Chapter 3

State of the Business Environment

> 'That growth [of women's income] represents the biggest emerging market in the history of the planet. … It's seismic stuff, and the impact of the shift – one that few leaders, either in the political world or in business, have fully grasped – will be broad and deep.'
>
> – '*The real emerging market*', Newsweek *(Foroohar 2009)*

Against the backdrop of what is considered to be the worst financial crisis since the depression of the 1930s there could not be a more apt moment for policy-makers in the Commonwealth to implement measures that support GRI. This chapter examines the role governments play in facilitating GRI as well as the key areas policy-makers might consider focusing on in order to fully maximise the potential of women. It reviews factors within the enabling environment that affect women's ability to access the financial services that are critical to enterprise development and the stimulation of economic growth.

3.1 What does gender have to do with the enabling environment?

The attainment of gender equality and women's empowerment depends heavily on resource requirements such as education, livelihood opportunities and political and civic engagement. While the potential exists for such resources to contribute to positive change in women's lives, they are governed by social and institutional frameworks that determine how these resources can be realised.

The majority of Commonwealth governments have policies in place to create an enabling environment for enterprise; these are aimed at generating greater economic opportunities, increasing job and wealth creation and stimulating economic growth. However, if governments are to encourage a more equitable distribution of income, closing the gap in gender equality is a necessary condition to create an egalitarian environment; in the long term, a country's competitiveness, GDP per capital and level of human development will be directly correlated to its ability to do this (Hausmann et al. 2011).

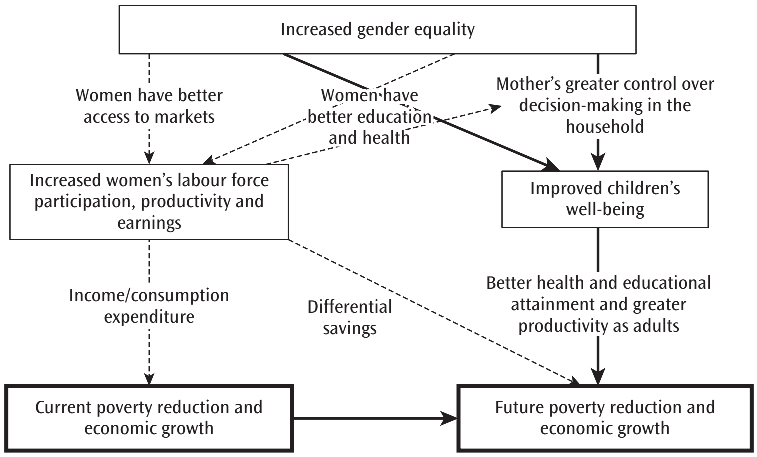
Empirical research by the World Economic Forum measured the impact in countries closing the gap in gender equality in the areas of health and survival, educational attainment, political participation and economic empowerment and found increased levels of household savings rates and a shift in spending patterns to certain industry sectors such as food, health care, childcare, education, consumer durables and financial services (Hausmann et al. 2011). In Bangladesh and India, research suggests that increased political participation and civic decision-making have led women who occupy roles in local government to implement policies that have better outcomes for the community than when men are in charge of budget allocation (ibid; Rahman Khan 2006).

However, even countries that have fully closed the gaps in gender equality in some areas and have made equitable investments to provide universal access to education and health will have significant pockets of inequality, particularly in the areas of political participation and economic empowerment (Hausmann et al. 2011). For example, gender mainstreaming, especially with regards to gender responsive budgets, has had some limited success but often uses women's productivity as a measure of economic empowerment and poverty alleviation, ignoring the impact of a broad range of social divisions and social relations that constrain women's economic choices and opportunities and not measuring the full scope of women's productivity in economic terms. This trend renders women less visible and overlooks critical social and institutional factors that perpetuate this imbalance. These inconsistencies arise largely from developing and implementing gender-neutral policies that are neither gender sensitive nor inclusive.

There are compelling reasons for governments to create an environment where women can access greater economic opportunities, but this must be done with the understanding that gender-neutral policies often have gender-biased outcomes (Simavi et al. 2010). A country's legal and regulatory framework may impede access to credit, resources, land, information, skills development and training. This type of bias may be based on gender as well as availability of time, documentation, formal schooling and other relevant resources that can facilitate access.

