

# Women's Empowerment through Gender Transformative Market Opportunities (WEGO) A Gendered Financial Service Needs and Accessibility Analysis Study Brief

Agriculture is the main source of livelihood in Ethiopia that contributes more than 35% to GDP, and 70% to employment sources ([T. Abdisa, A. Mehare, and M.B. Wakeyo, 2024](#)). Around 80% of Ethiopian workforce are employed in agriculture where women make up 40% of that but discrimination, gendered social norms and institutional constraints have impeded women farmers' full participation in agriculture activities ([The World Bank, 2019](#)). More than 50% women engaged in agriculture receive no payment, female farm managers produce 36% less per hectare than their male counterparts and are less likely to access extension programs and formal credit ([The World Bank, 2019](#)).



The **Women's Empowerment through Gender Transformative Market Opportunities (WEGO)**- a five-year program funded by the [Bill & Melinda Gates Foundation](#) and implemented by [CARE Ethiopia](#) in partnership with the **Ethiopian Ministry of Agriculture (MoA)** - aims to increase women's empowerment in agriculture through **gender transformative market investments** to strengthen institutional systems for gender integration within the ministry and increase income for 10,000 (5,800 women small-scale farmers and 4,200 male farmers), by implementing gender transformative activities in horticulture and diversification in livestock in Ethiopia. WEGO serves as a blueprint for realizing MoA's vision for gender integration in line with the ministry's Gender Equality Strategy for Ethiopia's Agriculture Sector (GESA).

## A Gendered Financial Service Needs and Accessibility Analysis Study Findings

In September 2023, WEGO conducted this study to understand the gender gap in financial services accessibility, availability, and usage in four woredas of Amhara (Fogera and North Mecha) and Sidama (Wondogenet and Shebedino) regions in Ethiopia. It examined the barriers, opportunities, needs and perspectives of both the demand and supply sides to provide recommendations for gender transformative financial inclusion through a mixed-methods approach interviewing a total of 519 (54.9% women) participants.



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## IMPROVED STATE OF FINANCIAL SERVICES

- National Bank of Ethiopia (NBE) is leading the efforts on MFIs<sup>1</sup> upscaling and banks downscaling aimed at creating financial access to MSMEs<sup>2</sup>.
- The Ministry of Agriculture-backed NBE directive for commercial banks to allocate 5% of their annual loans to cooperatives, unions and small and micro enterprises in the agricultural sector is underway.
- The NBE directive allows banks to accept movable assets (such as large livestock camels, cattle, etc.) as collateral for loans and advances.
- The NBE directive regarding lending methodologies, terms and conditions has been progressively adjusted to include lending methodologies other than the “group lending”, extending the maximum repayment periods for loans from one to two years, and removing the interest rate ceiling on credit.
- The Development Bank of Ethiopia (DBE) is emerging as a wholesaler to create liquidity for FSPs<sup>3</sup> to address SME loan needs. Strict collateral requirements are being adjusted to accommodate uncollateralized loans like *Michu*<sup>4</sup> by the Cooperative Bank of Oromia.
- MFIs are now allowed to provide loans larger than the Br 30,000 (USD 535.65) per person limit. The repayment period of such loans can go up to five years.



## ACCESS TO FINANCIAL SERVICES

- Altogether 66.3 % of respondents have an account at a formal financial institution which presents an 11% gender gap (61.8% (n=139) of females and 72.9% (n=113) of male), with fewer women accessing such services.
- Most bank accounts were used for receiving remittance and savings, and only 15% of respondents used their accounts for credit, payments, and broader financial transactions.
- As a predictor of accessing digital financial services, 85% of respondents own mobile phone. About 15% of respondents did not have a mobile phone, of which 86% are women. Only 8% of respondents reported using digital financing services which is mainly an ATM and out of which only 34% (10) are women.
- About 64% women responded having interest in taking loans to increase production of avocados, tomatoes, and onions.
- 83% of women responded that they are not aware of available financial services because of low awareness and utilization of financial services and products, low and irregular income of WEGO target farmers, the inability to provide formal collateral, low financial literacy especially related to credit, rigid social and gender norms that constrain women's access, and gaps in suitable products on offer.



## AVAILABILITY OF FINANCIAL SERVICES

- The dominant FSPs in the WEGO program areas are Tsedey Bank in Amhara, and Sidama Bank, COOP Bank, and Omo Bank in Sidama region. Awash Bank has the widest coverage across all the program regions and woredas.
- Although RuSACCOs<sup>5</sup> and VSLAs are accessible, close to the community, and provide a greater degree of flexibility for their members, however, are lacking in strong systems and structures that provide sustainable products and services.
- There is a lack of agricultural loan products, a lack of loanable capital, limited outreach by FSPs, over collateralized credit market, and lack of tailored women-focused products.
- FSPs are working to integrate new digital payment systems, interest-free banking, and alternate low-cost infrastructure to extend financial services' outreach (such as agent banking).
- Insurance and leasing companies have negligible rural presence and products.

