



Are Pakistan's Women Entrepreneurs Being Served by the Microfinance Sector?

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The World Bank Group

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- Starting premise – 3 stylized facts
- Pakistan has one of the most progressive environments for microfinance in the world

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Overall Microfinance Business Environment Rankings

1	Peru	74.3
2	Philippines	71.8
3	Bolivia	69.6
4	Ghana	64.9
5	Pakistan	64.8
=6	Ecuador	61.3
=6	El Salvador	61.3

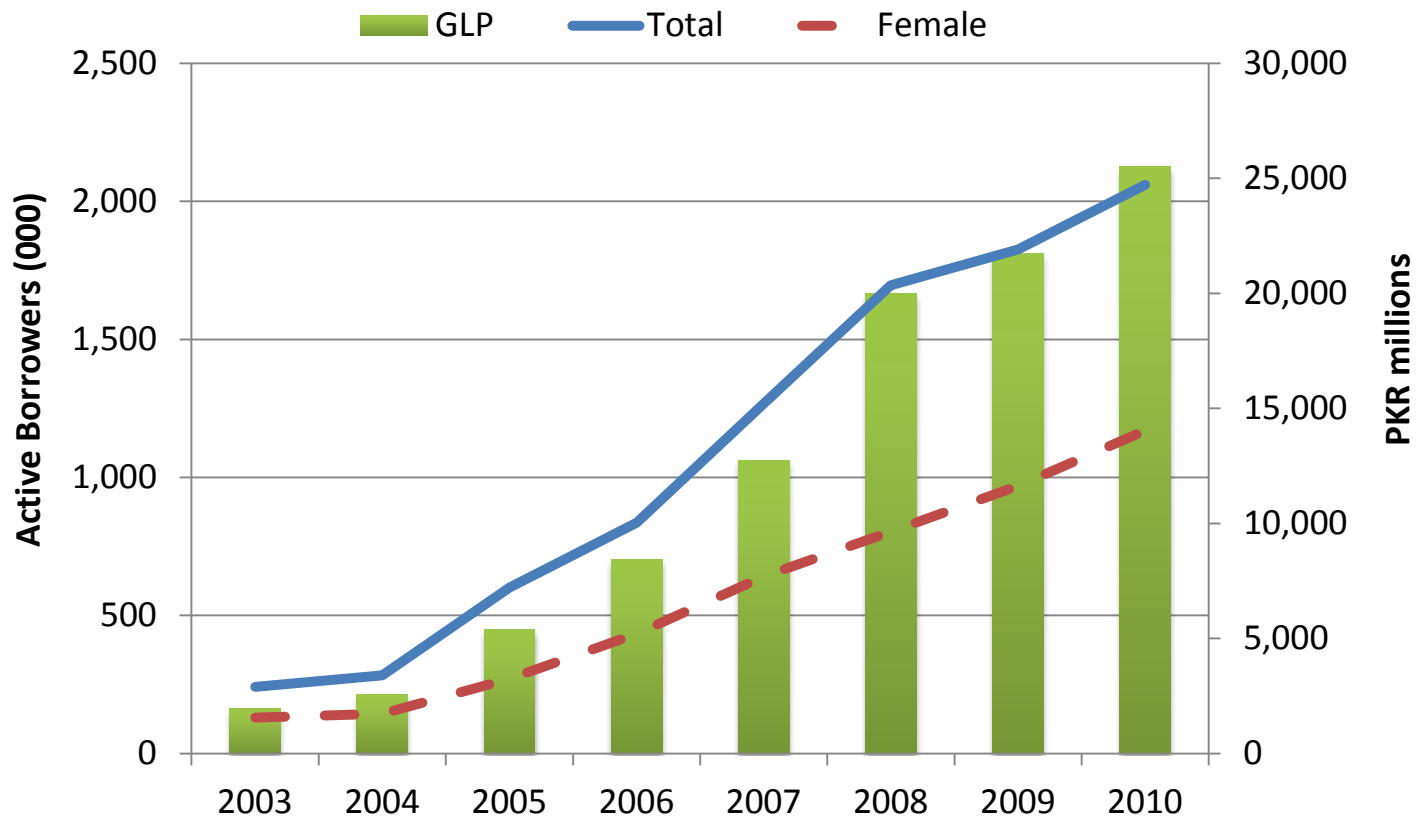
Regulatory Framework Rankings

=1	Pakistan	87.5
=1	Cambodia	87.5
=1	Philippines	87.5
4	Peru	81.3

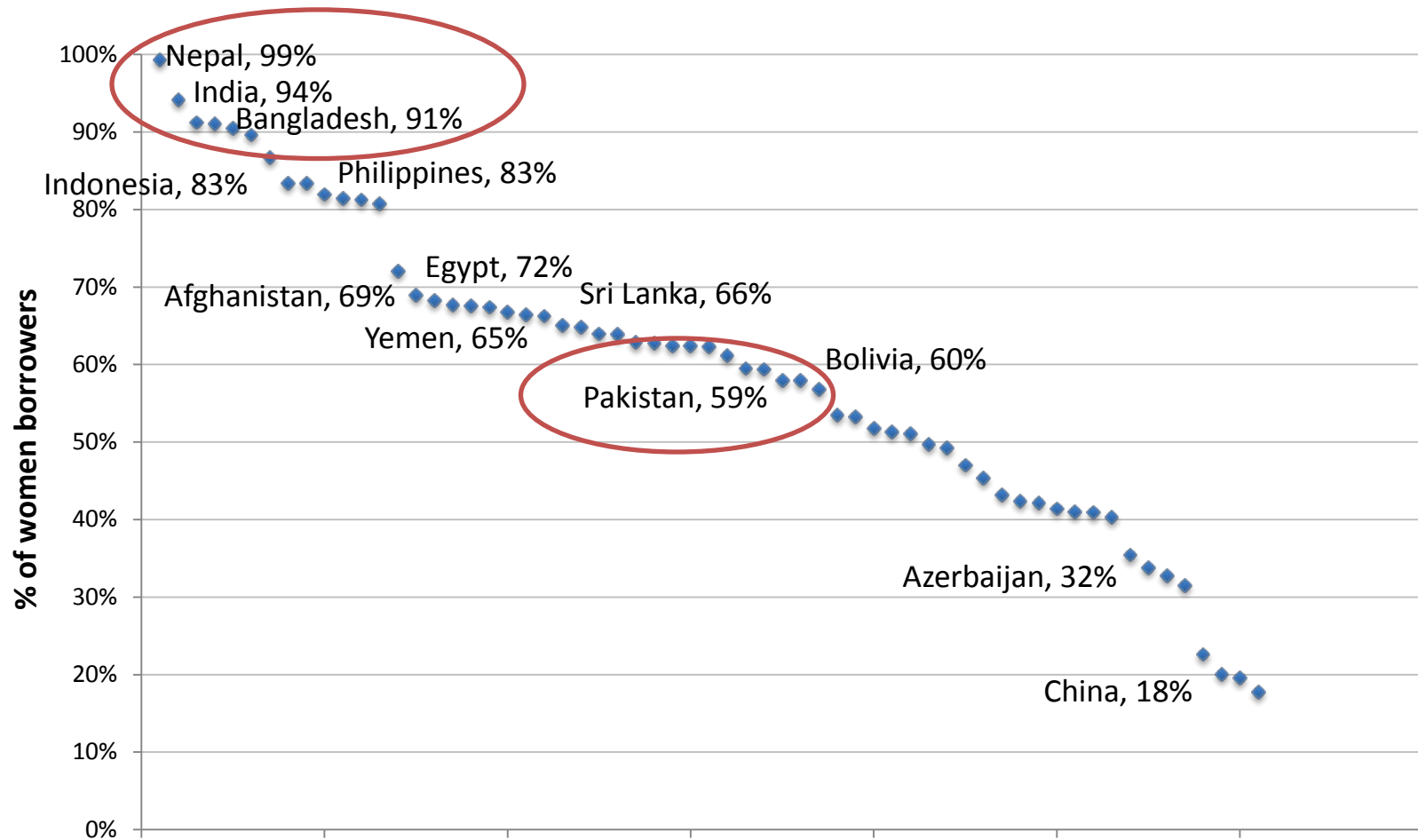
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- Pakistan has one of the most progressive environments for microfinance in the world
- Outreach to women in Pakistan is the lowest in the region