Similarly, institutions charged with overseeing investment climate reforms need to be sensitive to the fact that gender-neutral policy-making and implementation is no guarantee of accessibility to services and information.

Figure 3.1 A framework for understanding the links between gender equality and growth/poverty reduction



Source: Morrison et al. 2007: 2

Case Study III: Country Report – United Kingdom

In the United Kingdom, economic inequality between women and men still remains despite an emergency budget judicial review carried out in 2010. The judgment ruled that any measures outlined in national budgets are subject to equality law and called for better data collection methods to formally assess the impact of budget allocations on women and men (Women's Budget Group 2011).

The UK Women's Budget Group noted at the time that this recognition had to be accompanied by the consideration that economic policies and decisions bear a wider, and often disparate, impact on society in general because each budget measure has the potential to perpetuate or worsen existing levels of inequality (ibid.).

Though the UK ranks 16th (out of 135 countries) in the Gender Gap Index, it ranks 47th for labour force participation and 57th for wage equality for similar work, with female labour force participation of 69 per cent compared with 89 per cent for men (Hausmann et al. 2011). The pay gap between women and men in full-time employment is 15.5 per cent, and 64 per cent of low-paid workers are women (Office for National Statistics 2010). The gaps in wage equality, as well as the indicators on women's political empowerment sub-indexes, are factors in the UK's ranking behind other European countries.

Recent expenditure cuts outlined in the Spending Review are expected to affect single mothers, female pensioners and female heads of household in particular. It is estimated that within the next two or three years, households in the UK will lose public services benefits of the equivalent of 6.8 per cent of their income, with female single pensioners losing 11.7 per cent and single mothers 18.5 per cent. The Women's Budget Group estimates women are the hardest hit by these cuts because they contribute up to 72 per cent in savings contributions as a result of changes in personal taxes and other sector cutbacks in benefits in the June 2010 budget. The imbalance of these effects has not been addressed in the 2011 budget.

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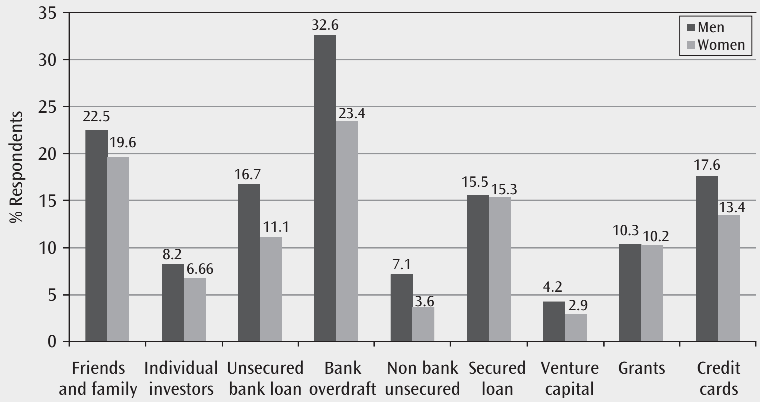
Case Study III: Country Report – United Kingdom (cont.)

Research commissioned by the Financial Services Authority revealed that 6 per cent of women in the UK had no financial products at all compared to only 4 per cent of men. Indeed the differences between women's and men's use of financial services in Britain run deeper. Women's businesses tend to be undercapitalised at the start-up stage and seek less external finance in general and equity finance in particular (Women's Enterprise Task Force 2009). Women also own slightly fewer products and prefer different distribution and delivery channels to men – having a much stronger preference for more traditional face-to-face transactions (Financial Services Authority 2001).

Figure 3.2 Sources of finance for business start-up, UK



Source: Global Entrepreneurship Monitor 'UK Adult Population Survey 2007', see : www. Icpsr.umich.edu/ICPSR/studies/20320 (accessed 4 March 2013)

In the area of access to formal banks, 96 per cent of women in the UK over the age of 15 years have a bank account and 54 per cent of the population have placed their savings in a financial institution according to research conducted in 2011; however, only 12 per cent received a loan from a formal lender compared with 14 per cent who received a loan from a family member or friend.[14] These low formalised levels of lending indicate a certain amount of financial exclusion, specifically to the extent that bank account holders utilise other forms of financial services.

