

Microfinance Accessibility and the Growth of Women Entrepreneurs in Lusaka District, Zambia: A Desk Review

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Abstract

This paper evaluates the extent to which access to microfinance services influences the growth and sustainability of women-owned enterprises in Lusaka District, Zambia. It seeks to critically assess whether microfinance serves as an effective financial inclusion tool capable of addressing structural barriers faced by women entrepreneurs, including limited access to formal credit, low asset ownership, and gender-based financial constraints. The study adopts an analytical desk review design, systematically synthesizing secondary data from peer-reviewed journal articles, policy documents, institutional reports, and publications from development agencies. The review focuses on literature related to microfinance, financial inclusion, and women entrepreneurship, with particular attention to evidence from Sub-Saharan Africa and contexts comparable to Zambia. A thematic analysis approach is employed to identify recurring patterns, relationships, and gaps in the existing body of knowledge. The review establishes that access to microfinance has a generally positive but conditional impact on the growth of women entrepreneurs. Microfinance enhances access to startup and working capital, thereby enabling business initiation and short-term operational stability. However, its effectiveness in driving sustained business growth is constrained by several structural and institutional challenges. High interest rates increase the cost of borrowing, while stringent collateral requirements exclude many women who lack asset ownership. Additionally, the relatively small loan sizes provided by most microfinance institutions limit opportunities for business expansion and scaling. Financial literacy emerges as a critical moderating variable, significantly influencing how effectively women utilize borrowed funds. Women with higher financial literacy levels are more likely to invest loans productively and achieve measurable business growth. Conversely, limited financial knowledge often results in suboptimal resource allocation. Furthermore, the persistent inaccessibility of formal financial services compels many women to depend on informal financing mechanisms, which are typically unreliable and insufficient for long-term growth. This study contributes to the literature by emphasizing the importance of integrated financial inclusion strategies that go beyond credit provision. It underscores the need for policy interventions that combine flexible and context-specific loan products with targeted financial literacy and business management training to enhance the developmental impact of microfinance.

1. Introduction

Microfinance has increasingly been recognized as a strategic instrument for advancing financial inclusion and stimulating the growth of small and medium-sized enterprises, particularly among women in developing economies. Recent empirical and policy-oriented studies underscore its role in addressing gender-based financial exclusion by providing access to credit, savings, and other financial services that are typically inaccessible through conventional banking systems (financial inclusion). In the African context, expanding access to microfinance has been closely linked to broader development objectives, including poverty reduction, enterprise development, and gender empowerment (Boachie & Adu-Darko, 2024; Abebe & Kegne, 2023). Specifically, evidence from Sub-Saharan Africa indicates that microfinance can enhance women's entrepreneurial capacity by easing liquidity constraints and enabling investment in income-generating activities.

In Zambia, women entrepreneurs constitute a substantial proportion of the informal and microenterprise sector, contributing significantly to employment creation and household livelihoods. However, despite ongoing financial sector reforms and national strategies aimed at improving inclusion, access to formal financial services remains uneven (FinMark Trust, 2023; Ministry of Finance, 2022). Studies conducted within the Zambian context reveal that while microfinance institutions have expanded their outreach, structural barriers continue to limit effective participation by women entrepreneurs (Chanda & Mwaanga, 2023; Mwansa & Kalinda, 2022). These barriers are not only financial but also socio-economic and institutional in nature, reflecting broader systemic inequalities.

Notably, constraints such as lack of collateral, high interest rates, and limited loan sizes persist as critical impediments to accessing and utilizing microfinance services effectively. Empirical findings further suggest that beyond access, the capacity to translate financial resources into business growth is influenced by complementary factors such as financial literacy, human capital, and institutional support systems (Nguyen et al., 2022; Pham et al., 2025). In many cases, inadequate financial knowledge reduces the efficiency with which loans are utilized, thereby constraining enterprise growth and sustainability. Additionally, recent studies highlight those women entrepreneurs often operate within constrained business environments characterized by limited market access, weak support networks, and regulatory challenges (Ebewo et al., 2025).

This paper seeks to critically evaluate the extent to which access to microfinance services influences business growth among women entrepreneurs in Lusaka District. It further aims to identify key structural and institutional barriers affecting both access to and effective utilization of microfinance. By synthesizing recent empirical evidence, the study contributes to ongoing discourse on designing inclusive financial systems that not only improve access but also enhance the developmental impact of microfinance interventions.