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### DEMAND SIDE CHALLENGES

**Awareness-related barriers:** Participants' lack understanding about the benefits & risks of accessing a financial product (such as credit/insurance) from a formal finance provider, how these financial products work, the financial terms used, where and how to apply for these finance products. Behavioral barriers, such as participants' (especially women's) feeling that formal financial services are not made for them.

**Low level of income:** Low-income participants who are mostly unbanked don't feel any requirement to open an account because they spend all they earn. If at all they save, the amount is minimal for which they don't feel the need for a bank account and save at home. Participants find it difficult to provide the collateral required, which is the central element of the supply-side barriers to agricultural finance. Participants have a double commitment to saving. They have to save for their group (collective obligations) and for FSPs (mandatory saving necessary for taking loans).

**Financial illiteracy:** Most beneficiaries (women) don't know what products and services are available for them. They don't understand the details of the schemes which are launched for them. They feel hesitant about going to FSPs.

**Social norms and gender-based barriers:** Women participants face more rigid social norms and gender-based barriers that constrain their access to and control over resources, have difficulties meeting collateral and guarantor requirements to access financial products, and have lower financial and digital literacy.

### SUPPLY SIDE CHALLENGES

- The prohibition of foreign direct investment in the financial sector is the main policy barrier. Banking, insurance, and microfinance are exclusively reserved for domestic investors.
- Lack of loanable capital to adequately expand the activities of FSP – from banks to MFIs to RuSACCOS.
- No solid linkage between MFIs, commercial banks and insurance companies making obtaining adequate funding challenging.
- Traditional bank or MFI branches are not a cost-effective channel to serve the poor and rural population at kebele or 'gott' level in the WEGO project woredas and beyond. The lack of digital connectivity has inhibited the use of remote channels as an alternative.
- Bank loans are often collateral driven, i.e. loan sizes are determined in relation to the collateral coverage rather than business needs which directly affect SMEs repayment capacity as there is over financing or underfinancing and making it difficult for the marginalized.
- FSPs consider WEGO participants as risky for financing due to the risks and potential in the loss of capital for uncollateralized loans. The cash flow from participants may prove inadequate to meet the demand for loans as observed by MFIs. Hence, they require a third party – development partner – in this process and for risk sharing.
- RuSACCOS have a gap in system and structure to provide sustainable products and services. The high dropout rate of clients is a challenge for RuSACCOS to expand outreach and efficiency.

### RECOMMENDATIONS

1. Agricultural finance ecosystem: Collaborate with public or private sectors on creating awareness highlighting the current gaps and potential solutions, with a focus on local institutions that are deeply rooted in the finance sector. The key areas of collaboration for WEGO should comprise:
  - i. Demonstrating the business case and set up of appropriate agricultural value chain financing instruments by FSPs
  - ii. Data-driven decision regarding the implementation of agricultural finance strategies on both public and private FSP levels
  - iii. Resolving institutional commitments and actions to ensure inclusive institutions that address institutional and structural barriers women face.
2. Capacity building:
  - i. Equip women small-scale producers with the knowledge and necessary skills they need to successfully access finance for effective running and transforming their farm enterprises.
  - ii. Facilitate discussion on social norms and gender-related barriers, access to advanced entrepreneurship, leadership, and enterprise management training to women in leadership roles of the various producer groups and associations.
  - iii. Seek third-party private service providers to channel strengthening support, including effective coaching and mentorship support.
  - iv. Support growth-oriented women entrepreneurs to access advanced skill-building opportunities, access trade associations and networks to present their agri-business ideas and solicit needed financing from value chain actors and FSPs.
3. Partnering for new financial services:
  - i. Prioritize working with FSPs that are offering newer products such as uncollateralized loans, flexible credit products, agricultural insurance, digital input voucher schemes, and other innovative products.
  - ii. Use WEGO's business-to-business forums, and other platforms occurring in its operation areas and themes to bring FSPs, target women smallholders, and enterprises.
  - iii. Facilitate addressing the liquidity challenges of particularly MFIs, where feasible with forward lending opportunities from DBE/private banks.
  - iv. Expand the use of its innovation fund financing to create match funding capital for competitive innovation awards together with FSPs invested in the sector.
  - v. There is an ongoing need to extend government/multilateral financed credit guarantee schemes wherever possible to the FSPs working with WEGO, and WEGO should avail needed technical assistance in the formulation of potential products with its partner FSPs.