Women and lone parents remain particularly vulnerable to financial exclusion. Research carried out by the Financial Inclusion Taskforce suggests the majority of users approaching illegal moneylenders are women and often single parents. The number of unbanked households seeking to open bank accounts is rising among the single head of household demographic, where it is most likely the women is a single mother. The Department for Business, Enterprise and Regulatory Reform (BERR) has tried to address these issues by providing free money advice to over 66,000 people, half of whom are women. BERR has also instituted projects throughout the UK to tackle illegal lending and provide support for victims (HM Treasury 2007).

The government's efforts in the area of financial inclusion are wide-ranging to fit the scale and scope of private sector development in the UK, which is a positive characteristic in keeping with the different levels of need and priorities of the population. For example, of the 46,000 affordable loans provided by the Department for Work and Pensions (DWP) Growth Fund, 46 per cent are allocated to women.

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Case Study III: Country Report – United Kingdom (cont.)

The 'Thoresen review of generic financial advice' (HM Treasury 2008) identified areas where financial inclusion initiatives can help one group but not have measurable effects on other groups. This is not a negative characteristic of inclusion programmes in the UK but does reflect the need to provide information on the variety of ways in which these services help excluded groups and, more importantly, the need to consider the ways in which these groups are able to access the services.

Overall, the review found that once an individual was ready to seek advice, it was readily available, and generally there is continuity of services and funding throughout. Financial advisers are trained in issues related to vulnerable groups and they are able to advise and inform clients objectively. Financial service advisers and providers were generally found to be trusted by users and to have an impact on the reduction in use of illegal moneylenders and unreliable credit and savings schemes.

The review recommended several initiatives to money and debt advice service providers, notably understanding when to deliver assistance to vulnerable groups and recognising that financial exclusion may be one of several problems the client may face. For example, sensitivity to cultural biases regarding women's access to financial services is one of the areas to be considered. The review also made specific recommendations to central, local and devolved governments, including the provision of funding to financial and debt advice capability programmes to ensure continuity of service to users and investments in training staff, particularly those working with women and vulnerable groups.

3.2 Current status of women in the economy

3.2.1 The playing field is not level

While women business owners are significant contributors to GDP growth, many economies still retain legislation and/or regulations that treat women and men differently in ways that may affect their opportunities as entrepreneurs and workers (World Bank 2010). Globally, informal sector producers and traders – a sector where women are heavily represented – experience efficiency constraints due to exploitation at the hands of petty officials and by traditional barriers to women's access to and control over productive assets. Women's potential as producers is undermined by lack of land rights or inadequate access to technology, credit or other services. Of the 33 Commonwealth countries covered in the CGAP and World Bank's 'Financial Access 2009: measuring access to financial services around the world' report, only seven – Ghana, India, Malawi, Mozambique, South Africa, Swaziland and Zimbabwe – made exceptions from requirements to open a bank account for low-income applicants. Usually these requirements include 'proof of income' and 'proof of employment', which are often difficult for women producers in the informal sector to comply with.

3.2.2 Women's labour force participation generally lags behind men's

Evidence-based research indicates that closing the gender gap, particularly in the areas of education and labour participation, leads to benefits at the household level, raising women's bargaining capabilities within the domestic sphere (Simavi et al. 2010). At the macroeconomic level, from a competitiveness perspective, women's low participation in remunerated work and exclusion from formal employment results in occupational segregation. This tends to reduce the allocation of human capital and distorts the allocation of economic resources that could enhance sectoral development.

The Bahamas rank 1st and Lesotho 2nd (the only country in sub-Saharan Africa to have closed the gap in both education and health) out of 135 countries in the Global Gender Gap sub-index for economic participation, ahead of New Zealand (11th), Canada (10th) and Australia (18th). This means both women and men are afforded equal opportunities for economic participation and yet there is an income differential between women and men for similar work done, suggesting that other factors determine labour force participation.

In Lesotho (9th in the overall Gender Gap Index), for example, 72 per cent of women compared with 79 per cent of men participate in the labour force and wage equality for similar work is 0.83, above the regional average of 0.65 (Hausmann et al. 2011). However, property and inheritance legislation favours men. There is no measure as yet of women's access to financial services, and access to land and financial resources is limited. In The Bahamas, 72 per cent of women participate in the labour force compared with 83 per cent of men, but despite the country's relatively high ranking (22nd) on the overall Gender Gap Index, there is no measure of the wage inequality or indicators to measure financial exclusion.

