

An Empirical Analysis of Microfinance Accessibility and its Effect on the Growth of Women Entrepreneurs in Lusaka, Zambia

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Abstract

This study examined the effect of microfinance accessibility on the growth of women-owned enterprises in Lusaka District, Zambia. The objectives of the study were to determine the role of financial literacy in influencing the effective utilization of microfinance services among women entrepreneurs in Lusaka District; to examine the impact of microfinance inaccessibility on the business performance of women entrepreneurs in Lusaka District, and to devise strategies for enhancing microfinance accessibility for entrepreneurial growth among women entrepreneurs in Lusaka District. Quantitative data was collected using structured questionnaires, while qualitative data were gathered through semi-structured interviews. Of the 384 questionnaires distributed, 319 were successfully returned, representing an 83.1 % response rate. Quantitative results demonstrate that microfinance inaccessibility significantly predicts business performance decline ($r=0.612$, $p<0.001$), explaining 37.4% of the variance in business stagnation. The research revealed that while financial capital is necessary, its great potential is only realised when combined with the intangible resource of financial literacy. Quantitative results further show that financial literacy is the strongest driver for growth, explaining 55.4% of the variance in effective loan utilization ($R^2=0.554$, $p<0.001$) with results indicating that limited budgeting, record-keeping skills, and financial confidence constrain optimal loan utilization. The findings emphasize that improving financial literacy while strengthening internal capabilities is essential to unlock the untapped growth potential of women entrepreneurs and transition them from subsistence-level enterprises to transformative growth. Based on these findings, the study recommends the implementation of gender-inclusive financial policies that reduce collateral requirements and expand digital financial access, alongside the redesign of microfinance products to include flexible lending terms and embedded financial literacy training. Furthermore, strengthening institutional support through partnerships and integrating capacity-building initiatives into microfinance services are essential for improving utilization and business performance.

1. Introduction

Women are essential change agents in the social and economic spheres and have a major influence on how countries evolve. They are key players in bringing about societal change and development. They are also important actors in the economic, social, and political life of our communities as they participate in bringing about stability, progress, and long-term development in society. Although women in Zambia make substantial economic contributions, especially through informal business, they continue to encounter financial and structural obstacles that prevent them from reaching their full potential (World Bank, 2023). In addition to being an issue of equity, empowering female entrepreneurs is a means of promoting inclusive and sustainable development. However, the expansion and viability of women-owned businesses are still hampered by the lack of access to financial services, especially microfinance.

In order to provide financially underprivileged populations with access to loans, savings, insurance, and capacity-building tools, microfinance includes a wide range of financial and non-financial services. Low-income people, of which women make up a sizable majority, are the specific aim of these programs (Nguyen et al., 2022). Microfinance provides women entrepreneurs with access to financing, training in business management and financial literacy, and the confidence to grow their businesses (Kaluwa & Simtowe, 2021). Many women find that microfinance provides a vital substitute for regular banking establishments, which frequently turn them away because of their lack of collateral, short credit histories, and prejudice based on gender (Morsy, H. et al, 2020).

Furthermore, microfinance is a proven method of reducing poverty, particularly when customized to the difficulties experienced by female entrepreneurs (Ahmad & Xavier, 2021). Despite these benefits, women in Zambia still have unequal access to microfinance, which is sometimes insufficient to spur meaningful company growth.

Empirical evidence indicates that access to microfinance has the potential to boost women's income, improve household welfare, and enhance women's decision-making power in both the family and society (Kabeer et al., 2020). However, scholars caution that while microfinance alone may not address all challenges women entrepreneurs face—such as market access, regulatory burdens, and gender bias—it remains a critical entry point for financial inclusion and enterprise development (D'Espallier et al., 2021).

