

# Analyzing the Development of the Challenges Faced by Women-Owned SMEs in High-Income Areas of Lusaka, Zambia

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## ABSTRACT

This study examines the evolving challenges faced by women-owned small and medium-sized enterprises (WSMEs) operating in the high-income areas of Lusaka, Zambia. WSMEs constitute over 60% of the country's SME sector and play a vital role in economic development. Drawing from both literature and primary data collected through 17 questionnaires, the study identifies limited access to finance, inadequate training, family responsibilities, and gender discrimination as the main barriers to growth. Findings reveal that only 11.76% of participants accessed formal loans, indicating a continued reliance on informal finance, while limited training opportunities from government and non-government institutions hinder business development. Although family responsibilities and traditional gender roles remain obstacles, 70.6% of respondents observed positive shifts in societal attitudes toward women entrepreneurs over the past decade. The study concludes that while financial and structural barriers remain, changing perceptions show the progress Zambia is making, though there are several recommendations for the Zambian government to further empower women business owners.

**Keywords**— Women-Owned SMEs (WSMEs), Challenges, Gender Discrimination, Access to Finance, Entrepreneurship, Women Entrepreneurship

## INTRODUCTION

Small and medium-sized enterprises (SMEs) are an essential part of the Zambian economy, representing approximately 70% of the gross domestic product (GDP) and 97% of all businesses in the country ("Promoting SME competitiveness in Zambia"). Notably, over 60% of these SMEs are owned or led by women, highlighting the critical role women entrepreneurs play in national development (Tamba, 2024).

Despite their growing presence, women-owned SMEs (WSMEs) continue to face disproportionate challenges compared to male entrepreneurs. These include limited access to formal finance, inadequate training, the burden of traditional family roles, and gender discrimination (Mwale & Phiri; Dzekedzeke & Saili; Agrawal et al). These constraints not only hinder the growth of individual enterprises but also limit Zambia's broader goals for inclusive and sustainable economic development.

The purpose of this study is to analyze the development of these challenges over time, specifically within the context of business that operate within the high-income areas of Lusaka. It aims to determine how these obstacles have evolved, which remain most persistent, and whether there have been shifts in societal perceptions regarding women entrepreneurs.

## LITERATURE REVIEW

This section provides an overview on the primary challenges and key success drivers of women-owned SMEs (WSMEs) in the local, regional, and international context.

## Access to Finance

As highlighted by numerous studies conducted locally, regionally, and internationally, the lack of access to finance is one of the primary challenges faced by women-owned SMEs. The lack of access to finance includes difficulty in accessing loans, startup capital, and microfinance from various institutions, most often due to having a lack of collateral (The World Bank, n.d.). The challenge in providing collateral may also be due to the fact that women in Zambia do not usually own property, and even if they do, they may not have the registration or title deeds required by banks to borrow (The World Bank, 2021).

As Dzekedzeke and Saili found, within Zambia, women are often forced to rely on “capital they source from group village savings and lending initiatives” (Dzekedzeke & Saili, 2024, p. 22). These sources of capital, however, are not always reliable, and thus being able to access microfinance or loans from a bank may be more effective.

Moreover, Mwale and Phiri found, in their research, that only 13% of respondents said they ‘sometimes’ take loans from the bank, and only 11% of respondents said they ‘sometimes’ take loans from microfinance (Mwale & Phiri, 2022, p. 1708). This shows the very limited number of WSMEs who have been able to access finance, compared to the large number who would like more financial support.

Chilembo also found that of his “179 study participants that had shown interest in credit or loan from a financial institution, only 61 percent (n = 109) of these SMEs were granted or given approval” (Chilembo, 2021). Chilembo’s study also highlighted how “‘Village Banking’ is a basic form of crowd funding that SMEs in Lusaka must leverage on and grow,” given the challenge of accessing finance through formal institutions (Chilembo, 2021).

Chinomona and Maziriri’s study in Gauteng Province, South Africa had similar findings as they too stated that limited access to finance was the main challenge faced by the women entrepreneurs interviewed. They found “that commercial banks were reluctant to offer loans to [women] because banks are not confident in the abilities of women to manage businesses” (Chinomona & Maziriri, 2015, p. 844).

Abdulkadir and Ahmed further emphasize financial access as a challenge through their research in Northwestern Nigeria. When the women participants were asked whether they thought that a lack of access to funding is a major environmental challenge faced by women, there was a mean of 3.63 (Strongly Disagree = 1, Strongly Agree = 5) (Abdulkadir & Ahmed, 2023, p. 67). This challenge is not only limited to Zambia and Africa as a whole, as can be seen with Agrawal et al.’s study in five South Asian countries (India, Nepal, Sri Lanka, Pakistan, and Bangladesh). Agrawal et al. found that that “women entrepreneurs in South Asian countries face an acute shortage of capital” (Agrawal et al. 12)

## Lack of Training

Many women entrepreneurs have also struggled with a lack of financial literacy and training on how to run a business, due to the limited number of programs available.

