020:12). Cultural and religious barriers are still rampant in Africa and the Middle East. Women in general are still being regarded as minors and cannot make financial decisions for themselves without the involvement of men. In Africa, rural women are also less likely than their urban counterparts to make decisions about how to spend money in the household (42% vs 31%) (Patel, 2020). Most of the time it is men who make these decisions on women's behalf. Anderson et al, (2023) also argue that gender social norms that dictate rural women's roles in society and restrict their control over resources and decision making not only limit rural women's access to financial and agricultural services but also de-incentivise business from targeting them as customers and suppliers.

5. Time poverty

Rural women suffer from time poverty and have limited time for financial inclusion programmes. Rural women also spend a significant amount of time on unpaid work in their family, homes, farms, and businesses, caring for children and elders, preparing food and maintaining their homes (Anderson, 2021). These reproductive, productive and communal roles limit the time they can have to engage of income generating projects. Women in remote areas of Nigeria also encounter mobility constraints that make it difficult to engage the services of financial institutions (Igwe, 2022). Men have more free time than rural women.

6. Delay in financial communication

Rural women also complain about delays in communication by formal financial providers. According to

Nginya, (2020) rural women complain about failure to communicate in a timely manner about charges in tariff, commissions or fees to agents or user which negatively affect women's trust in the provision and usage of their products. Most of the communication is done through emails and mobile phone massages which rural women do not have access to. The communication is also always in English and this becomes a language barrier to communication.

7. Low level of financial literacy

Levels of financial literacy are often low in rural communities (ILO, 2019 and Anderson, 2023). Most rural women have low levels of education leading to low financial literacy and their businesses struggle to survive. The reality in Africa is that rural women are less likely to have formal schooling or participate in the labour market (Patel, 2020). According to Abebe and Kegne, (2023) in Ethiopia many rural women-run businesses are in less profitable areas or grow more slowly and in most cases are likely to fall. Financial literacy ensures that informed financial decisions are taken at individual and household level due to understanding of money and managerial practices (Refera etal, 2016 in Akande, 2020). Saluja, Singh and Kumar, (2020) state that barriers to women's financial inclusion are, patriarchy structures, low incomes, low financial literacy and accessibility. March (2020) states that the financial system as it stands is poorly suited to the needs of women in Zimbabwe. The products are not tailor made to suit rural women.

8. High transaction costs

The financial transaction costs are unaffordable to many rural women in Zimbabwe. According to Siwela and Njaya, (2021) the 2% mobile phone transaction fee introduced in 2018 in Zimbabwe is too high. Both urban and rural women pay the fees regardless of geographical location and poverty levels. Rural women usually transact small amount and high transaction cost reduce their profits. International Labor Office (ILO) (2019) states transaction costs in rural areas especially in remote areas, are high due to low population density and small average transaction amounts. According to Chiweshe et al, (2023) high bank charges 18% and the perception by many MSMEs founders that there are not enough security protocols to safeguard their money in the bank was 14% in rural Zimbabwe.

9. Inaccessibility to agricultural opportunities

Agriculture is the main economic activity in rural areas, yet rural women do not get access to financial services that support agriculture. According to Chassin, (2022) rural women face challenges accessing formal financial services other than those provided by value chain actors or informal mechanisms and this limits their ability to invest in their farm and informal mechanisms. FAO, (2018) states that in Africa women face stronger constraints in their access to cash income and rural financial services and that limits their use of productive resources (inputs, technology and product) and services (mechanisation, processing). Rural women lack financial support to purchase ploughs, tractors and combine harvesters which are necessary in running farming as a business.

10. Lack of support on rural women's SMEs

Rural women's businesses are rarely supported by the formal financial sector. Chikweshe, (2023) states that 22% of women led MSMEs with bank accounts indicated that they had applied for a commercial loan where only 8% of rural women led MSMEs applied to 24% of urban-based MSMEs. This has increased the gender and rural-urban divide. Shkodra et al, (2021) in Abebe and Kegne (2023) found that in rural Ethiopia finances continue to be women's most challenging barrier despite the importance of developing women's businesses. Abebe and Kegne, (2023) further argue that women entrepreneurship is associated with gendered roles but aided by social relationships both within and outside the family.

11. Lack of banking facilities

Matunhu and Mago, (2013) and Mavaza, Halimani and Dzapasi, (2020) state that there is little and non-existence of rural banking facilities in Zimbabwe. According to Makoni, (2014) rural women in Zimbabwe are forced to travel to urban areas to do their banking and this entails very high expenses and the risk of a robbery. Mhlanga, (2020) in Dunga (2021) observes that the number of people is financially included is skewed towards the urban areas particularly Harare and Bulawayo. As a result, rural women resort to keeping their money under the pillow and lockable boxes further risking losing their money to thieves or family members leading to low numbers of financially included rural women. Dunga, (2021) notes that in Zimbabwe the percentage of the population that had access to banking services in rural areas was 23%. Patel, (2020) and argues that compared to urban women, rural women have strikingly less access to internet, less access to banking services and less decision making power at household level. This means that they cannot access internet banking services and sometimes power relations at home can mean that the men has access to gadgets which are connected to internet. In Zimbabwe rural areas, one financial institution saves 6000 inhabitants (less than 3% have access).