Given this, it is strategically necessary to remove the obstacles preventing women in Lusaka from accessing microfinance. Enhancing financial access could unlock broader socio-economic benefits by enabling women to build sustainable businesses, generate employment, and contribute more effectively to Zambia's economic development. This study seeks to explore these issues by investigating the extent of microfinance accessibility and its impact on the growth of women entrepreneurs in Lusaka, Zambia.

1.2 Problem Statement

The promotion of microfinance as a catalyst for women's entrepreneurship and financial inclusion has gained substantial global and regional attention. Empirical evidence across developing economies suggests that access to microfinance can enhance women's economic participation, reduce poverty, and support enterprise development. However, despite the expansion of microfinance initiatives, women entrepreneurs continue to experience significant constraints in accessing and effectively utilising financial services. Studies conducted in diverse contexts, including Asia, the Middle East and North Africa (MENA), and Sub-Saharan Africa, consistently reveal that structural, institutional, and socio-economic barriers persist, limiting the transformative potential of microfinance for women-led enterprises (Tiwari et al., 2025; Berguiga & Adair, 2023; Metu & Nwogwugwu, 2024).

Existing literature highlights several recurring challenges, including stringent collateral requirements, high interest rates, inadequate financial literacy, and limited institutional support (Prasanthi & Srinivas, 2024; Nkamnebe et al., 2023). Additionally, socio-cultural constraints such as gender norms, limited asset ownership, and restricted decision-making power further compound women's financial exclusion (Ranabahu & Tanima, 2022a). While these studies provide valuable insights into barriers to access, there remains insufficient empirical focus on how these constraints interact to influence not only access but also the quality of participation in microfinance systems and the resulting business outcomes.

In the Zambian context, particularly in Lusaka District, there is limited primary empirical evidence that holistically examines the interplay between access constraints, individual capabilities, institutional practices, and enterprise performance among women entrepreneurs. Most existing studies tend to generalize findings without adequately capturing local dynamics or differentiating between access and effective utilization of financial resources. Consequently, there is a risk that policy interventions and microfinance models are not sufficiently tailored to the specific needs and realities of women entrepreneurs.

Therefore, this study seeks to address this gap by critically investigating the determinants of microfinance accessibility and utilization among women entrepreneurs in Lusaka District, with particular emphasis on how these factors influence business performance. By integrating perspectives on access, capability, and institutional dynamics, the study aims to generate context-specific evidence that can inform more effective and inclusive financial strategies for women's entrepreneurship.

1.3 Objectives

- To determine the role of financial literacy in influencing the effective utilization of microfinance services among women entrepreneurs in Lusaka District.
- To examine the impact of microfinance inaccessibility on the business performance of women entrepreneurs in Lusaka District.
- To devise strategies for enhancing microfinance accessibility.

2 Literature Review

2.1 Financial Literacy's Influence on the Effective Utilization of Microfinance

Microfinance has evolved into a central pillar of global financial inclusion policy, particularly as it relates to women's empowerment, small enterprise growth, and poverty reduction. Whereas early microfinance paradigms emphasized access to credit as an end in itself, contemporary discourse recognises that the effective utilization of microfinance hinges on beneficiary's financial literacy, management capabilities, and entrepreneurial acumen (Ranabahu & Tanima, 2022b). Financial literacy, broadly defined as the ability to understand and effectively use financial skills, including personal financial management, budgeting, and investing (Wulandari & Kassim 2025), determines whether microfinance clients transform borrowed funds into productive, sustainable outcomes. Globally, researchers and practitioners have increasingly acknowledged that without sufficient financial knowledge, microfinance can lead to debt cycles, business stagnation, or even household distress (Chowdhury, 2023). This realization has shifted policy and research attention from mere access to quality of utilization, positioning financial literacy as a moderating factor between microfinance and socioeconomic advancement. The early decades of microfinance expansion, led by institutions such as Grameen Bank in Bangladesh and ACCION in Latin America, demonstrated that microcredit could provide a vital capital lifetime to marginalized entrepreneurs. However, longitudinal studies revealed that access alone did not guarantee sustained enterprise growth or financial independence.