High female participation rates are also determined by their ability to combine childcare and work through shared participation in the care of family members; equitable distribution of domestic duties; work-life balance favourably determined by declining birth-rates; availability of affordable childcare centres; remunerated maternity leave and extended paternity leave combined with other schemes such as flexible working hours or job share; and other benefits such as tax incentives, social insurance funds and other programmes to help women re-enter the job market after having children.

Box 3.1 Commonwealth Caribbean – closing the gender equality gaps

Overall, the Caribbean region is a consistent performer in the areas of educational attainment and health and survival, holding 2nd position after North America in the regional rankings and ahead of Europe and Central Asia.

Trinidad and Tobago is the best performing country in the region (21st in the overall rankings) with women making up 43 per cent of legislators, senior officials and managers and holding 34 per cent of ministerial positions.

However, the gap in labour force participation remains wide in many Commonwealth Caribbean countries. In Jamaica, for example, the female labour force participation rate is 61 per cent compared to a male participation rate of 78 per cent. In Belize, female labour force participation stands at 50 per cent when compared to 83 per cent male participation.

Source: Hausmann et al. 2011

While the past 10 years have seen the gap in labour force participation between women and men narrowing, there remains much to be done as women rarely hold positions of authority economically or politically (United Nations 2010).

3.2.3 Women spend at least twice as much time as men on domestic work

In every region of the world, women bear the brunt of domestic responsibilities including caring for children and other dependent household members, preparing meals and doing other housework, which limits the amount of time they have to put towards economically productive activities. Studies have shown that there are factors such as cultural attitudes towards women, time spent in paid employment, economic power within the household and degree of educational attainment that can redistribute the burden of domestic labour (Baxter 1992).

Research indicates that agency in the gendered division of labour is determined as much by structural factors, such as the cultural and socio-political context, as by the effect that the availability of resources available to women, including employment outside the home, has on their bargaining capabilities within the household (Crompton et al. 2005).

While women undertake the large majority of household and childcare tasks in most countries regardless of their employment status, employment can influence the gender imbalance in the allocation of domestic work. The probability of men working in the home is increased by the number of hours his partner works outside the home – though this redistribution of labour is restricted because it is related to the actual change in housework time, which is also limited. More importantly, women working outside the home experience a change in their bargaining capabilities. They may also find they can pay to outsource household work. Though paid employment will have no measurable effect on men's housework hours, unemployment resulting in loss of financial income will increase both men's and women's housework hours. High-income earning potential also influences the gendered division of domestic labour as do years of formal schooling, high educational attainment and age, factors associated increasingly with more egalitarian attitudes toward women (Fortin 2005).

3.2.4 Women are disproportionately affected by barriers limiting access to investment

Businesswomen are less likely to have ownership or control of assets to pledge to lenders as collateral and tend to have lower education in the less developed regions. They can be more affected by eligibility barriers due to difficulties in obtaining documentation required; by physical barriers due to difficulties in physically accessing services; and by affordability barriers, given that on average women's income is lower than men's. In many countries, traditional views about women's roles also prevent them from fully participating economically.

Women require the support of well-conceived government policies, as well as practical assistance in the workings of institutions and programmes in order to thrive. Policy-makers need to understand women's enterprise and the constraints to women accessing finance in order to implement engendered investment policies.

3.3 Benefits of GRI to the economy

3.3.1 Access to financial services directly impacts GDP growth

The bulk of empirical evidence suggests that developing the financial sector and improving access to finance is likely to not only accelerate economic growth but also reduce income inequality and poverty. Stronger financial systems can, among other things, promote business start-up, enterprise growth and innovation, thereby improving aggregate economic performance (World Bank 2008). Governments have an important role to play in increasing financial access, particularly to women, who remain an under-served market.

3.3.2 Increasing the proportion of women who are banked

Despite the benefits of greater financial inclusivity, women receive a substantially lower proportion of credit. Women-owned businesses across the Commonwealth tend to be smaller and use less external financing. Women are starting and running businesses in record numbers but remain under-represented in the formal banking system (Financial Access 2009).

3.3.3 Poverty reduction

GRI provides opportunities for women to access funds for productive uses thus encouraging enterprise development, boosting growth and reducing poverty. Greater inclusivity is critical for sustainable economic growth and leads to greater equality of income and poverty reduction.

3.3.4 Increasing the number of women trading in the formal sector

If women are able to manage their businesses within the formal sector of the economy, they are more likely to access the supporting business services they need to expand. Furthermore, formal businesses are more likely to pay appropriate business taxes to provincial and/or central governments, with clear benefits to the economy.