12. Urban bias

There is a bias toward the urban population when it comes to financial inclusion. Matunhu and Mago, (2013) state that rural poverty and underdevelopment in Zimbabwe are a result of colonialism, which emphasised urban development at the expense of rural development. AFI, (2022) point out that 70% of the world's poorest live in rural areas and inclusive financial services have critical role to play in supporting and improving rural livelihoods. If a country is to achieve meaningful development, there is need to consider the development of lives in the rural areas especially those of rural women. Nawaz, (2022) states that overall development of the nation like Bangladesh will never be possible without ensuring the economic and social development of its rural women.

13. Lack of collateral security

Rural women do not own valuable collateral security, and this limits their access to loans. Land and livestock are mostly owned by men and women cannot use them as collateral security. According to FAO, (2023) the lack of collateral is a significant problem for potential borrowers in rural areas and particularly for women who often lack rights or the agency to own and inherit land and other fixed assets. Empirical evidence exists that over 80% of all land in Sierra Leone is registered in men's names (UNAID, 2023). Therefore, women cannot use land as collateral security to access loans in such circumstances creating a gender bias towards men in the formal financial sector.

EFFECTS OF FINANCIAL EXCLUSION

Siwela and Njaya, (2021) state that 72% of females in Zimbabwe whether in formal or informal sector did not adopt the use of insurance services. Rural women are vulnerable to the effects of climate change and lack insurances to deal with the effects. According to ILO, (2019) rural communities cannot cope with and adopt to growing incidences of drought, flooding or storms without access to insurance or emergency loan to deal with the sudden shocks or long term finance for venturing into less risk-exposed businesses. Access to insurance by rural women can help increase their assets base and productivity breaking the cycle of poverty. Rural women in Rwanda have typically little experience with insurance and often have limited understanding of how it works with many mistrusting insurance providers and insurance products which are also rarely designed with rural women in mind as they lack funds to pay premiums (Anderson, 2023). Hawthorne, et al (2020) affirm that health insurance uptake in Zimbabwe is 9.5% women with 17.2 % urban women and 4.7% rural women in Zimbabwe. This generally shows that rural women are vulnerable to climate change calamities than urban women.

Chamboko (2022) asserts that the past Digital Financial Services (DFS) in Zimbabwe have been instrumental in facilitating formal financial inclusion for the marginalised, the majority of which are women and the youth. However, women in rural areas still have challenges in acquiring gadgets that facilitate DFS. According to GPFI, (2020) and Siwela and Njaya, (2021) females' are still lagging behind in acquiring gadgets like mobile phones that access DFS they do not have sufficient income to allow them. Women have lack of access to affordable handsets, low literacy and digital skills and this mobile gender gap widens the exclusion in rural areas (Chassin, 2022). The lack of access is even worse in rural areas because there are no subsidies for the acquisition of gadgets for DFS. According to FAO, (2023) rural women are less likely than rural men to own a mobile phone. Chassin, (2022) states that rural women face barriers to digital inclusions that contribute to mobile gender gap. Men are traditionally heads of households and primarily landowners with formal relationships with crop buyers, such as agribusiness and cooperatives. Global Partnership for Financial Inclusion (GPFI), (2020) in Siwela and Njaya, (2021) notes that financial exclusion in Zimbabwe is exacerbated by cultural norms which give men power and authority over their wives once they have paid lobola. This places married rural women in inferior positions at household level, where they have to seek for permission from their husbands to seek financial services and products.

CONTRIBUTIONS OF THE STUDY

The study contributes knowledge and insights on the nature of rural women's financial exclusion in developing nations. The above view is premised on the assumption that rural women in developing nations are excluded from formal financial sector because they do not meet the KYC requirements. The study seeks to persuade the government and its agencies, agro-based companies, banks and development partners to address the challenges that rural women face in the financial sector. By so doing the rural women will have the capacity to engage in income generating projects and indirectly create employment for themselves, hence reducing poverty and underdevelopment in rural areas where the majority of the population are women.

CONCLUSION

Governments, government agencies, development partners, banks and agro-based companies should work in collaboration to promote the financial inclusion of rural women. The government should provide a credit guarantee scheme to banks offering financial services to rural women as an insurance for defaulters. There should be some incentives for banks operating in rural areas. Banks should offer low-cost account to rural women and loan with low interest rates. Bank agents should be visible at grassroot level. Development partners should offer financial literacy services to rural and also address cultural barriers limiting the financial inclusion of rural women through the engagement of men. Agro-based companies must engage rural women in contract farming and the payments should be made through the formal financial sector. Government agents should also promote the creation of income generating project amongst rural women so that they can be able to save in the formal financial sector.

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