Globally, digitalization has transformed how microfinance institutions (MFIs) deliver both credit and education. According to Umba et al (2024), digitalization has improved both the social and financial performance of MFIs by lowering transaction costs, increasing outreach, and facilitating digital literacy programs that parallel financial education. Their study found that technology-enabled platforms, such as mobile microfinance and e-learning modules, not only enhance operational efficiency but also provide beneficiaries with real-time financial monitoring tools. Digital integration supports continuous learning, allowing clients to track expenditures, plan for repayments, and manage inventories more effectively. This digitalized ecosystem where mobile money, microloans, and digital training intersect represents the new frontiers of global microfinance. Yet, it also introduces new risks: digital illiteracy, cyber vulnerabilities, and data privacy concerns that can disadvantage the very populations microfinance seeks to empower. Therefore, financial literacy not only enhances the microenterprises' efficiency but also strengthens systematic stability within microfinance networks.

2.2 Impact of Microfinance Inaccessibility on Business Performance of Women Entrepreneurs

Women entrepreneurs remain central to global economic development, yet restricted access to microfinance continues to suppress their business potential and performance. The inability to secure affordable credit limits their ability to scale operations, invest in innovation, and compete effectively. Rao (2025) emphasized that access to finance is foundational for entrepreneurial success, particularly in rural and low-income regions where formal credit is scarce.

Similarly, Ullah et al, (2024) observed that microfinance plays a crucial role in enabling small-scale entrepreneurs to sustain businesses by providing essential liquidity. Adarsh et al (2024) further noted that inaccessibility to microfinance reduces women's ability to accumulate working capital and hinders reinvestment, ultimately constraining productivity and profitability. These studies collectively highlight that limited financial access creates a development bottleneck, reducing women's contributions to inclusive economic growth.

Microfinance inaccessibility also amplifies income inequality and weakens economic resilience among women-owned enterprises. According to Godfroind & Labie (2025), microfinance functions as both a social and financial instrument, bridging economic disparities by empowering marginalized entrepreneurs. When women are excluded from such services, their business often rely on informal borrowing mechanisms characterized by high interest rates and exploitative repayment conditions, Cruz et al (2025) confirmed that enterprises lacking access to formal financial services exhibit slower growth, limited market penetration, and weaker long-term sustainability. Similarly, Rao (2025) asserted that without institutional credit, women entrepreneurship is less likely to expand into formal markets, leading to persistent income volatility. The convergence of these findings underscores that inaccessibility to microfinance not only limits business performance but also perpetuates systemic economic marginalization.

Gender bias within credit systems remains a major contributor to women limited financial access worldwide. Singh & Dash (2021) revealed that discriminatory lending practices and cultural stereotypes often lead to the systematic exclusion of women entrepreneurs. Rani (2025) observed that even where women are eligible for loans under government inclusion schemes such as India's MUDRA initiative, bureaucratic procedures and collateral requirements limit uptake. In a related study, Hamdan & Kassim (2025) found that institutional perceptions of women as high-risk borrowers contribute to higher rejection rates and smaller loan amounts. These studies collectively emphasize that gender-based discrimination perpetuates financial inaccessibility, reinforcing women's dependence on informal financing and reducing their business performance potential.

2.3 Theoretical Frameworks

This study was guided by a combination of other theories that explain the behaviour, constraints, and performance of women entrepreneurs, especially in the context of microfinance access, training, and socio-political environments. These theories include the Resource-Based View (RBV), and Institutional Theory.

Resource-Based View (RBV)

The Resource-Based View (RBV) theory, as articulated by Barney (1991), asserts that a firm's internal resources, both tangible and intangible, are crucial for achieving and maintaining competitive advantage. The Resource-Based View (RBV) posits that resources characterized as valuable, rare, inimitable, and non-substitutable (VRIN) are essential for business growth and success.

