

MARKET ASSESSMENT

Access to Finance Barriers for Women Entrepreneurs



Of the 72 million women-owned micro and small businesses, 80% of them are unserved or underserved globally.

The Ignite program aims to overcome barriers to finance such as access to loans, collateral requirements, and distrust in formal financial institutions. Ignite works with financial service providers to design relevant financial products, trainings, and communication materials. Ignite also provides critical support services and outreach campaigns. The following are synthesized findings on access to finance from a market assessment conducted across Vietnam, Pakistan, and Peru.

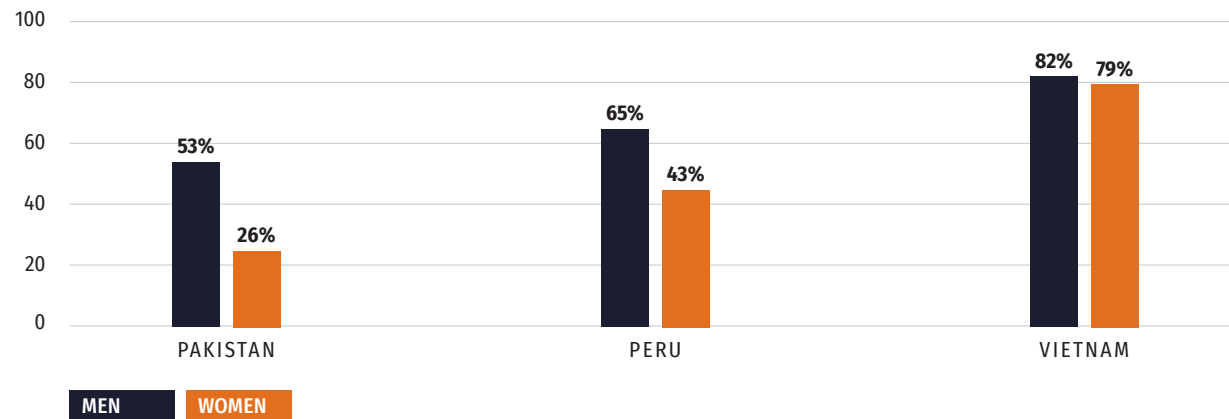
Barriers to Access and Usage

Limited Account Ownership

Account ownership is a significant first step towards financial inclusion and economic empowerment, as well as an important measure of control over productive assets for female growth entrepreneurs. Entrepreneurs reported lower account ownership

than their male counterparts. Not surprisingly, the biggest difference was in Pakistan (27% more men own accounts) and the smallest difference in Vietnam (only 3% more men own accounts).

Growth entrepreneurs with a bank account (%)



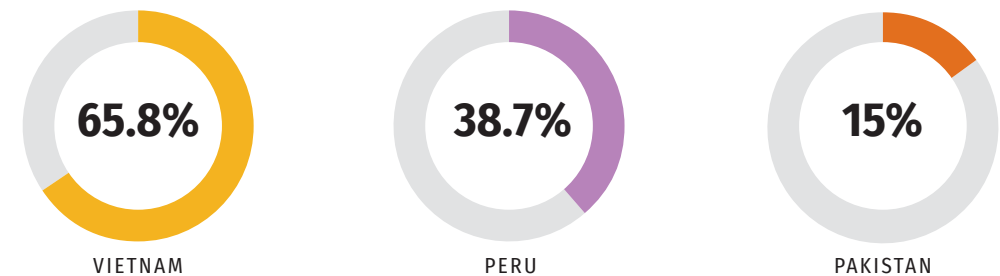
Limited Access to Relevant Credit

Women entrepreneurs reported limited access to loans of the right size and terms, leading to lower ownership of productive assets by women - a vicious cycle that continues to limit access to loans for women-led firms.

Barriers include:

- Male guarantor requirements for collateral
- Physical asset requirements for collateral
- Access to formal credit history
- Systemic gender bias

% of women-owned micro and small businesses with access to credit



Low Financial Literacy

Across all three countries, we found a limited understanding of how credit products work and how to access them.

Lack of Trust

Often citing bad experiences with banks and loans, women entrepreneurs say they have a “lack of confidence” and a “lack of trust” in formal financial service providers and their products. In Pakistan, only 3% have taken a formal loan, and in Vietnam, only 20%.

Unfavorable Loan Products

Formal loans are ultimately less convenient. Respondents cited that formal loans have fewer requirements, and cash savings in their own homes is more convenient, even if it's less safe.

The top barriers to loan uptake cited by entrepreneurs include unfavorable loan product terms and conditions, such as high interest rates, inadequate loan sizes, and restrictive collateral and guarantor requirements.

Women-owned MSMEs in the three Ignite economies collectively face a financing gap of over \$10 billion USD that restricts their growth.

Digital Financial Services

Digital financial inclusion (and the use of digital services and channels) is associated with higher GDP growth and has contributed to closing gender gaps in financial inclusion.

There is a high level of awareness (98% PK, 90% PE, 90% VN) of alternate and digital delivery channels for financial services – largely driven by mobile money and wallets.

Current levels of trialing digital financial services products (68% PK, 25% PE, 82% VN) vary across economies, with Peru having the lowest rate of exposure.

Low digital literacy, restricted mobile ownership (PK), lack of trust with providers (VN, PE, PK) and a low understanding of functionality (PK) are the top barriers to usage.

The gender gap in digital financial services is strongest in Pakistan. Only 10% use digital banking services, and male entrepreneurs are four times as likely to have used it (12%) compared to females (3%). In addition, women are 38% less likely to own a mobile phone and 49% less likely to access the internet than men.



“After the training, I created accounts with JazzCash and EasyPaisa (microfinance applications) which made things very convenient for our clients as they are accessible in all the regions of the country. Because of these applications we were able to receive all the transactions from clients on time.”

Hina Sadaf Butt, Ignite Program participant, Pakistan

How is Ignite Responding?

CARE has worked with financial service providers (FSPs) to better understand the unmet needs of women entrepreneurs who are current and potential clients. Together we have:

- Identified their top barriers in accessing and using financial services.
- Designed and adapted tailored and relevant products to remove these barriers including:
 - Removing credit history barriers by using alternative non-traditional forms of credit risk assessments (Peru)
 - Using artificial intelligence and facial recognition to overcome identification challenges (Peru)
 - Removing male guarantor and strict guarantor requirements to allow more and different family, friends, and peers to serve as guarantors (Pakistan)
 - Reducing interest rates by 1-2% for women micro and small businesses (Vietnam)
 - Designing digital lending journeys across all three economies to overcome mobility issues for women
- Actively incorporated women entrepreneurs in FSPs' overall digital strategies.
- CARE is also providing ongoing training, coaching and support covering hard and soft skills and is investing in digital capabilities

THE IGNITE PROGRAM

WHERE:
Pakistan, Peru, Vietnam

WHEN:
2020-2022

DONOR:
Mastercard Center
for Inclusive Growth



Access to finance, such as loans with more flexible terms



Access to critical support, such as mentors and digital skills



Outreach campaigns, focused on financial education and harmful gender norms

IMPACT TARGETS BY 2022

- 3.9 million entrepreneurs
- 131,000 deeply supported entrepreneurs
- >50% women