Are Pakistan’s Women Entrepreneurs Being Served by the Microfinance Sector?

By Mehnaz Safavian

Comments by Mary Hallward-Driemeier
Three striking messages

• Disconnect between top rating of microfinance regulatory environment and practice
• Gap between largely favorable gender indicators of legal and economic rights and practice
• Gap between stated and actual borrower

Getting regulations on the books right is important – but clearly not sufficient.

- Additional rules to look at (regulation of financial institutions)
- Need to look at how regulations are enforced
- Broader issues
  - Intra-household dynamics
  - Interplay of A2F and expected economic opportunities
Additional regulations

• According to Women, Business and the Law – and a new database tracing 50 years of gender gaps in constitutional provisions of non-discrimination, family law and inheritance law:
  – 1973 constitution
    • Adds provision for non-discrimination based on gender
    • Recognizes both customary and religious law as formal sources of law
    • While customary law is subject to non-discrimination based on gender, religious law is not
  – Inheritance law does not give equal rights to sons and daughters or to surviving spouse
  – Joint titling of marital property is not the default regime
  – However, there are no requirements in the family law for women to get permission to work outside the home, open a bank account, sign a contract or initiate legal proceedings.

• However, many banks do require husband’s signatures or to have multiple male guarantors
Enforcement – of microfinance institutions’ own practices

• The prevalence of on-lending raises significant concerns
  – Protection for the women borrowers who will be held liable for funds they do not control
  – Viability of how microfinance institutions make decisions in approving loans
  – How much does this contribute to the unwillingness to extend larger loans and individual loans to women entrepreneurs?

• Unintended consequences of expanded use of credit scores
  – How can women truly build their own credit score?

• Unintended, but not unforeseen, consequence of targeting women
  – Should this be re-thought?
Who runs “women’s enterprises”

- Data from 6 SSA countries show that of firms with ‘female participation in ownership’, over a third report women are not even ‘a’ decision maker.

Data from Ghana, Mali, Mozambique, Senegal, South Africa and Zambia
Female participation in ownership in Pakistan (Enterprise Survey)
Women complain more about access to finance as a constraint – although they are actually more likely to have a loan.

Firm size and targeted lending helps explain this pattern – and that many with female participation in ownership should not be interpreted as female-led.
Implications

• Need to delve deeper when looking at gender issues in FPD
• Intra-household bargaining is too often ignored
• Need to strengthen financial institutions own enforcement practices and monitor them
• Protect women borrowers
• Consider unintended consequences – of targeting women, of credit bureaus