Outreach indicators show that the sector has made some progress towards reaching out to women



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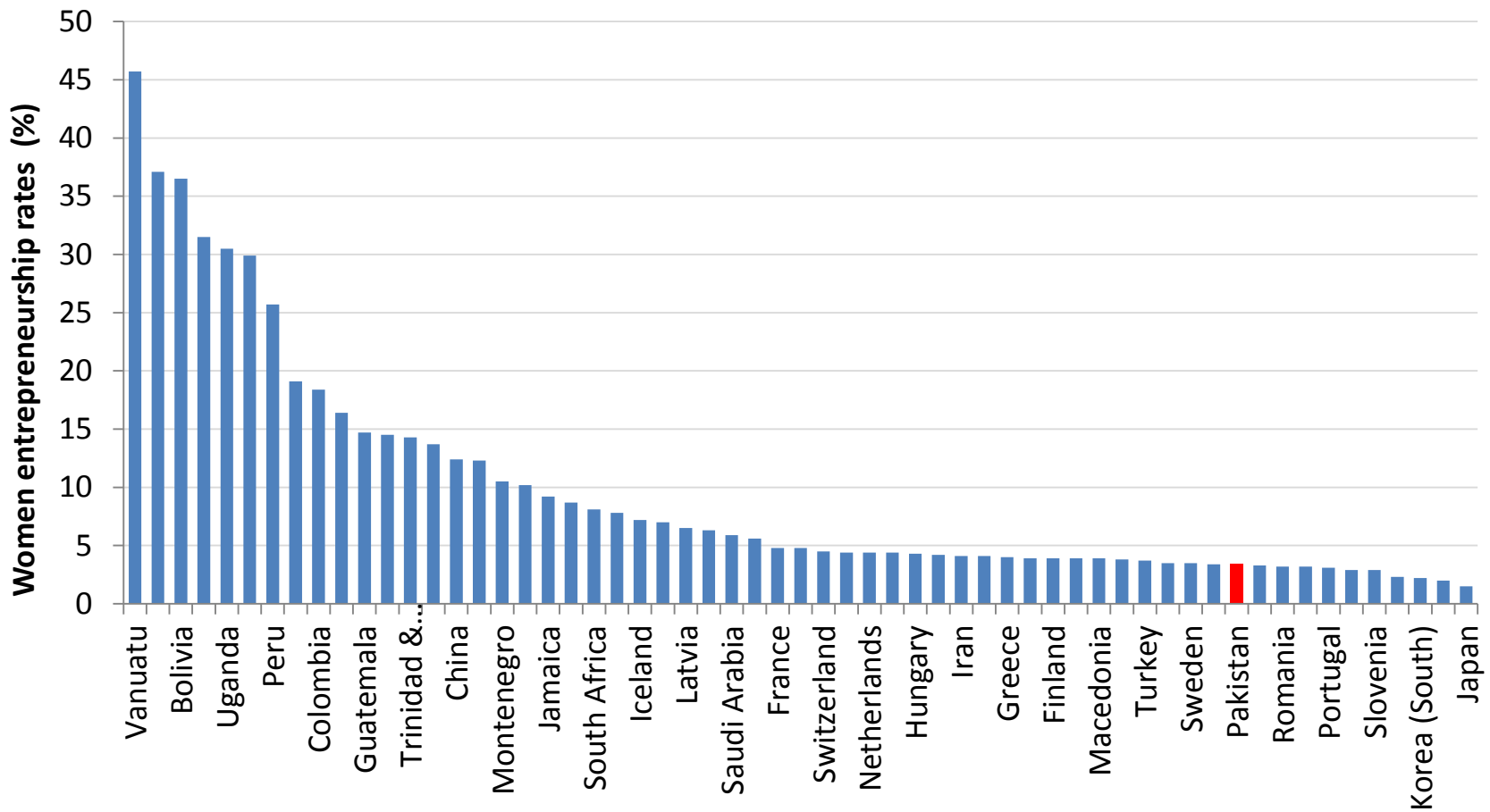


Source: Microfinance Information Exchange, 2010 market data for countries with at least five MFIs reporting. <http://www.mix.org>.