1.2 Statement of the Problem

Although microfinance institutions (MFIs) have expanded significantly in Zambia, access to affordable and appropriate financial services for women entrepreneurs remains uneven and insufficient to drive sustained enterprise growth. Recent national data indicates that while overall financial inclusion has improved, disparities persist along gender and enterprise size lines. For instance, the FinMark Trust FinScope MSME Survey (2023) reports that a substantial proportion of women-owned enterprises in Zambia continue to rely on informal financing mechanisms such as savings groups and family networks, with fewer accessing formal credit facilities. This suggests that despite increased institutional presence, microfinance has not fully penetrated the segment of women entrepreneurs who arguably need it most.

National labour statistics show that over 70% of working women participate in informal or small-scale enterprises while access to formal credit remains low with multiple national surveys indicating that fewer than 20% of women entrepreneurs have ever borrowed from formal financial institutions, and FinScope Zambia (2021) reports single-digit to low-teen rates of formal borrowing among small women traders (Zambia Statistics Agency, 2021; FinScope Zambia, 2021). These gaps matter because international and Zambian evidence links constrained formal finance access to lower sales, earnings and firm expansion for women entrepreneurs (World Bank, 2023; Bank of Zambia, 2022). These bottlenecks are further compounded by gendered financial standards, manifested by institutional biases and credit assessment criteria such as requiring collateral registered in the borrower's name or formal business documentation which disproportionately exclude women, who often lack titled property or formal financial records (World Bank, 2023). As a result, most female entrepreneurs remain concentrated in low-growth informal sectors like petty trading and food vending, where profit margins and scalability are limited (ZamStats, 2021).

1.3 Objectives

- To examine the effect of microfinance access on business growth in Lusaka, Zambia.
- To describe barriers limiting access to microfinance Lusaka, Zambia.

2. Literature and Theoretical Review

2.1 Theoretical Framework

Social Capital Theory

Social Capital Theory explains how networks, relationships, trust, and shared norms function as valuable resources that enable individuals to access opportunities, information, and financial support (Bourdieu, 1986; Coleman, 1988; Putnam, 2000). In entrepreneurship, the strength and structure of social networks—such as their size, density, and diversity—determine the level of support available to business owners (Nahapiet & Ghoshal, 1998; Adler & Kwon, 2002). For women entrepreneurs in developing economies, social capital is particularly important because it helps overcome barriers to formal financial systems, including lack of collateral, limited credit history, and gender-based exclusion (Mayoux, 2001; World Bank, 2012). Through group lending schemes, peer support, and community associations, women are able to access microfinance, share business knowledge, and build confidence in managing enterprises (Yunus, 2007; Armendáriz & Morduch, 2010). Empirical evidence from countries such as Kenya, Ghana, and Tanzania shows that participation in social groups and microfinance networks leads to improved income, savings, decision-making power, and overall business performance (Karlan & Morduch, 2010; Nawai & Shariff, 2013; Ksoll et al., 2016). Therefore, social capital is a critical explanatory framework for understanding how relational networks facilitate access to microfinance and contribute to the growth and empowerment of women-owned enterprises.

Human Capital Theory

Human Capital Theory argues that individuals' knowledge, education, skills, and experience are key drivers of productivity, innovation, and entrepreneurial success (Becker, 1964; Schultz, 1961). In the context of women entrepreneurship, human capital includes financial literacy, business management skills, and training acquired through microfinance institutions or other capacity-building programs (Brush, de Bruin, & Welter, 2009; Roomi & Parrott, 2008). These competencies enhance decision-making, improve financial planning, strengthen risk management, and increase the likelihood of reinvesting profits into business growth (Lusardi & Mitchell, 2014; OECD, 2013). Higher levels of education and training are consistently associated with better enterprise survival rates, improved performance, and sustainable business expansion (Uchasaran, Westhead, & Wright, 2008; Unger et al., 2011). Women entrepreneurs with stronger human capital are more capable of effectively utilizing microfinance services and converting financial access into tangible business outcomes (Karlan & Valdivia, 2011; Banerjee et al., 2015). Consequently, human capital plays a central role in determining whether microfinance leads to meaningful enterprise growth, as it equips women with the skills necessary to manage resources efficiently and build resilient, competitive businesses in challenging economic environments.