Within Zambia, Mwale and Phiri found that some women entrepreneurs felt they had enough business training to run a business, but “there is need to provide more relevant and updated knowledge to provide them with a competitive advantage” (Mwale & Phiri, 2022, p. 1706).

Internationally, the challenge of a lack of training, especially when considering the addition of gender discrimination, is something that prevents many WSMEs from expanding. For example, Agrawal et al. found that “gender discrimination...and lack of entrepreneurship education and training ... are found to be the foundation of a lack of management skills,” which thus prevents WSMEs from reaching their full potential (Agrawal et al., 2023).

Gupta and Mirchandani corroborated these findings through their study based in the United Arab Emirates. They concluded that “several factors including ... government support is linked with the success of women entrepreneurs of UAE” (Gupta & Mirchandani, 2017). A government’s support, through the implementation of

programmes to support women entrepreneurs with skills such as financial literacy and mentorship would provide significant support to WSMEs around the world.

## Family Responsibilities

In many cultures, women are still seen as the primary caregivers for the children, and thus their familial responsibilities hinder them from being able to sustain their businesses. Moreover, these societal expectations have dictated whether women are even able to start a business at all.

The study by Mwale and Phiri found that family responsibilities are a key challenge faced by many women entrepreneurs. Several questions regarding this topic were asked on a Likert scale (1 = Strongly Disagree, 5 = Strongly Agree). When they were asked whether they thought that business conflicts with gender roles as a woman, there was a mean of 4.28. In addition to this, when they were asked whether they thought pregnancy restricts women from doing business, there was a mean of 3.59 (Mwale & Phiri, 2022). This suggests in a culture whether women often have strict gender roles as a mother and a wife, family responsibilities are a key challenge.

Chinomona and Maziriri's study found that in Gauteng Province, South Africa, "negative attitudes discourage women from taking risks in business" due to the perception of a women's role within families (Chinomona & Maziriri, 2015, p. 844).

Agrawal et al. stated that "family ... seem[s] to be the main foundation for the challenges faced by women entrepreneurs." It was also found that the pressure to "render family responsibilities... [leads to] apprehension and fear of failure" (Agrawal et al., 2023).

## Gender Discrimination

In connection to all the challenges mentioned previously, gender discrimination of women plays a large role in determining the success of a WSME. From being able to access a loan as a woman to battling with the cultural norms of a country, women are at a significant disadvantage when starting and running a business.

Mwale and Phiri's study once again highlights gender discrimination as a challenge. When the study's participants were asked to rate the statement that culture does not encourage women entrepreneurship on a Likert scale, there was a mean of 3.95 (Strongly Disagree = 1, Strongly Agree = 5). For the statement that the economy supports women in business, there was an even lower agreement with a mean of 3.06. Additionally, when asked whether women were harassed when registering a business, there was a mean of 3.96, which emphasizes the negative perception of women as business owners (Mwale & Phiri, 2022).

Chinomona and Maziriri discussed how "gender discrimination ... limits women from active economic participation and access to business and development services" (Chinomona & Maziriri, 2015, p. 844).

Agrawal et al. explains how gender discrimination is a primary challenge, which affects management skills as well. Additionally, Agrawal et al. stated that gender discrimination often "discouraged [women] from pursuing careers in business" (Agrawal et al., 2023).

## METHODOLOGY

This study used questionnaires to obtain data from 17 women-business owners based around Lusaka. These business owners were spoken to in their local languages to ensure a clear understanding of the questions being asked.

## Data Analysis And Findings

The data analysis and findings for the 17 questionnaires are presented below.

## Access to Finance: The Preference for Informal Finance

Based on the data analysis, it was found that only 11.76% of participants received formal loans from either banks or microfinance institutions (MFIs), emphasizing their preference for informal finance.

The participants' responses for the questions were rated on a Likert scale (Strongly Disagree = 1, Strongly Agree = 5). The mean and standard deviation of the response is shown below in Table 1.

**Table 1:** Access to Finance (Author's Own Research)

	Mean	Standard Deviation
Easy Access to Finance from Banks or MFIs	1.94	1.06
Ability to take Loans from Friends and Family	2.06	1.20

As shown above in Table 1, most participants cited the access to finance as a challenge, shown by the relatively low mean of 1.94. Additionally, the standard deviation for easy access to finance was only 1.6, indicating a limited spread of the data, with most responses centred on the lower end. This corroborated the findings highlighted in Section 2.1 Access to Finance, which emphasized the difficulties many WSMEs from around the world face in taking loans from banks. Additionally, participants' ratings for accessing loans from friends or family had a mean of 2.06, which was higher than the mean for accessing finance from banks or MFIs. This supports the findings of a growing preference for informal finance, as found in Chilembo's study which highlighted the use of 'Village Banking.'