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- Starting premise – 3 stylized facts
- Pakistan has one of the most progressive environments for microfinance in the world
- Outreach to women in Pakistan is the lowest in the region
- Very low rates of entrepreneurship, particularly for women (less than .1%)

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Source: Global Entrepreneurship Monitor, <http://www.gemconsortium.org/key-indicators>.

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- Why are we not more effectively reaching out?
 - Products? Culture? Technology?
- How can we really get at the underlying issue (methodology)?
 - We decided we needed to talk to people, rather than just measure
- What can be changed?
 - Policies? Incentives? Financing?
- And who should be the drivers of change?
 - Which stakeholders, and at what level?

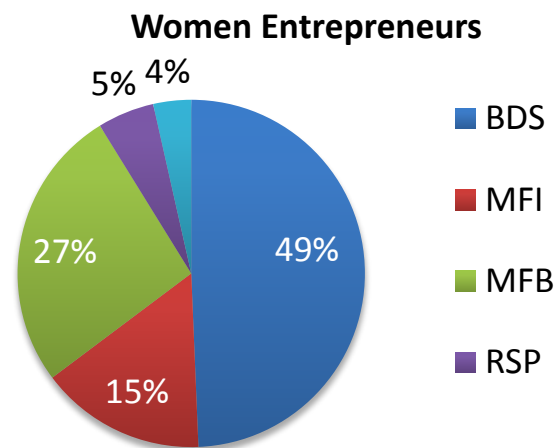
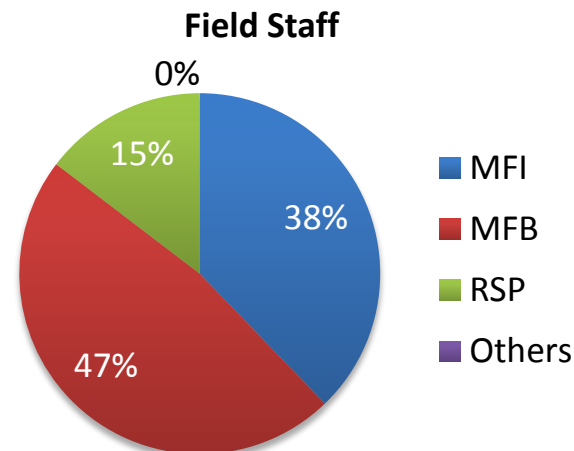
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- A quick detour on methodology.....
- Microfinance clients who are entrepreneurs
- Entrepreneurs who are not microfinance clients
- MFIs, MFBs, BDS, Donors, Civil Society
- Senior management => loan officers, and everyone in between
- Portfolio review of 27 MFPs
- Regional coverage (all 4 provinces, urban and rural)

Methodology

- In-depth interviews with head office staff of 10 MFPs
- 15 FGDs were organized with MFP field staff which included 82 staff members
- 33 FGDs were conducted with 227 entrepreneurs, half of which were identified through BDS providers

