

Economic Empowerment of Women- Access to Finance

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Pakistan's population is of over 180 million and women comprising half of it, and so we cannot envisage development that is sustainable without mainstreaming women into the process of economic growth.

The ability of women entrepreneurs to pursue economic opportunities, invest additional capital, hire more employees, and grow their businesses is of critical importance, however, the focus of this article is addressing the extent to which women are less able to access finance. If women cannot access financial resources, they are disadvantaged in their ability to pursue economic opportunities.

Financing is an important means by which to pursue growth opportunities, addressing women entrepreneur's specific needs in accessing finance must be part of the development agenda.

Across regions, women entrepreneurs have lower access to finance than do male entrepreneurs. This is particularly problematic for women entrepreneurs who want to grow their businesses. It is not only that surveys show women entrepreneurs to be less likely to avail loans, but the terms of borrowing can also be less favorable for women. Many country studies show that women entrepreneurs are more likely to face higher interest rates, be required to collateralize a higher share of the loan, and have shorter-term loans.

Access to finance for women is limited by non-financial barriers as well, such as the legal and regulatory environment or the quality of available infrastructure; personal characteristics of the entrepreneurs (e.g. differentials in education or management training); constraints within financial institutions (little familiarity with and cultural barriers preventing interest in female clients); and a financial infrastructure that limit incentives to reach out to more female clients (i.e., lack of credit bureaus or collateral registries). Particularly relevant for access to finance are the formal gaps in legal capacity and property rights.

Weak creditor right and lack of credit information can disproportionately disadvantage women, particularly if they have little collateral or control over assets.

Women lag far behind in access to land, credit and jobs, even though a growing body of evidence shows that enhancing women's economic options boosts national economies. Macroeconomic policies and policy making can make the connection to gender equality. The multiple barriers that prevent women from seizing economic opportunities must be eliminated.

In many developing countries, a weak investment climate limits enterprise's productivity and thus access to finance and more generally financial markets. Investment climate constraints smaller firms harder and women entrepreneurs are particularly affected since they are more likely to run smaller businesses.

When environment is conducive to business, female and male entrepreneurs perform very similarly and have similar borrowing rates. While not fully conclusive some research indicates that limitation in access to finance for women entrepreneurs may be primarily associated with their propensity to operate smaller and informal businesses.

Access to human capital and collateral are often cited as examples to explain why women are less likely to receive loans.

If women businesses are perceived to be riskier, higher cost, and /or lower return, creditors will be reluctant to lend them irrespective of whether the perception is based on facts and experience or on conjecture.

Microfinance has partly compensated women's access to formal finance. However, as women entrepreneurs grow they need financial products and services that go beyond microfinance.

Globally, the experience of financial markets reveals that the boundaries between microfinance and SME finance are gradually becoming blurred and the new terminology being increasingly referred to is MSME's i.e. micro, small and medium enterprises.

This represents a large potential for financial services within the emerging economies of the world and by one estimate the total potential market for investment by financial institutions is at USD150 billion and is likely to double over the next five years. Secondly an estimated 60 per cent of the global banking revenue growth over the next decade lies in the emerging markets. Increasingly banks in developing economies are finding ways to overcome the inherent difficulties to serve the MSME segment. These efforts are being facilitated through innovation in technology, risk assessment and development of business models.

Women's access to finance beyond microfinance is increasingly being supported by the International community and International financial institutions but these initiatives are small and often lack targets or clear monitoring and evaluation frameworks. Financial Institutions can proactively and profitably engage with women entrepreneurs as clients and some initiatives have shown the way forward through innovative approaches.

The G-20 leader's agreement on the financial inclusion agenda rightly presents a three point action plan based on evidence and experience from the developing and the developed world. This plan highlights endorsement of a set of recommendations for policymakers in the developing world to establish a supportive enabling environment that will facilitate women entrepreneurs' access to financial services in their respective countries, spearheading efforts to identify, evaluate and support the replication of successful models for expanding financial services to women entrepreneurs and leading efforts to gather gender disaggregated data on SME finance in a coordinated fashion.

The demographics of Pakistan represent a predominantly rural landscape with nearly 70 percent of the population involved in on or off farm economic activities. In such challenging circumstance, reduction of gender inequalities requires that women have access to increased decision-making power over both household finance as well as over national economies and that they are simultaneously capacitated enough to meet the added challenge of surviving in an increasingly competitive environment being ushered in through the process of globalization.

Therefore, Public Policy must accord high priority to the development of the MSME sector with particular focus on women given the potential for generating employment, increasing incomes and reducing poverty. **[Mr Ghalib Nishtar is President, Khushhalibank Limited]**