## Lack of Training

The lack of training was highlighted as a challenge throughout the literature review, and it was found that this challenge existed internationally as well. The data analysis confirmed that this was a challenge as shown below in Table 2

Once again, the participants' responses for the questions were rated on a Likert scale (Strongly Disagree = 1, Strongly Agree = 5). The mean and standard deviation of the response is shown below in Table 1.

**Table 2:** Likert Scale Rating of Questions (Author's Own Research)

	Mean	Standard Deviation
Training to Start and Run Business	2.06	1.25
Support From Government Programs	1.35	0.49
Support From Non-Government Programs	1.35	0.49
Support was Easy to Access	1.35	0.49

As shown above in Table 2, participants' ratings for all question related to training and support from both government and non-government programs were on the low end. The mean for the statement regarding whether it was easy to access training to start and run a business was 2.06, which shows that most participants disagreed with this statement. The standard deviation of 1.25 also suggests that there were some participants who strongly disagreed with the statement and at most, were neutral. The other three statements had a mean of 1.35, which shows an equal level of disagreement of the statement among most of the participants, as can be seen with the low standard deviation of 0.49.

These findings corroborate those from the literature review, which emphasize the "need to provide more relevant and updated knowledge to provide [WSMEs] with a competitive advantage" (Mwale & Phiri, 2022, p.

1706). Moreover, it is possible that gender discrimination has played a role in the lack of education and training for WSMEs, which was found in Agrawal et al.'s study.

### Family Responsibilities

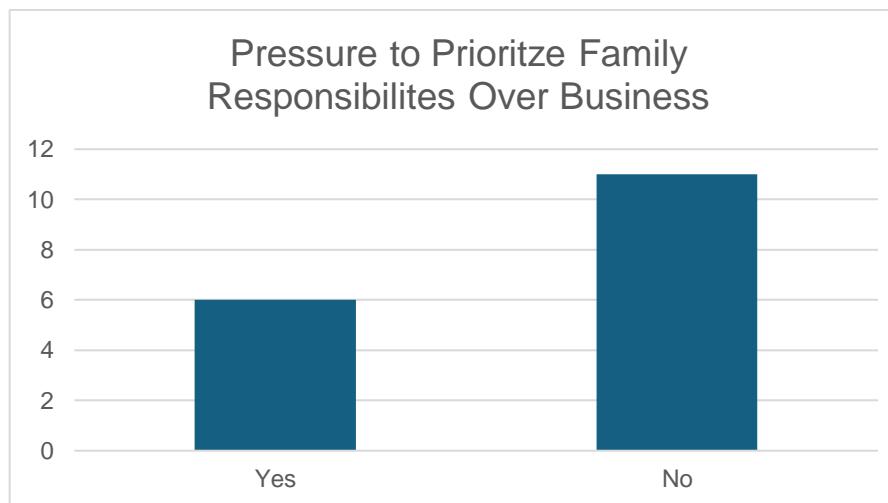
The literature review section of this paper highlighted how family responsibilities, and specifically the traditional gender roles of women, played a significant role in women's ability to run a business. Thus, the questionnaire included questions regarding participants' marital status and whether they struggled with traditional gender roles.

**Figure 1:** Marital Status of Participants (Author's Own Research)



As shown above in Figure 1, 47% of participants were married, and the other 53% were either single, or unmarried (divorced/widowed). Of the total participants, 88% of the participants had kids, which emphasizes the reasons women may start their own businesses.

**Figure 2:** Participants' Views on Dealing with Family Responsibilities



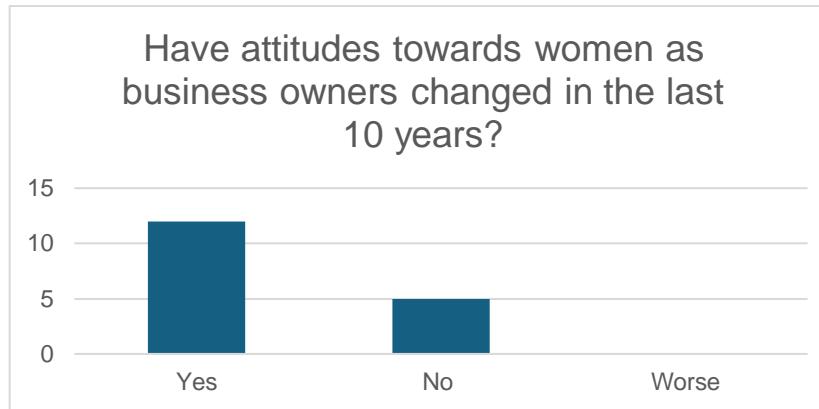
Because, in many parts of Zambia, women are still forced to conform to the traditional gender roles, many WSMEs have not been able to sustain business due to the need for prioritizing family responsibilities. This study aimed to determine whether this was still present today. It was found that 35% of participants felt pressure to prioritize family responsibilities over business.