Sample Distribution – by Institution Type



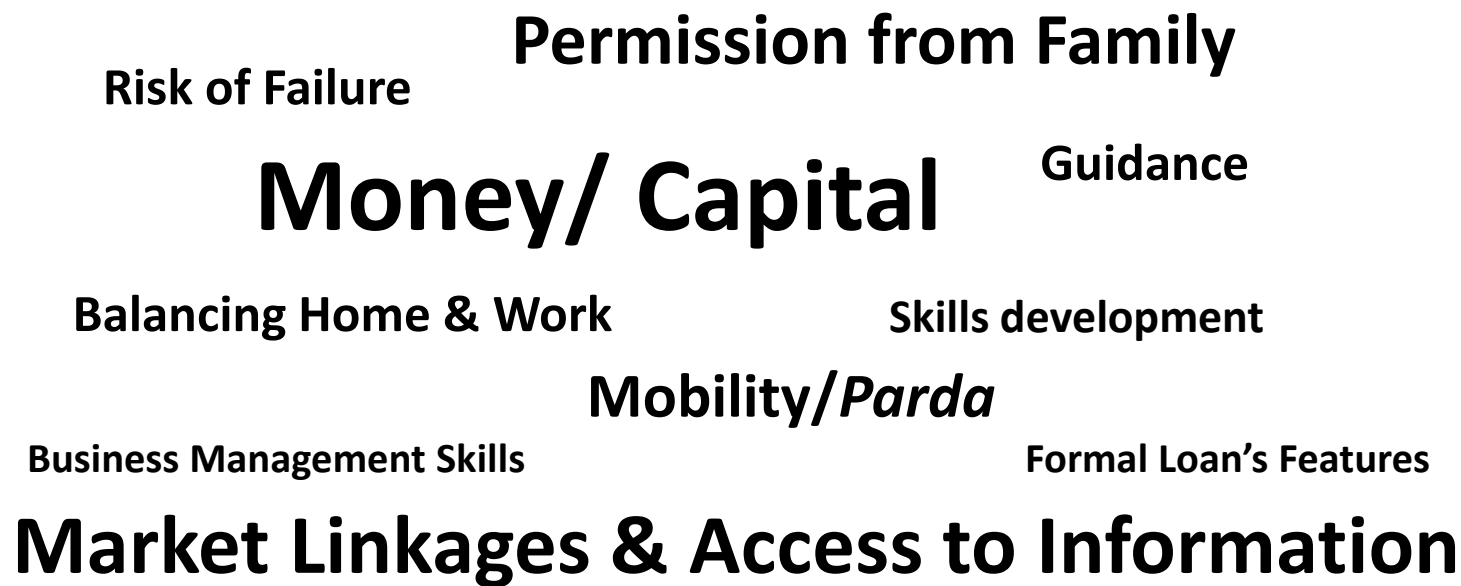
Most women engage in traditional businesses



Source: Findings from FGDs



Access to appropriate finance remains the single biggest challenge for women in setting up businesses



Source: Findings from FGDs

The most common source of start-up capital for women entrepreneurs (not necessarily microfinance clients) is generally not a microfinance loan.

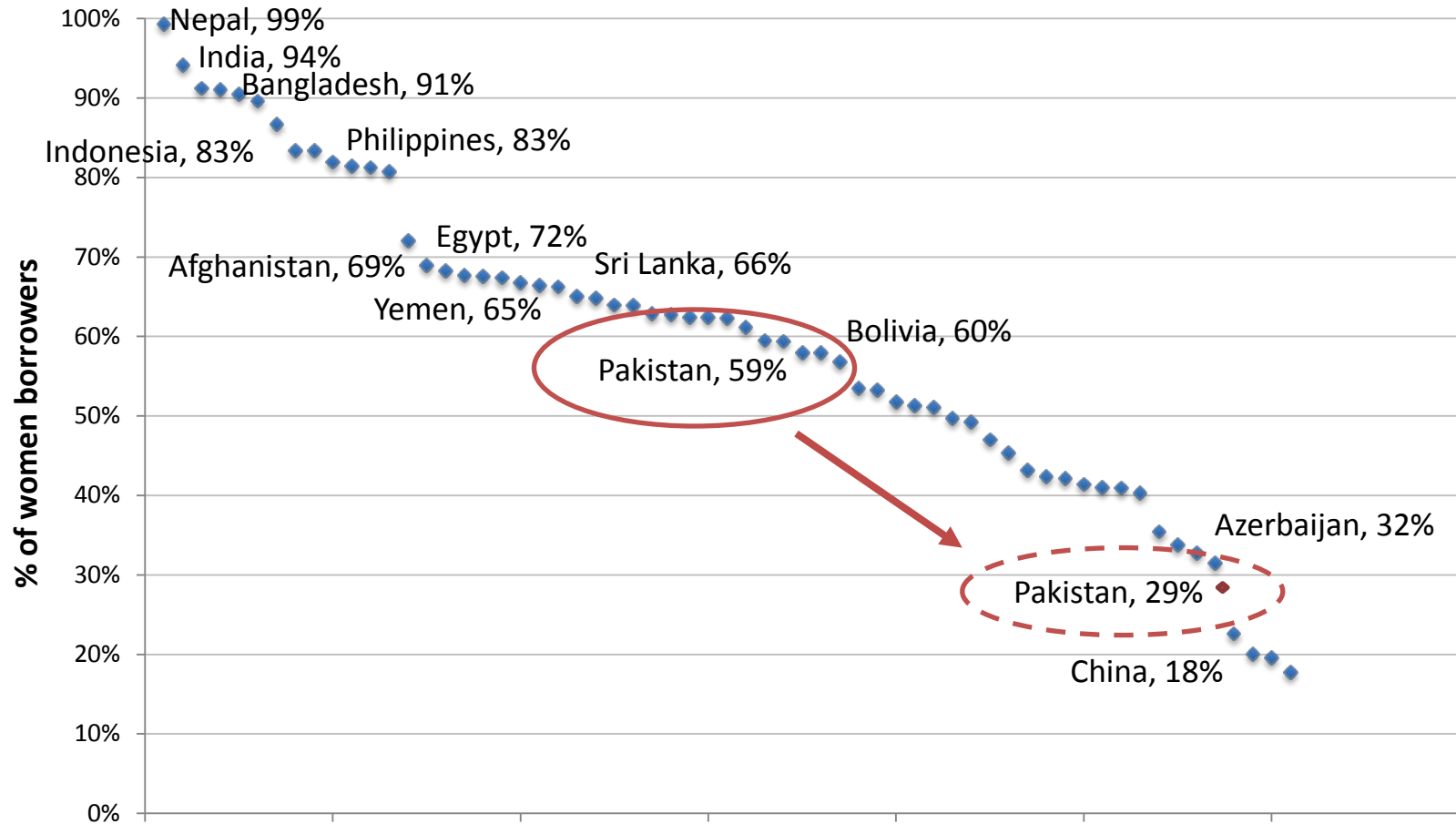
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- 4 key findings.....