3.3.5 A channel for social protection

Social protection is defined by the United Nations Research Institute for Social Development (UNRISD) as policies and programmes aimed at addressing, managing and preventing the causes of poverty, vulnerability and exposure to social and economic risks such as unemployment, exclusion, illness, disability and old age (UNRISD 2010).

With respect to GRI, social protection concerns include the informalisation of women's labour within certain service sectors, particularly during periods of economic downturn, and the implications for women's access to social security, labour rights, insurance and pension schemes, and women's ability to find paid employment, skills training and professional and entrepreneurial development.

The principle of addressing inequality and vulnerability is ingrained in development practice, yet social policy spending by national governments generally makes up a proportionally small percentage of GDP, and is under constant threat of cutbacks to meet other budget obligations (Fine 2009). Social protection systems are failing families and communities, 'with social insurance giving way to social assistance with an array of poverty traps and unemployment traps' (Standing 2007). This is because social protection systems are not always attuned to difference – not just gender difference, but to the specific needs and priorities of individuals. Neglecting those differences affects policy outcomes and therefore has long-run implications for the efficacy of policy design.

GRI addresses these differences to allow for more inclusive policy outcomes that stem not from a provision of basic welfare but from the understanding that gender differences are entrenched in legislative and regulatory systems, social and cultural practices, and lack of access to civic institutions and decision-making channels.

3.4 Framework for policy-makers

In order for government to act as an effective catalyst for GRI it needs to have comprehensive policies as well as a broad set of institutions to implement, monitor and evaluate those policies. Policy should broadly support long-term transformation in the way in which women are viewed in society, placing more women into positions of leadership within politics and government agencies as well as encouraging the private sector to invest in promoting women to senior management and board level positions.

Policy recommendations for financial inclusion are already part of the work most governments plan and provide for. Enhanced education and financial literacy, increased training in non-traditional sectors to redress the imbalance of SME concentration in the service industry, helping women and other vulnerable groups develop work experience and professional networks, and creating an inclusive investment climate are policies already in place within other programmes such as microfinance lending, agricultural reform, infrastructure investments and private sector development. Focusing on GRI is a necessary component of the sustainability and success of policy implementation over the long term.

3.4.1 Education

Investment in education, particularly to facilitate universal access to tertiary education, is a key strategy in human capital formation and ensuring productivity. Helping women further develop their education, skills and experience is fundamental in helping them access financial resources. Since 1970, the number of women taking up tertiary education has grown at a rate almost double to that of men (UIS 2010). The United Nations Educational, Scientific and Cultural Organization (UNESCO) measure of the tertiary gender enrolment ratio (GER) is now higher for women than men in 92 out of 131 countries, though sub-Saharan Africa and South and Central Asia still exhibit low female participation at this level. However, this positive trend has yet to translate into greater representation of women in managerial positions and sustainable entrepreneurial businesses.

Women tend to have lower financial literacy in developing countries, and even within developed countries women appear less comfortable dealing with complex financial products. Research is also emerging suggesting that women are reluctant to engage with complex financial products because these are poorly designed for their needs (Silverstein and Sayre 2009a). Yet, this may directly affect their ability to establish and grow enterprises in the formal sector and in turn their ability to access finance.

3.4.2 Legal and regulatory environment

According to the IFC, up to 80 per cent of economic activity in developing countries takes place in the informal sector. The informalisation of the labour market is due to barriers to access to formal sectors of the economy regulated by bureaucracy, lack of institutional transparency, skewed competition practices favouring big firms, and established social networks.

In many developing economies, non-capitalist modes of production function parallel to the formal market. Subsistence farming, animal and petty commodity production and bartering frequently blur the connection between home-based labour and production and the market economy. Participation in the informal economy ignores the impact of a broad range of factors that constrain and limit livelihood and employment opportunities that could lead to poverty eradication. Social transformation in the area of economic development is vital in setting an agenda that aims to change the institutional practices that are gender blind and discriminatory.

Of fundamental importance in developing formal businesses and fostering entrepreneurialism is the right to access and control property. There are quantifiable gender differences in legal status and property rights that bear directly on women's ability to access economic resources. Of 136 countries surveyed by the IFC, only in 20 countries were legislative gaps between women's and men's economic rights closed (IFC 2011a). Governments are encouraged to understand the differences between recognising the principles of non-discrimination and equality within their own constitutions and legislation that reinforces a husband's legal right to control his wife's property or inheritance laws that render women's property rights less secure.