This theory is appropriate for this study because it suggests that strategies in Microfinance services including access to microcredit facilities, money transfers, and savings can be seen as valuable resources that women entrepreneurs can leverage to create new resources and capabilities that increase efficiency in their businesses. According to Agrawal et al. (2025), these services offer women enterprises access to critical financial resources, which are essential for improving their market position and overall growth.

Institutional Theory

This theory is one of the theoretical frameworks that have been used often to show the importance of institutions for entrepreneurship (Liedong et al., 2020). It concerns the process by which social structures like norms, rules, patterns, schemes and routines are established as credible guidelines for social behaviour (Husna, et al, 2022). Institutions can be broadly defined as formal and informal constraints created by humans that structure political, economic, and social interaction (Husna et al, 2022). Alaydi (2021) further defines institutions as rules, habits, and norms that govern political, economic, and social interactions, and they provide meaning and stability to social life.

Formal institutions consist of tangible, legal, political, and economic-related framework, rules and regulations. Formal institutions concern themselves with property ownership, regimes, securities, and legal which are established by the government to regulate the behaviour of individuals (North, 1990). They are primarily built by the government in order to regulate the organizational and individuals' actions and create or inhibit entrepreneurial opportunities (Welter, 2011; Dheer, 2017). Formal institutions involve roles played by constitutions, rules, regulations, and contracts, while informal institutions encompass norms, values, and customs influenced by more enduring cultural and religious patterns.

2.4 Gaps in Literature Analysis

The existing literature on microfinance and women's economic empowerment reveals several critical gaps, particularly within the Zambian context. While international and regional studies widely establish a positive relationship between microfinance and women's entrepreneurship, there is limited country-specific empirical evidence for Zambia, especially in urban settings like Lusaka, where most studies remain descriptive and lack rigorous statistical analysis. Additionally, prior research tends to focus on basic welfare outcomes rather than key entrepreneurial growth indicators such as business expansion, revenue growth, and asset accumulation, thereby limiting a comprehensive understanding of how microfinance supports business sustainability. There is also insufficient examination of institutional and product-level constraints such as loan conditions, repayment structures, and non-financial services that may hinder access and effectiveness. Furthermore, many studies fail to distinguish between urban and rural dynamics, overlooking the unique challenges faced by urban women entrepreneurs, including market competition and informal sector pressures. Methodologically, the literature is dominated by qualitative approaches, with a notable absence of quantitative and mixed-methods studies that can provide statistically validated insights. This study addresses these gaps by adopting a mixed-methods approach to generate context-specific, data-driven evidence on the relationship between microfinance accessibility and women's entrepreneurial growth in Lusaka.

3 Research Methodology

This study adopted a pragmatism research philosophy, enabling the integration of both quantitative and qualitative methods to provide a comprehensive understanding of how microfinance accessibility influences the growth of women-owned enterprises. A mixed-methods research design, specifically an explanatory sequential approach, was employed, where quantitative data was collected first and followed by qualitative insights to explain the findings. The target population comprised women entrepreneurs operating in Lusaka who engage with or are eligible for microfinance services. A stratified random sampling technique was used for the quantitative phase to ensure representativeness across different market segments, yielding a final sample of 319 respondents. For the qualitative phase, purposive sampling was applied to select participants with relevant experience until data saturation was achieved. Quantitative data was collected using structured questionnaires, while qualitative data was gathered through semi-structured interviews.

The study utilized both primary data, supported by secondary sources. Quantitative data were analyzed using SPSS through descriptive and inferential statistics, including regression analysis, while qualitative data were analyzed using thematic analysis. Ethical considerations such as informed consent, confidentiality, and anonymity were strictly observed. Reliability was ensured using Cronbach’s alpha, while validity was enhanced through pilot testing and methodological triangulation.