2.2 Empirical Literature

Studies highlight that access to credit, financial training, and supportive lending structures stimulate business growth among women. African research shows that while microfinance institutions are expanding, many women still struggle with loan conditions, financial capability, and market limitations. In Zambia, available literature conforms these challenges but also identifies opportunities for reform, especially through financial literacy programs, improved lending terms, and gender-sensitive microfinance products. Each section ends with a synthesis of key insights and gaps, showing what existing research has covered and where further investigation is needed. In this way the chapter creates a clear foundation for understanding the contribution of microfinance to women's enterprise growth and why the current study is necessary.

Effect of Access to Microfinance Services on Business Growth of Women Entrepreneurs

Worldwide, microfinance is acknowledged as a key driver in promoting women's entrepreneurial activities, boosting their income, and supporting the expansion of their businesses. Early microfinance programs positioned credit as a poverty alleviation tool, but emerging scholarship increasingly frames microfinance as an engine for enterprise expansion, productivity improvement and women's economic empowerment. According to Abebe & Kegne (2023), modern microfinance has transitioned from mere provision of small loans to an entrepreneurial development mechanism enabling women to expand business assets, acquire inventory, and stabilize cash flow. This shift has strengthened the argument that financial inclusion directly influences women's ability to scale enterprises and integrate into formal economic activities. Global empirical studies consistently demonstrate that access to microfinance contributes to measurable improvements in business growth indicators such as profitability, sales revenue and asset accumulation. Ranabahu & Tanima (2022) found that women who gained access to structured microfinance products reported higher survival rates of microenterprises and greater business diversification than non-beneficiary women. Their research highlighted that microfinance does more than provide capital, it improves women's bargaining power, investment confidence and capacity to enter larger markets. However, while these findings reinforce microfinance as a catalyst for growth, other scholars caution that capital alone does not guarantee expansion. Tundui & Tundi (2024), for instance, argued that loan fungibility remains a persistent challenge, with a significant portion of microcredit redirected toward household consumption rather than productive investment, a factor which weakens growth outcomes in certain contexts.

2.3 Barriers to Microfinance Access

Across the globe, studies indicate that women entrepreneurs continue to face significant challenges in accessing microfinance despite the widespread recognition of financial inclusion as a key pathway to economic empowerment (Zaloumis & Foya 2022; Fabian, 2022). Although microfinance institutions were initially established to democratize access to capital, several studies now reveal persistent gender biases, structural constraints, and institutional failures that restrict the participation of women in financial markets. According to Thaher et al (2021), the assumption that microfinance inherently benefits women is overly simplistic because access remains shaped by socio-cultural norms, credit policies, and risk-perceptions within financial institutions. Their study in Jordan found that while microfinance programs publicly advocate for gender inclusion, many women remain excluded due to collateral obligations, prolonged loan processing, and the lack of guarantors conditions that disproportionately affect women compared to their male counterparts.

A major barrier in global microfinance systems is the demand for collateral, which contradicts the purpose for which microfinance was created. Traditional banking practices have gradually infiltrated microfinance lending, resulting in credit assessment processes that favor salaried men or businesses with formally registered assets. Tiwari et al. (2025) argue that collateral substitutes such as group guarantees and joint liability models have not sufficiently eliminated barriers because women still struggle to form guaranteed associations when social networks are weak or when mobility is limited by cultural norms. They further highlight that many MFIs impose hidden fees, compulsory savings, and insurance deductions, which significantly reduce the usable loan amount. As a result, women end up receiving insufficient credit, pushing them to borrow from informal lenders who charge exploitative interest rates. These trends reveal that accessibility is not merely about obtaining a loan it is about accessing adequate, affordable, and timely financing.

High interest rates remain one of the most widely reported barriers in global microfinance. Ingale (2024) explains that the commercialization of microfinance has shifted institutions away from social lending toward profit-driven models, often leading to interest rates that are higher than those imposed by commercial banks. Women, who typically run small-scale enterprises with modest profit margins, are therefore discouraged from borrowing or become trapped in multiple loan cycles as they attempt to service expensive credit. Bora & Rabha (2025) similarly found that microfinance in India's Assam state offered capital to female entrepreneurs, but interest costs consumed a large share of business profits, restricting reinvestment and long-term scaling. Their research also highlighted that repayment schedules were rigid and required weekly contributions, as structure that negatively affected women whose business depended on seasonal or irregular income.