Determining property rights is a complicated process, particularly in countries where non-codified customary law is a formal source of law, such as the Pacific islands (see Box 3.2). In sub-Saharan Africa, most land is awarded to men under customary law. In Kenya women make up 5 per cent of registered landowners, while in Ghana men's share in landholding exceeds women's by up to three times (IFC 2011a).

Insufficient collateral, deemed by formal credit institutions as immovable assets such as land and property, is cited as one of the main reasons for rejecting business loan applications. Not having access to collateral is cited, in turn, as one of the main reasons women will not seek out a loan to start a business. In Bangladesh and India, where marital practices often transfer women's ownership of land to the husband, the absence of land deeds also acts as a barrier to women farmers seeking credit (IFC 2011a). Rural and agricultural reforms and land development programmes that grant deeds and land titles to the head of household, presumed to be the man, also undermine women's property rights. Customary laws may require women to seek their husband's permission to gain access to land, property or other assets that are in turn

Box 3.2 The Pacific islands – some discriminatory laws

In the five Commonwealth Pacific islands – Papua New Guinea, Samoa, Solomon Islands, Tonga and Vanuatu – gender constraints are wide-ranging and entrenched in cultural and historic factors. Women are significant private sector players but remain in the informal sector.

Customary law tends to include discriminatory practices against women – for example, in relation to property rights and the allocation of resources such as land. These are key productive assets that can be pledged to lenders as collateral. In all five islands, for example, laws on inheritance in the absence of a will are discriminatory and could affect women's economic opportunities:

Papua New Guinea	Samoa	Solomon Islands	Tonga	Vanuatu
The Wills and Probate Act provides for the application of customary law where there is no will. As customary inheritance laws are based on patrilineal lines, they discriminate against women.	Although the Administration Act 1975 provides for equal treatment, customary law applies to land and discriminates against women.	The Wills Probate and Administration Act gives equal inheritance rights to women and men. However, customary law has constitutional status and customary inheritance laws discriminate against women.	The Probate and Administration Act has codified customary law and contains discriminatory provisions, including that on the death of her husband the wife only inherits a third of the estate (as opposed to the husband who inherits the whole estate from his wife).	The English Administration of Estates Act 1925 applies where customary practices do not. The custom in some communities is that daughters lose their entitlement to land when they marry.

All five islands have entered into international commitments on gender equality

Source: Hedditch and Manuel 2010

required as collateral when seeking credit and formalising a business.

Regulatory changes that encourage the formalisation of businesses lead to an increase in access to finance (IFC 2011a). Women entrepreneurs in particular choose to stay informal due to a number of constraints including high business entry costs and burdensome registration processes. Studies have shown that investment climates with high entry costs are associated with a larger informal sector. In sub-Saharan Africa and the Pacific islands, while both women and men face constraints in formalising their businesses, women face additional challenges due to overall lower levels of financial literacy, professional experience, proper documentation and credit needed to register and upkeep their enterprises.

Regulatory reform in the financial sector can help address the problem. For example, in India, Pakistan and Sri Lanka, women commonly hold their wealth in gold, traditionally in the form of jewellery, which is now accepted by some formal institutions as collateral.

With respect to GRI, investment climate development and reform is necessarily carried out with national and international development partners, financial institutions and private sector stakeholders due to the nature of gender-specific factors related to financial inclusion. Gender-specific policy prescriptions formulated among a broad range of actors and stakeholders would address gender bias in investment climate reforms.

3.4.3 Financial infrastructure

The benefits of improved secured transaction laws that allow the use of movable assets as security and are applied to all borrowers – particularly businesswomen, who are less likely to possess fixed assets as collateral – should result in increased access to finance.

Financial services regulations can strengthen the rights of lending institutions to realise security and enforce contracts, thus boosting the level of credit and lowering its cost, if they are able to count on government support. For example, DFCU Bank in Uganda, a development finance institution regulated by the central bank, designed a land loan programme to help women acquire land to build their collateral portfolios in order to grow their businesses.