4 Results and Discussion

4.1 Financial Literacy and Loan Utilization

Table 1 below summarises the financial literacy levels of women entrepreneurs in Lusaka District (n=319), focusing on record keeping, budgeting ability, training exposure, loan utilisation capacity, and decision-making confidence. The findings reveal major gaps in financial management competencies, which are expected to influence the effectiveness with which women utilise microfinance services.

Table 1: Financial Literacy and Loan Utilization Among Women Entrepreneurs

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
I keep proper financial records for my business.	22	117	60	103	17	319
	6.9%	36.7%	18.8%	32.3%	5.3%	100.0%
I can prepare a simple business budget.	32	91	30	153	13	319
	10.0%	28.5%	9.4%	48.0%	4.1%	100.0%
I have received training on financial management.	84	100	33	92	9	318
	26.4%	31.4%	10.4%	28.9%	2.8%	100.0%
I effectively use borrowed funds for productive /the intended business activities.	49	119	52	84	15	319
	15.4%	37.3%	16.3%	26.3%	4.7%	100.0%
Financial literacy helps me make better loan decisions.	27	57	75	123	37	319
	8.5%	17.9%	23.5%	38.6%	11.6%	100.0%

Source: Survey Data (Dec 2025)

The findings reveal significant gaps in the financial literacy of women entrepreneurs. A large proportion (43.6%) reported not keeping proper business records, suggesting that many operate informally, which limits their ability to track performance and meet microfinance institution (MFI) requirements. Similarly, 38.5% indicated difficulty in preparing business budgets, highlighting challenges in financial planning and resource allocation. Only 31.7% of respondents attended financial literacy management training (Agree/Strongly Agree), indicating a substantial skills deficit that may hinder effective loan management and access to credit. Responses on loan utilization were mixed, where 52.7% disagreed or strongly disagreed that funds are used productively, suggesting inconsistencies in how loans are managed. However, 50.3% acknowledged that financial literacy improves loan decision-making, although a notable proportion remained neutral, reflecting uncertainty. Overall, the results suggest that limited financial knowledge and skills significantly constrain women’s ability to effectively utilize microfinance for business growth.

Regression and correlation analysis

Financial Literacy’s Influence on Effective Utilization of Microfinance

Table 2 below shows correlations between Financial Literacy Score (composite of records, budgeting, training, decision-making) and Loan Utilization (effective use of borrowed funds).

Table 2 Correlation matrix for Financial Literacy vs Loan Utilization

Variable	Financial literacy score	Loan Utilization
Financial Literacy Score	1.000	0.744
Loan Utilization	0.744	1.000

Source: Regression analysis of survey data, 2025

Interpretation of the Correlation

There is a very strong positive Pearson correlation between financial literacy and effective loan utilization ($r = 0.744$, $p < 0.001$). Meaning that higher literacy is closely related to productive use of microfinance loan. The results indicate $r = 0.744$, is a value which shows the strength or bond and direction of the linear relationship.

In the context of Resource-Based View (RBV), the correlation is the statistical proof that as the "intangible capability" (literacy) increases, the "productive use" of the "tangible resource" (the loan) increases in a nearly linear fashion. This is important "human capital," without which the financial resource may otherwise not be unlocked or may remain "dormant".

Based on the n=319 sample and the correlation coefficient ($r = 0.744$) calculated, then:

$$R^2 = (0.744)^2 = 0.553536 \text{ Rounded to } 0.554 \text{ which explains the percentage of variance.}$$

Regression: Financial Literacy: Loan Utilization Model summary (OLS):

Regression Model Summary (OLS)

Observations n= 319

- R= 0.744
- $R^2 = (0.744)^2 = 0.553536$ Rounded to 0.554, Adjusted $R^2 = 0.553$
- F-Statistic: $F(1, 317) = 348.5$
- Significance $p < 0.001$