Digital microfinance, which has rapidly expanded over the past five years, was initially viewed as a solution to traditional access gaps; however, emerging scholarship paints a more complex picture (Abebe, 2025). While digital platforms reduce travel constraints, eliminate paperwork, and minimize interactions with male-dominated banking environments, they also reinforce new type of exclusion. Wulandari & Kassim (2025) observed that women without digital literacy or smartphone access are excluded from online microfinance services. In many developing countries, digital financial products require internet access, identity verification, and technological competency criteria that favour younger, urban, and educated women. In another study by Mbowe et al, (2022), it was found that rural women, older business owners, and those unfamiliar with digital applications are left behind, worsening inequality. Therefore, technological innovation alone does not guarantee inclusion; it must be coupled with digital literacy training and simplified user interfaces that reflect women's real circumstances.

The lack of financial literacy also constitutes a significant global constraint. Many women, especially in developing economies, lack training in accounting, loan management, and business expansion planning. According to Aurora (2024), microfinance fails to yield meaningful impact when borrowers lack managerial capacity. Women with low financial knowledge tend to mismanage loans, struggle with repayment schedules, and fail to generate strong returns, reinforcing lender stereotypes that women are high-risk clients. Rather than tackling this issue, many microfinance institutions continue to provide loans without offering financial education or business advisory extensions, leading to repeated business stagnation. Importantly, global evidence shows that microfinance institutions tend to prioritize urban borrowers because of better repayment systems, digital infrastructure, and higher business turnover. This leaves rural women disproportionately excluded. Bashir & Danlami (2022), studying entrepreneurship in Nigeria's Kano Metropolis, acknowledged that microfinance availability is higher in cities, while rural borrowers often encounter distance barriers, limited branches, and inconsistent outreach programs. When MFIs do operate in rural areas, they commonly offer small loans with high default penalties, making borrowing unattractive.

2.4 Research Gap

The reviewed literature demonstrates that microfinance plays a significant role in enhancing women's entrepreneurship, improving income levels, and supporting business growth across various contexts. Empirical studies, including Abebe and Kegne (2023) and Ranabahu and Tanima (2022), show that access to microfinance contributes to improved business performance indicators such as profitability, asset accumulation, and enterprise survival. However, despite this evidence, the relationship between microfinance access and sustained business growth remains inconclusive and highly context-dependent. Existing studies tend to emphasize positive outcomes, with limited attention given to situations where microfinance fails to drive meaningful enterprise expansion. For instance, loan fungibility, as highlighted by Tundui and Tundi (2024), indicates that access to credit does not always result in

productive investment, revealing a gap in understanding how financial resources are utilized.

Additionally, while global literature extensively documents barriers to microfinance access such as collateral requirements, high interest rates, and restrictive lending conditions there is limited integrative analysis linking these barriers directly to business growth outcomes. Most studies treat access constraints and enterprise performance separately, lacking a comprehensive framework that explains how structural and institutional barriers interact with financial access to influence growth.

Another key gap is the limited focus on moderating factors such as financial literacy, digital capability, and entrepreneurial skills. Although existing studies acknowledge their importance, there is insufficient synthesis on how these variables shape the relationship between microfinance and business growth. This is particularly relevant in the context of digital microfinance, which introduces new forms of exclusion.

Furthermore, existing literature is largely generalized, with limited context-specific evidence from Zambia, particularly in urban areas like Lusaka. This study addresses these gaps by providing a systematic synthesis of literature to better understand the interaction between microfinance access, structural barriers, and women's enterprise growth within the Zambian context.

3 Methodology

This study adopts a qualitative desk review research design, grounded in the systematic analysis of secondary data sources. The design involves the identification, selection, and synthesis of existing literature relevant to microfinance accessibility and the growth of women entrepreneurs. A desk review approach is appropriate for this study as it enables the integration of a wide range of empirical and policy-based evidence without the need for primary data collection. This is particularly suitable given the study's objective of developing a comprehensive understanding of existing knowledge, identifying patterns, and highlighting gaps in the literature. The design is further justified by its ability to support comparative analysis across different geographical and institutional contexts, thereby enhancing the robustness and generalizability of findings.

