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Women's Finance in the MENA region

This document is an adaptation by AFAEMME of the report “Ready for Growth: solutions to increase access to finance for women-owned businesses in the Middle East and North Africa” by Vital Voices and the International Finance Bank.

The times are changing in the Middle East and North Africa (MENA) region. The Arab Spring has been ongoing for the past two years, and while progress is being carried out in some places, it seems it has stagnated in others. Not all of the demands societies were claiming for have been achieved, and there is still room for improvement. However, the Arab Spring has brought a time of quick innovation and opportunity for women in the region.

In the last decade, most countries have closed the gender gap in education at an unprecedented 90%. Women, and not men, are the prevailing gender at universities, and maternal mortality is no longer a concern in the region.

Despite the education and the general improvement of women's social conditions, there is still much room to improve in female employment and entrepreneurship. Youth unemployment stands very high in most countries, and women youth unemployment has reached a peak of 36.3 per cent. This figure carries two implications:

First, societies are missing a great source of job and wealth creation. Women tend to spend their money in their communities, and are generally perceived as multipliers, since they contribute to local economic growth by investing in better education and contribute to create stable communities.

Second, women can bring a different point of view in business management of which men in general could benefit from. Having more female entrepreneurs would be very helpful to motivate and encourage other women to follow their lead.

However, the reality is that the MENA region has the lowest percentage of women-owned small and medium enterprise, at around a 12-15 percent. This low percentage is partially justified in the numerous impediments and obstacles women face in most MENA countries. The following report addresses some of these obstacles.

The report surveyed the membership of seven associations: Associations des Femmes Chefs d'Entreprises du Maroc (AFEM); Association des Algériennes Managers et Entrepreneurs (AME); Association for Women's Total Advancement and Development (AWTAD); Bahrain Businesswomen's Society; Business and Professional Women – Amman Chapter (BPW-A); Business Women Forum-Palestine (BWF); Chambre Nationale des Femmes Chefs d'Entreprises (CNCFE); and Lebanese League for Women in Business (LLWB). In total, 431 women business owners were surveyed.

The highest percentage of respondents to the survey were AME, AWTAD and AFEM., with a 20.6%,26% and 26.9% each.

Financing and access to capital

Of those who reported challenges in financing and access to capital, high interest rates tops the poll with a total of 67%. 36% argued that the top hurdle was the lack of collateral guarantees and 31% that the overall process was perceived as too complicated. The surprisingly low figures are the 16% of respondents who felt mistreated because of their gender and the 11% who had unsuccessfully sought external equity investors.

Therefore, we can extract, as a short summary that most of the important hurdles MENA women face when accessing finance relate to economic factors, such as the high interest rates on credits and other banking products, and the more practical aspects relating to legal and administrative procedures.

Women's limited access to the appropriate information are the main cause behind the "genderization" of some of the obstacles they face, such as the lack of understanding of the banking system and the processes needed to access finance.

At the same time, legal differentiations from country to country may become obstacles, such as land or home property issues. In some countries, women may face difficulties in home ownership, therefore financing may become a harder enterprise than it is for men.

Financial institutions and banking

Survey findings suggest that bankers deal a considerable influence for women. 64% favored a bank with a relationship rather transactional orientation in their business approach. Another clear majority of respondents, up to 67%, claimed that they wish their bank would contact them more often to enquire about their businesses and adapt their services to their demands.

The majority of business owners (68%) agreed that bank staff members lack adequate experience and knowledge to handle effectively SME's customers. Additionally, up to 70% of respondents agreed that, to varying degrees, bank lending conditions were prohibitive for them.

The view from the Banks

Banks have a different perspective on these difficulties, and justify their high interest rates on different facts:

- SME's, or a majority of them, do not prepare coherent and structured business plans with a 3,6 or 10 year horizon
- Some of the SME's lack tracking of financial records such as balance sheets or audits.