Borrowers are increasingly able to take advantage of asset-based forms of financing such as leasing and factoring, key instruments in SME development. A lease is a medium-term financial instrument allowing for the rental of an asset over a contracted period of time. For example, the lease of farm machinery can help small-scale growers with a timely harvest and delivery to market. As previously noted, SMEs traditionally struggle to obtain working capital through a general lack of assets that can be used as collateral. In this case, accounts receivable is the most commonly used firm asset and these can be converted into a financial tool called factoring. In Tanzania, for example, Sero Lease and Finance Limited, a women-based microfinance leasing and finance company, provides business loans to help women-run businesses build the fixed capital investment portfolios needed to grow their businesses (see case study IV).

Reform of collateral laws and credit information systems can mitigate women's (and SMEs in general) lack of access to formal credit and land. Strong creditor's rights can allow for the use of movable property as security. This has led to higher ratios of private sector credit to GDP (IFC 2010).

Research has shown that robust credit information systems that record data on loan repayments and timely payments on utilities and to trade creditors benefit women-run businesses as they can rely on a standardised system of data collection to present their credit histories when seeking loans. The primary benefit of credit information systems is the establishment of 'reputational collateral' through the payment performance of individual and firm borrowers (Miller 2003). The reduced reliance on traditional collateral, a key factor that restricts women's access to finance, serves to make more capital available to women.

Furthermore, borrower information enables lenders to pursue alternatives to the relationship lending that is prevalent in weak financial markets and, by virtue of its reliance on personal interaction between lender and borrower, discriminates against firms outside formal credit networks – firms predominately owned by women. Not only does relationship lending entail high costs for lenders, but the availability of capital may also be restricted where it is not viable due to the small value of loans. Governments have an important role to play by facilitating the establishment of credit registries, in line with G20 leaders' agreement to the financial inclusion agenda, and by promoting legislation to facilitate information sharing between lenders and independent accredited credit bureaus.

There are two factors that may benefit women more. First, low minimum loan thresholds for private credit bureaus and public credit registries are more favourable to small businesses, which are disproportionately owned by women. Second, the collection of credit information from microfinance institutions (whose clients are mostly women) enables women to graduate from micro-credit to larger loans (World Bank 2010).

New technologies such as internet banking and mobile phone banking can also be a powerful tool for eliminating some of the barriers to physical access to financial services and lowering transaction costs. Up-to-date legislation is required to ensure that contractual obligations are enforceable and to foster innovation. There is a huge potential market in Africa, for example, where there are more mobile phones than bank accounts.

3.4.4 Business support institutions

Business support institutions such as women's business associations, business development service providers and information centres play a critical role in the growth of women's enterprises through providing practical business skills as well as networks and information. These institutions, however, often require technical support and funding to maximise their effectiveness.

3.4.5 Indicators for tracking progress

Indicators are needed to track progress from policy and planning stages to implementable strategies that effect change on women's access to finance. Systematic indicators on financial access are not readily available, particularly sex-disaggregated data. Further work on specifying indicators and collecting data on women's participation in the financial services sector is required to help policy-makers understand the impact of financial access and design better interventions. Independent surveys and research on the women's market on a regular basis and regular publishing and dissemination of data and information are important in stimulating the financial services sector to increase GRI.

The establishment of a dedicated government agency for SME development would aid policy-makers and relevant stakeholders in implementing investment climate reforms by:

- Ensuring government support mechanisms, including research agencies and credit bureaus, collect data on women's participation in the informal sectors of the economy as well as on the potential of women's entrepreneurialism for growth;
- Better addressing the gender differences in financial inclusion through research and/or interventions to expand financial literacy and business training, in association with financial institutions;

- Establishing more inclusive public-private partnerships and dialogue with women-led business leaders and related associations

Case Study IV: Leasing

SECO-IFC Leasing Programme, Tanzania

> 'These women would have been turned away by the local bank and forced to fend for themselves. I came along as an intermediary who was willing to give them a chance.'
>
> – *Victoria Kisyombe, Managing Director and Founder, SELFINA, Tanzania*

Summary

The SECO-IFC Leasing programme in Tanzania was established in 2005 to support the development of Tanzania's leasing industry. Predominately funded by the IFC and the State Secretariat for Economic Affairs of Switzerland (SECO), the programme was implemented by the IFC's technical assistance arm PEP-Africa.

The programme included analytical work on existing leasing laws, drafting and enacting of new leasing legislation and capacity building of legislators, regulators, parliamentarians and the private sector to create a dynamic leasing industry. IFC also organised workshops and conferences to promote the industry and galvanise new local and international investment.