The study relies on documentary analysis as the primary data collection instrument. Sources include peer-reviewed journal articles, government publications, policy reports, and institutional documents related to microfinance, financial inclusion, and women entrepreneurship. The selection of documents follows a systematic approach based on relevance, recency, and credibility. Priority is given to studies published between 2022 and 2024 to ensure the use of up-to-date evidence. Validation of data sources is achieved through critical appraisal techniques, including assessment of methodological rigor, source credibility, and consistency of findings across studies. Only reputable academic databases and recognized institutional publications are included to ensure reliability and validity of the reviewed literature. Data analysis is conducted using a thematic synthesis approach. This involves coding and categorizing key findings from the selected literature into recurring themes such as access to microfinance, barriers to financial inclusion, and business growth outcomes. Comparative analysis is also employed to examine similarities and differences across studies, enabling the identification of trends, contradictions, and contextual variations.

4 Results and Discussion

4.1 Microfinance Access and Business Growth

The reviewed literature consistently indicates that access to microfinance plays a significant role in influencing the growth of women-owned enterprises, particularly in developing economies. Across multiple studies, microfinance is associated with improvements in key business performance indicators such as sales revenue, profitability, asset accumulation, and enterprise survival. For instance, Abebe & Kegne (2023) demonstrate that microfinance access significantly enhances women's entrepreneurship development by easing liquidity constraints and enabling reinvestment into business operations. Similarly, Chanda and Mwaanga (2023), in their study of urban SMEs in Zambia, found that women entrepreneurs with access to microfinance reported improved working capital stability and increased ability to sustain day-to-day operations.

However, the literature also emphasizes that the magnitude of microfinance impact is not uniform. Studies such as Boateng et al. (2024) argue that business growth outcomes depend heavily on moderating factors such as business networks, loan conditions, and market environment. While microfinance provides essential start-up and working capital, its ability to facilitate business expansion is often constrained by structural limitations within financial systems. In Zambia, FinMark Trust (2023) highlights that although financial inclusion has improved, many women-owned enterprises remain micro in scale, indicating limited transition from survivalist businesses to growth-oriented enterprises. This suggests that access alone is insufficient unless accompanied by enabling conditions that support productive investment and scaling.

Financial Literacy and Loan Utilization

Financial literacy emerges as one of the most critical determinants of effective microfinance utilization and subsequent business growth. The literature indicates that women entrepreneurs with higher financial knowledge are more likely to allocate borrowed funds productively, manage cash flows effectively, and reinvest profits into business expansion. Nguyen et al. (2022) emphasize that financial literacy significantly enhances the efficiency with which microfinance loans are utilized, thereby improving enterprise performance outcomes.

In contrast, limited financial literacy often leads to suboptimal financial decisions, including diversion of loans to household consumption rather than business investment. This weakens the intended developmental impact of microfinance. Ajayi and Arensman (2023) further support this argument by showing that entrepreneurial training significantly improves business performance among women entrepreneurs by strengthening financial and managerial competencies. Similarly, Ebewo et al. (2025) argue that without adequate entrepreneurial skills and capacity-building support, microfinance alone is unlikely to produce sustained business growth.

The interaction between financial literacy and microfinance access is therefore crucial. Studies such as Boachie and Adu-Darko (2024) highlight that human capital development amplifies the effects of financial inclusion on economic outcomes. This suggests that microfinance programs that integrate training components are more likely to generate meaningful enterprise growth among women entrepreneurs.

4.2 Barriers in Access to Microfinance by Women

Despite the expansion of microfinance institutions, significant barriers continue to limit women's access to financial services. The literature identifies institutional, financial, and socio-economic constraints as the most persistent challenges. High interest rates, rigid repayment schedules, and collateral

requirements are widely cited barriers that disproportionately affect women entrepreneurs. According to Agrawal et al. (2025), such structural constraints significantly hinder entrepreneurial sustainability and innovation, particularly among small-scale operators.