Meaning: The model shows that the Financial Literacy Score explains 55.4% of the variance in Loan Utilization among women entrepreneurs- showing that over half the variance in loan use is driven by the "intangible resource" of financial literacy in Lusaka. The Adjusted $R^2 = 0.553$ suggests that the model is highly stable and confirms that the relationship is not due to any random chance. With a significant F-statistic ($p < 0.001$), the model provides a strong empirical foundation for the Resource-Based View (RBV), and that over half of the variance in loan use is determined by financial literacy

4.2 Impact of Microfinance Inaccessibility on Business Performance

Table 3 below presents the business growth and performance indicators of women entrepreneurs in Lusaka District (n=319), focusing on sales changes, employment levels, profit improvements, business expansion, and perceived contributions of microfinance to business growth. These indicators provide insight into how women’s enterprises have evolved over the past 12 months and the extent to which access or lack of access to microfinance has influenced growth trajectories.

Table 3: Business Growth and Performance Indicators Among Women Entrepreneurs (n=319)

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
My business sales have increased over the past 12 months	37(11.6%)	42(13.2%)	77 (24.1%)	122(38.2%)	41(12.9%)	319
I have employed more workers since accessing microfinance	35 (11%)	137(43%)	75(23.5 %)	64 (20%)	8 (2.5%)	319
My profit levels have improved significantly	37 (11.6%)	126 (39.5%)	78(24.5%)	69 (21.6%)	9 (2.8%)	319
I have expanded my business operations	33(10.4%)	132 (21.5%)	76 (23.8%)	68(21.3%)	10(3.1%)	319
Access to microfinance has contributed to my business growth	35(11%)	77(24.1%)	74 (23.2%)	125 (39.2%)	8(11.0%)	319

Regression analysis results

Impact of Microfinance Inaccessibility on Business Performance Decline

Table 4 shows the correlation between inaccessibility Score (composite of barriers: collateral, delays, guarantor issues, cultural norms, gender bias) and Performance Decline (reverse-coded growth indicating decline).

Table 4: Correlation matrix: Inaccessibility vs Performance Decline

Variable	Inaccessibility Score	Performance Decline
Inaccessibility Score	1.000	0.612
Performance Decline	0.612	1.000

Source: Regression analysis of field data, 2025

Interpretation: There is a strong positive relationship between microfinance inaccessibility and business performance decline ($r = 0.612, p < 0.001$). Higher reported barriers are associated with greater sales/profit decline and higher closure risk.

Regression: Inaccessibility: Performance Decline

Model summary (OLS):

- Observations: 319
- $R = 0.612$
- $R^2 = 0.374$ (37.4% of variance in PerfDecline explained by inaccessibility Score)
- Adjusted $R^2 = 0.372$
- F statistics = $319 \cdot 1 \cdot 1 = (1, 317) \approx 168.3$.
- $p < 0.001$, Significance ($p < 0.001$).

Coefficients

Table 5: Coefficients

Predictor	B	Std.Error	T	P
Constant	2.833	0.111	25.53	<0.001
InaccessScore	0.454	0.035	12.98	<0.001

Source: Regression analysis of field data, 2025

Interpretation

Microfinance inaccessibility significantly predicts business decline. Each point increase in barrier composite corresponds to a 0.454-point increase in performance decline score. This provides quantitative support for the hypothesis that exclusion harms firm-level outcomes.

The results echo regional evidence that exclusion forces entrepreneurs to rely on high-cost informal credit or under-capitalize their businesses, lowering sales and increasing closure risk (Tundui & Tundui, 2024; Asongu & Odhiambo, 2024).