The literature review found that a larger proportion of women had trouble with continuing business, in part due to factors like pregnancy and gender roles as mothers and wives. This study found that only a smaller proportion of women agreed answered yes to the question 'do you feel pressure to prioritize family

responsibilities over your business?'. Thus, the next section, which looks at the changes in the societal perceptions of women as business owners, will provide more detail into whether there have been changes over time.

### **Societal Perceptions of Women as Business Owners**

**Figure 3:** Attitudes Toward Women Over Time (Author's Own Research)



As shown above in Figure 3, 70.6% of participants believe that the attitudes towards women as business owners has changed, for the better, in the past decade. This indicates that among WSMEs, there has been a change in the societal perceptions of women, and the community not only perceives them as more competent, but that they do not need to conform to the traditional roles. However, it is important to note that there was still 29.6% of participants who believe that the attitudes towards women as business owners have not changed, which may also suggest that society's views on women have only begun to change recently, but that there could be further changes in the future. None of the participants believed society's views have deteriorated over time.

Participants also rated the statement, 'people in your community support women running businesses' on a Likert scale (1 = Strongly Disagree, 5 = Strongly Agree).

**Table 3:** Support of Women by the Community

Mean	Standard Deviation
3.29	1.36

As shown above in Table 3, the mean for the statement 'people in your community support women running businesses' was 3.29, which exemplifies how men, and society, are more supportive of women running businesses. This also shows that the traditional gender roles are evolving. Moreover, the stereotype that a woman cannot run a business also seems to be. According to Table 3, the standard deviation of 1.36 suggests that there were still some participants who disagreed, or were neutral with this statement, which may mean that depending on the area of Lusaka, or differences among each participants' community, there are differences on the perceptions of women.

## **CONCLUSION AND RECOMMENDATIONS**

### **Conclusion**

This study has shown that while the core challenges faced by WSMEs in high-income areas of Lusaka such as limited access to finance, lack of training, family responsibilities, and gender discrimination persist, there have been noticeable changes in how they affect woman business owners today. The lack of access to finance remains a significant barrier with many women continuing to rely on informal lending systems due to limited collateral and high interest rates from formal institutions. Similarly, the access to business training and support

from both government and non-governmental organizations continues to be minimal, which limits opportunities.

There has been a development in some of these challenges over time, particularly in relation to the shifting societal perceptions of women as business owners. Most participants reported that attitudes toward female entrepreneurs have improved in recent years, and that people in their community have become more supportive of women-owned businesses. Although family responsibilities and cultural expectations still present challenges, their impact appears to be decreasing for some business owners. However, these developments were not indicated by all participants of this study, and it has been found that for many WSMEs, traditional gender-based challenges remain.

## Recommendations

The study made the following recommendations:

1. The Ministry of Finance should establish a policy that improves access to affordable credit for WSMEs. Due to their increased vulnerability and challenges they face in accessing formal finance, women entrepreneurs should not be subjected to the same high commercial lending rates, which can be up to 35 percent. Instead, the government should implement a policy that offers special borrowing rates for WSMEs with interest rates reduced to around 5-10 percent. This would give WSMEs the opportunities to overcome the additional barriers they face and have fair opportunities to grow their businesses. These lower interest rates would make it possible for more women to access capital and reduce their reliance on informal lending, which can come with further challenges.
2. The Ministry of Small and Medium Enterprise Development should create and implement entrepreneurship training programs specifically designed for women. These programs must directly address the challenges women face in business, including limited access to formal education, lack of mentorship, and dealing with the societal perceptions of women as business owners. This targeted program may empower more women to start and sustain successful businesses.

## Recommendations for future research

1. Investigate the Enablers of Success for WSMEs: Future research should focus on identifying the key enablers that contribute to the success and sustainability of women-owned SMEs. These may include factors such as mentorship, social capital, access to markets, supportive policies, and the use of digital tools. Understanding these enablers can help shape more effective support programs and policies.
2. Conduct Studies in Rural Areas: This study was limited to high-income areas of Lusaka, and as such, the findings may not fully represent the experiences of women entrepreneurs in rural settings. It is recommended that future researchers explore the challenges and opportunities faced by WSMEs in rural areas, where access to finance, infrastructure, and markets may differ significantly from urban environments.
3. Examine Longitudinal Outcomes of Support Programs: Future studies could also assess the long-term outcomes of existing support programs targeting women entrepreneurs. This would provide valuable insight into which interventions are most effective over time and how they can be improved or scaled.

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