In the Zambian context, Chongo and Banda (2021) note that while microfinance institutions have increased outreach, access remains uneven due to stringent lending conditions and risk-averse credit policies. FinScope Zambia (2020) similarly reports that lack of collateral and high borrowing costs are among the leading causes of financial exclusion among women entrepreneurs. These constraints are compounded by low-income levels and the informal nature of women-led enterprises, which limits their eligibility for formal credit. In addition, socio-cultural and institutional factors further restrict access. Studies such as Kaluwa and Simtowe (2021) highlight that gender norms and limited asset ownership reduce women's ability to meet lending requirements. Even where group lending models are used, challenges such as weak social networks and limited guarantor availability persist, reducing the effectiveness of alternative credit mechanisms.

5 Conclusions and Recommendations

5.1 Conclusions

This study concludes that microfinance remains a critical instrument for promoting women's entrepreneurship and supporting small enterprise growth, particularly in developing economies such as Zambia. The evidence reviewed consistently shows that access to microfinance services contributes positively to key business outcomes, including improved liquidity, increased sales, and enhanced capacity for business continuity and expansion. However, these benefits are neither automatic nor uniformly distributed across all women entrepreneurs. Instead, the effectiveness of microfinance is strongly shaped by a range of structural, institutional, and individual-level constraints that limit its transformative potential.

A key finding is that while microfinance improves access to capital, its impact on business growth is often moderated by accessibility challenges such as high interest rates, restrictive collateral requirements, and rigid repayment structures. These conditions disproportionately affect women entrepreneurs, many of whom operate in informal sectors and lack the asset base required to qualify for formal credit. As a result, although financial inclusion has improved in principle, practical access to affordable and suitable financial services remains limited for a significant proportion of women-owned enterprises.

In addition, the study highlights that financial capability plays a decisive role in determining how effectively microfinance is utilized. Financial literacy, business management skills, and entrepreneurial competencies significantly influence whether borrowed funds are invested productively or diverted to non-productive household needs. Women entrepreneurs with stronger financial knowledge are more likely to achieve sustainable business growth, while those with limited skills often struggle with repayment and reinvestment decisions, reducing the developmental impact of microfinance interventions.

The study further concludes that institutional flexibility within microfinance systems is essential for improving outcomes. Rigid lending models that fail to consider the realities of women-led enterprises such as irregular income streams and limited collateral tend to restrict the effectiveness of microfinance programs. More adaptive financial products, combined with supportive services such as training and mentorship, are therefore necessary to enhance the productivity of credit access.

The study therefore emphasizes that microfinance alone is not sufficient to guarantee sustained business growth among women entrepreneurs. Its effectiveness depends on a complementary ecosystem that includes financial literacy development, flexible lending frameworks, and broader institutional support. Strengthening these areas is essential for ensuring that microfinance fulfills its intended role as a tool for women's economic empowerment and inclusive enterprise development.

5.2 Research Recommendations

Develop affordable and flexible microfinance products for women entrepreneurs. Microfinance institutions should redesign loan products to better suit the realities of women-owned enterprises in Lusaka. This includes reducing excessive interest rates, relaxing rigid collateral requirements, introducing alternative security options such as group guarantees or movable assets, and creating repayment schedules aligned to business cash flows. Such reforms would improve access to finance and enable women entrepreneurs to invest more effectively in business growth and expansion.

Integrate financial literacy and business management training into microfinance programmes. Since the study found that financial literacy strongly influences the productive use of loans, microfinance providers and government agencies should combine credit provision with structured training in bookkeeping, budgeting, loan management, savings, marketing, and entrepreneurship skills. Capacity-building programmes would strengthen women's ability to utilize borrowed funds efficiently, improve repayment performance, and enhance long-term enterprise sustainability.

Strengthen institutional support systems and outreach for women entrepreneurs. Government, local authorities, and development partners should establish stronger support ecosystems for women entrepreneurs through mentorship programmes, market linkages, business advisory services, and awareness campaigns on available financial services. Partnerships between microfinance institutions and women's associations can also expand outreach to underserved groups and improve trust, participation, and enterprise resilience among women-led businesses in Lusaka District.

Declaration of Competing Interests

The authors declare that they are not aware of any competing financial interests or personal relationships that may have influenced the work described in this document.

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Ethical considerations

The article followed all ethical standards appropriate for this kind of research.

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