4.3 Qualitative Findings

Financial Literacy as a Capability

Financial literacy consistently emerged as a foundational capability shaping how women access, manage, and benefit from microfinance services. Participants described financial literacy as a tool that supports budgeting, repayment planning, record-keeping, and responsible loan utilization. It was frequently emphasized that literacy enables women to avoid impulsive borrowing and better anticipate financial risks. One participant explained, “It’s very important especially before getting a loan. It helps one plan and know how to manage the funds” (P1). Another noted that prior training helped her “avoid getting loans anyhow” (P13), demonstrating the role of literacy as a protective mechanism. Training opportunities, however, were largely informal. Many respondents attributed their financial knowledge to church groups, village banking circles, and peer learning networks reflecting the absence of structured literacy programs accessible to women. Quantitative results indicated a statistically significant relationship between financial literacy scores and loan repayment performance ($p < 0.05$). This alignment between survey data and interview narratives confirms that financial literacy not only enhances loan utilization efficiency but also improves long-term business sustainability.

4.4 Discussion

Financial Literacy and Loan Utilization

The study demonstrates that financial literacy is a critical determinant of how effectively women entrepreneurs in Lusaka District utilize microfinance services to support business growth and sustainability, a finding widely supported in existing literature (Chongo & Banda, 2021; Mwansa & Sampa, 2021). Evidence from surveys, interviews, and focus group discussions shows that financial literacy shapes not only access to credit but also decision-making, confidence, and the ability to translate loans into productive outcomes. Many women were found to lack knowledge of key financial concepts such as interest rates, cash-flow management, and record keeping, which created hesitation in borrowing and increased vulnerability to poor financial decisions. This aligns with Human Capital Theory, which conceptualizes knowledge and skills as productive assets essential for economic performance (Awu et al., 2025; Boachie & Adu-Darko, 2024).

The findings further reveal that financially literate women are better able to interpret loan conditions, understand repayment obligations, and avoid unfavorable terms, whereas those with limited knowledge often misinterpret loan agreements and face higher risks of default, consistent with prior studies (Nguyen et al., 2022; Ahmed & Xavier, 2021). Financial literacy also enhances post-loan management, as women with stronger financial skills demonstrate better budgeting, disciplined repayment, and a clearer separation between business and household finances. In contrast, financially constrained women frequently divert loans to consumption needs, reducing their productive impact. From a Resource-Based View perspective, financial literacy represents a critical intangible capability that determines whether financial capital can generate value (Sutter et al., 2023; Kabir & Zaman, 2020). This aligns with the Resource-Based View’s emphasis on firm-specific capabilities as sources of sustained competitive advantage, suggesting that financial knowledge enables women entrepreneurs to utilize resources more efficiently and strategically.

Record keeping further emerged as a key dimension of financial literacy, enabling entrepreneurs to monitor performance and improve their credibility with lenders, a finding supported by Chanda and Mwaanga (2023). Additionally, financial literacy was associated with increased confidence and agency in financial interactions, reinforcing evidence that knowledge enhances entrepreneurial self-efficacy (Gielnik et al., 2020; Ubfal, 2024). However, the study identifies a significant institutional gap, as most microfinance institutions do not adequately integrate financial training into their services, a concern also highlighted in development finance literature (ILO, 2020; UN Women, 2021). From a Human Capital Theory perspective, these findings indicate that investments in financial education enhance individuals’ skills and productivity, thereby improving their capacity to make informed financial decisions and achieve better business outcomes.

Thus, the findings confirm that financial literacy acts as a key mediator between microfinance access and business growth. Access alone is insufficient; rather, the ability to utilize financial resources effectively determines outcomes, reinforcing the need to integrate capacity-building initiatives into microfinance programmes to achieve meaningful financial inclusion.

