POLICY BRIEF

Sustainable Financial Inclusion for Women-owned Firms in Eswatini

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Executive summary

Literature has argued for the role of women in a nation's economic especially the household welfare. While acknowledge this claim, there is evidence that not much research has been carried out in Eswatini to understand the link between gender and financial inclusion, and how this impacts on economic growth in Eswatini. In view of this and the evidence of a growing population of women in Eswatini especially due to the impact of HIV/AIDS, this study investigates financial inclusion from a gender dimension in Eswatini.

In recognition of the importance of women in sustainable economic growth it is essential that Government and financial institutions capacitate and mentor female-owned firms, adjust tax and collateral requirements for access to credit.

Context and Importance of the problem

Literature states that women account for 40% of the world's force. The agricultural and manufacturing sectors are critical to economic growth in the least developed countries like Eswatini are dominated by women. Female-owned firms are more financially constrained and rely more on non-bank and informal credit because they are operating informal. This affects their business performance with respect to growth, productivity that eventually prolongs the dependency syndrome.

Despite the support from many NGOs and the government of Eswatini, women are still finding it hard to access finance, the few that do, get it through the informal sector.

Adjusting tax requirement conditions, capacity building on business skills of women and review of collateral requirements can open economic opportunities for women to access credit.

Adopting such initiatives the Government of Eswatini will be creating conducive business environment that leads to sustainable inclusive economic growth. This is in line with the 2030 agenda for Sustainable Development Goals (SDGs) that the country has adopted, which committed the country to creating decent work and economic growth in SDG 8 and also reduced inequalities in SDG 10.

Picture: Women showing their handcraft
Source: Gone Rural website

Results and implications

Summary of the evidence

Research has shown that female-owned firms are more financially constrained and rely more on informal credit than male-owned firms since they are not legal registered. Secondly, tax regulations; collateral requirements by financial institutions and limited business skills by females reduce the use of bank credit in the country.

Critique of policy option(s) and recommendations

Currently financial institutions require firms to be registered, have collateral in order for them to access credit. This has failed to acknowledge the cash flow generated from the informal business and support that the women have on the ground.

In order to accelerate financial inclusion of female-owned firms, the following recommendations are suggested:

- Financial institutions should be directed to find alternative collateral requirements to access credit. The idea of group loans can be encouraged where the group members and other financially reputable clients of the bank can serve as loan guarantors for the women.

- Government should further regulate bank charges and the bank staff should be well trained to go extra miles to ease administrative bottlenecks of less educated clients.

- Government to provide training support including on financial literacy and mentoring to female-owned firms.

- Given severity of financial problems among female-owned firms, there's a need to adjust the tax requirements by financial institutions (e.g. tax clearance certificate).

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