Finding #1: Women beneficiaries and clients are often not benefiting, nor are they clients

- We don't have exact figures, but estimates drawn from a range of studies, and estimates by loan officers themselves suggest,
- At least 50%, if not more, of loans provided to women actually are used by husbands, brothers, fathers, or sons in the family

Finding #1: Women beneficiaries and clients are often not benefiting, nor are they clients





Finding #2: Loans are passed on to men for a variety of reasons

- Incidences of passing-on loans is higher in places and institutions that only lend to women: choking access to men can result in use of women as a means for channeling credit to the male HH members.
- Transaction costs of taking a microfinance loan are quite high and impose significant opportunity costs for men, thus they use women as conduits for borrowing
- Tolerance of this situation and the absence of systems to validate usage of the loan creates the space for field staff to lend without concern of who is the ultimate user of the loan
- With the use of CIB and CNIC as unique identifier, men that have defaulted use women to access loans

Often men borrow from multiple sources and their CIB [report] is negative, so they borrow through females.

-Interview with HO Staff of an MFB

Finding #3: Most women entrepreneurs are not interested in using microfinance products

- 75% of entrepreneurs in the study were not interested in microfinance loans
- Loan sizes too small – they would need multiple and simultaneous loans
- Group loans require too much time away from their business (2-3 hours), 80% of entrepreneurs prefer individual loans, but
- Individual business loans usually not available to them
- Guarantor requirements force them to rely on men to secure a loan

Finding #4: Discrimination in lending practices or policies is common

- Women guarantors not credible, and usually not accepted
- Even in group loans, women are required to obtain their husbands permission
- Individual loans require 2 male guarantors, one unrelated, notarized legal documents, and a visit to an MFB
- Enterprise loans usually marketed by male loan officers and only to male clients
- Unmarried women are not considered creditworthy

Obvious recommendations

- Zero tolerance policy for loan application processes that discriminate against women
- Develop strategies to identify and serve this market niche
- Consumer protections to be put in place to protect women from passing on loans

But some issues are complex, and require careful consideration.....

- Can we find a ***practical*** way to track beneficiaries, that is still cost effective?
- If we require more accurate reporting, are we all willing to live with the more accurate numbers?
- Should we rethink incentives around gender targets and scale?
- How can we make a better business case for women?
- How can we harness branchless banking innovations to change the landscape for women?

But some issues are complex, and require careful consideration.....

- Two opportunities for the WBG to effect change:
 - Financial Inclusion lending operation (Spring 2013 to initiate)
 - Women Entrepreneurs Technical Assistance Program (Spring 2013)

Please visit **worldbank.org/financialinclusion**
and the PMN website for copies of the report

Thank you!