Effect of Microfinance Inaccessibility on Business Performance

Microfinance inaccessibility emerged as a major constraint on the business performance of women entrepreneurs in Lusaka District, with over 85% of respondents reporting that they had never accessed microfinance services despite pressing capital needs. This widespread exclusion reflects not only institutional and economic barriers but also deeper structural inequalities within the financial system. Consistent with findings by Chulu and Kachamba (2025) and Metu and Nwogwugwu (2024), limited access to formal finance continues to marginalize women entrepreneurs, restricting their ability to scale and sustain their enterprises. Empirical evidence from the study shows that lack of access to credit significantly constrains sales growth, as women are unable to invest in adequate inventory, adopt improved technologies, or expand service capacity. Similar observations were made by Chibbonta and Chishimba (2023), who found that access to microfinance positively influences trading capacity and income levels among marketeers in Lusaka. From a Resource-Based View perspective, access to financial capital constitutes a critical strategic resource, and its absence limits the ability of women entrepreneurs to acquire and deploy complementary assets necessary for competitive advantage and growth.

Profitability was also negatively affected by microfinance inaccessibility. Women without access to formal credit relied heavily on informal financing mechanisms, which are often unreliable and costly. High interest rates from informal lenders eroded profit margins and limited reinvestment potential, reinforcing a cycle of low and unstable income. This finding aligns with Bashir and Hamid Danlami (2022), who argue that restricted access to affordable credit disproportionately affects women’s profitability and financial stability. Similarly, Thaher et al. (2021) demonstrate that access to microfinance enhances income generation and financial independence among women entrepreneurs. This can be explained through Human Capital Theory, which posits that limited access to formal financial systems reduces opportunities for learning, financial skill development, and efficient resource utilization, ultimately constraining productivity and income generation.

Business expansion was equally constrained, as most women lacked the capital required to grow their enterprises beyond subsistence level. Many respondents reported long periods of stagnation, with no significant improvements in business size or market reach. In contrast, women with access to

microfinance were more likely to diversify products, open additional outlets, and invest in infrastructure. This supports findings by Moiko and Makau (2024), who establish that financial accessibility is a key driver of enterprise growth and sustainability among women-owned businesses. Furthermore, Mukendi and Manda (2022) emphasize that access to financial resources is central to women's economic empowerment and entrepreneurial progression. The study confirms that microfinance inaccessibility undermines multiple dimensions of business performance, including sales, profitability, expansion, and resilience. It increases vulnerability to economic shocks, limits competitiveness, and perpetuates dependence on informal financial systems. These findings reinforce the argument that financial exclusion is a structural barrier to women's entrepreneurship, and improving access to microfinance is essential for enhancing business outcomes and promoting inclusive economic development. In line with the Resource-Based View, sustained business expansion depends on the accumulation and effective deployment of valuable and rare resources such as financial capital, which remains inaccessible to many women entrepreneurs in this context.

5 Conclusions and Recommendations

5.1 Conclusion

The study clearly demonstrates that when microfinance services are successfully accessed, they have a transformative impact on women-owned enterprises. Microfinance contributes significantly to business growth by enabling entrepreneurs to improve operational performance, increase revenues, and expand their customer base. Access to these financial resources also allows women to invest in business development activities, purchase necessary equipment or inventory, and manage cash flow more effectively. Beyond the immediate financial benefits, microfinance plays a crucial role in enhancing women entrepreneurs' managerial and financial literacy skills, fostering greater confidence and professional competence. Therefore, microfinance is not simply a source of funds but an essential economic empowerment tool that can elevate women's participation in the formal economy.

5.2 Recommendations

Policy Recommendations:

Policymakers should implement gender-inclusive financial policies that reduce collateral barriers, simplify loan procedures, and promote digital financial inclusion. They should also strengthen public-private partnerships to integrate financial literacy and support services into national financial inclusion strategies.

Managerial Recommendations:

Microfinance institutions should redesign loan products to be more flexible and accessible while embedding financial literacy training into their core services. They should also leverage digital tools and monitoring systems to ensure that financial access translates into improved business performance.

Theoretical Recommendations:

Future research should integrate the Resource-Based View and Institutional Theory to better explain how internal capabilities and external constraints jointly influence women's entrepreneurship. There is also a need for more mixed-method, context-specific studies to strengthen empirical understanding in developing economies.

Declaration of Competing Interests

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Ethical considerations

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

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