However, some bankers are of the opinion that building strong and lasting relationships with businesswomen will undoubtedly bring benefits to both parties. The key is to reduce the revenue stream from the high interest rates by engaging in trade and finance products.

50% of businesswomen agreed that their banks lacked the adequate programs or products specifically targeted for their businesses.

Across the MENA region the quality of the service provided by financial institutions must be addressed at different levels, like programs or products better suited to businesswomen, adequate training for bank staff or better lending conditions.

67% of respondents agreed that they did not feel discriminated in their banks because of gender issue. Banks are missing a great opportunity to expand their client base.

A series of policy recommendations have been proposed to tackle the issues covered in the document above,

Lending Institutions

Policy and Procedure.

- Organize and incentivize staff to target women's SME's and follow through via a performance manager system.
- Compensate loan agents who meet lending targets. Improve reply time to credit solicitation, especially from existing bank clients,
- Create women-only sections with dedicated agents with special services for businesswomen.

Finance.

- Develop SME loan products for sector-specific needs in which women are active (such as services and manufacture)
- Long term financing can be achieved by partnering with loan institutions or risk sharing facilities.
- Reduction of collateral requirements.
- Graduate interest rates for SME's. Incentivize and retain clients.
- New risk evaluation techniques, such as psychometric screening- Adapt interest rates to the risk profiles.

Training

- Loan staff training and adaptation to women-owned SME's and their needs
- Financial Literacy trainings for women to improve their understanding of financial products

Awareness and Information

- Partner with Women's business associations to better understand women's needs

International Financial Institutions

Policy and Procedure

- Encourage lending institutions: they should incentivize women-owned SME's through adequate policies and procedures.
- Help Banks make a stable value proposition for the women's market.

Finance

- Support banks to develop new loan products and risk assessment techniques
- Partner with commercial banks to provide guarantees for development and implementation of products for women-owned SME's
- Support local lending institutions.

Training

- Financial and Technical Assistance to banks and other service providers focused on Women-Owned SME's

Awareness and Information

- Disseminate reports to convince the banking system of the benefits of caring for women's financial necessities.
- Improve communication between the institutions , the banks and women NGO's as well as the Government
- Share global innovative approaches

Governments

Policy and Procedures

- Promote public-private dialogue: inclusion of businesswomen associations in policy recommendations forums, especially on regulatory and economic policy and economic development funding.
- Implement national SME's development strategies (Laws and Policies), focusing on women-owned SME's.
- Enhance women's ability to own through new regulations.

- Support financial knowledge by facilitating women's access to financial information, such as new laws and regulations.

Finance

- Strengthen and expand the financial infrastructure with credit bureaus and collateral registries. Facilitate women credit history tracking and ease the costs of borrowing.
- Bank Incentivization for women owned SME's through tailored products.

Awareness and Information

- Collect and monitor gender disaggregated data on women-owned SME's.
- Disseminate the benefits of having greater numbers of women-owned SME's at the national, regional and local level.

Women's Business Associations

Policy and Procedures

- Actively advocate for the financial inclusion of women, increased property rights and equal access to banking services and products, including transparent information on new laws and regulations.
- Promote changes in policies affecting the growth of women-owned SME's.

Finance

- Foster business growth competitions between women-owned SME's, Awards should be loans or grants.
- Partnerships with financial institutions and other institutions. Help develop new SME products and services.
- Mutual Guarantee Association Promotion.

Training

- Increase women's skills and knowledge through trainings, seminars and conferences with partner institutions.
- Promote mentoring relationships and guidance on finances and the loan application process.
- Organize Networking events
- Foster B2B connections amongst SME's to encourage expansion.

Awareness and Information

- Follow up on Government action and help collect data
- Provide information services for women and financial institutions

- Disseminate successful women-owned SME's.

Although progress in the MENA countries has been very positive, there is still much room for improvement in gender issues. The Arab Spring has brought many and good positive changes, but most of the challenges that remain ahead can only be overcome with the total inclusion and participation of women in the economy.