Leasing is an important alternative financing instrument for micro, small and medium-sized enterprises unable to obtain term financing from banks due to collateral constraints and unavailability of long-term capital. Leasing companies that benefited from the programme include Sero Lease and Finance Limited (SELFINA), a woman-owned micro-leasing company that has to date extended over 16,000 micro-lease contracts to women.

Issues addressed

According to the World Bank (2010), some Tanzanian legislation is differentiated by gender – for example, laws governing inheritance rights over movable and immovable property. And in practice women are less likely to inherit assets that can be offered to banks as collateral. Furthermore, women-owned SMEs are accessing only 8 per cent of available credit compared to 24 per cent by male-owned businesses (World Bank 2005). A vibrant leasing industry could provide a valuable source of financing for women-owned businesses.

In 2005, there was a lack of clarity for financial leasing under Tanzania's existing legislative framework, including the regulation of the industry and treatment of VAT, as well as light regulation by the central bank of non-deposit taking institutions such as pure leasing companies. In addition, financial services providers had concerns over dispute resolution through the judicial system. Legal uncertainty for leasing operators and unnecessary restrictions deterred operators from the leasing industry.

Tighter laws were required to attract investment to be channelled into leasing operations and to protect the interests of financiers. There was also a need to develop the nascent leasing market, particularly generating awareness and understanding of leasing, promoting investment in the industry, building technical skills and generating secondary markets for leased equipment.

(*Continued*)

Case Study IV: Leasing (cont.)

Description of initiative

Under the Tanzania Leasing Programme, a broad range of interventions were implemented as follows:

- Technical assistance and capacity building was provided to the government and central bank centred around building a favourable legislative, regulatory and tax environment to develop financial leasing;
- A regulatory framework was developed for leasing companies that included minimum capital requirements, entry and exit requirements and corporate governance;
- Leasing product and business development support was provided to over 45 institutions in order to promote the launch or expansion of leasing services; the types of organisations that benefited included banks, prospective leasing companies, equipment supply companies, institutional investors and micro-leasing companies such as SELFINA;
- Training for leasing services providers and prospective operators was delivered and included topics such as understanding of different funding mechanisms for leasing companies, leasing company structures, deal structuring, legal documentation, lease marketing, lease taxation, lease accounting and asset monitoring and management;
- Training and capacity building was provided to professional associations, firms and regulators;
- Domestic and international investment for leasing was mobilised;
- Public information and awareness campaigns on leasing issues were conducted and reached over 2,000 people;
- Support was provided for the establishment of a Tanzania Leasing Association; and
- Technical publications and materials were disseminated to over 3,000 people.

Results to date

Highlights of the programme include:

- In the three and a half years of the programme duration (May 2005 to December 2008), there was a five-fold increase in leasing activity in Tanzania from US$32.5 million to approximately US$150 million;
- At least four new leasing services providers had commenced operations by the programme closure in December 2008, with a further four more scheduled to begin operations;
- A new financial leasing law, the Financial Leasing Act (2008), was enacted;
- The Tanzania Leasing Association was established to support the sustainable development of the leasing industry; and
- SELFINA benefited from the improved leasing environment, capacity-building activities and advisory services from IFC PEP-Africa and IFC Women in Business. Key statistics include:
    - SELFINA obtained up to US$1 million in commercial bank financing for micro-leasing activities in 2007;

(*Continued*)

Case Study IV: Leasing (cont.)

- As at December 2007, a repayment rate of 100 per cent with 2 per cent repaid in arrears had been achieved;
- As at 2010, the company had provided lease contracts to over 23,000 beneficiaries for equipment such as small tractors, water pumps, irrigation equipment, sewing machines, milling machines, oil extraction machines and bicycles;
- Credit worth US$22 million was issued to women in Tanzania and more than 46,000 women benefited from a range of social and economic empowerment activities including business training, life and health management skills, legal rights and mentoring;
- The organisation obtained a further US$600,000 in quasi equity along with a grant for streamlining of operations and strengthening of management; and
- International awards received including the Schwab Foundation Social Entrepreneur of the Year for Africa (2010) award.

Sources: www.ifc.org/ifcext/gfm.nsf/Content/Leasing; The Wharton School 2010; Grassroots Business Fund undated; Schwab Foundation for Social Entrepreneurship undated

Further information: www.ifc.org/ifcext/gfm.nsf/Content/Leasing