Market Scoping Study to Inform the Development of the AfDB’s Affirmative Finance Action for Women in Africa Programme (AFAWA)

Executive Summary
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Closing the gender gap is a crucial determinant of social and economic development and cross-cutting issues in the AfDB’s Ten-Year Strategy, High-Five Agenda, Financial Sector Development Policy and Strategy, Private Sector Strategy, and Governance Strategy. African women in business experience higher access to finance barriers than African men do. These barriers widely affect their ability to take advantage of economic opportunities and access resources that can help them start, operate and grow their businesses. While the number of women entering the workforce in Africa has increased substantially over the last decade, women are primarily engaged in the informal sector, operating micro and small enterprises and performing low-earning activities. A major share of women-owned enterprises is found in rural areas where there are fewer opportunities for business expansion.

This study reflects the findings of a market scoping study commissioned by the AfDB to inform the design of the Affirmative Finance Action for Women in Africa (AFAWA) programme, in particular to assess the access to finance landscape for women in business in the 54 African economies and supported by six in-depth country assessments—Cameroon, Kenya, Mali, Morocco, Nigeria and Zambia. Women entrepreneurs as well as women’s business associations were interviewed in each of the six countries to understand their opportunities and challenges in accessing finance and business growth from a demand perspective. Similarly, banks and non-bank financial institutions were interviewed to obtain the supply-side constraints in providing finance for women businesses. Furthermore, a financing gap analysis and bank mapping were completed to obtain a broader picture of the gender finance landscape throughout Africa.

The findings reveal that the landscape for women’s access to finance in Africa remains limited. On the one hand, variation across countries is high, with the Eastern and Southern regions leading the way in financial inclusion, gender finance programmes and enabling environment. On the other hand, the North is characterised by higher levels of financial deepening overall; however, when disaggregating existing financial inclusion data by gender, women and women in business are more likely to be excluded from the financial sector than in any other African region. The Central region is lagging behind the rest of Africa on indicators covering both financial sector development, gender finance and enabling environment.

Source: IFC Enterprise Finance Gap Database (2016)
Banks’ demands for high-value collateral and the charging of high interest rates were found to be impeding women’s financial access in the six countries studied. As women face discrimination in accessing resources and personal property, they acquire fewer assets as compared to men. At the same time, banks perceive women’s businesses as risky due to their low number of assets and smaller business size. In addition, banks’ poor understanding of women’s businesses results in demands for high-value collateral and the charging of high interest rates. In Kenya, for instance, the collateral requirement was seen as the biggest issue hampering women’s access to finance, followed by high interest rates, resulting in low profit margins. Additionally, women entrepreneurs in Kenya lack confidence in formal institutions and thus are not willing to ask for a loan.

Women’s inadequate financial literacy limits their knowledge of available funds and financial products that they could avail of otherwise. Women’s educational attainment and their financial literacy are usually lower than men’s; consequently, they are not aware of the development funds or financial products available that could better serve them. In a country like Kenya, where there is a sound financial system and many women-specific programmes are available, women entrepreneurs still face numerous challenges in accessing those funds. In addition, women’s limited access to domestic and international market information, market regulations, and socio-cultural norms further hamper their competitiveness and business growth.

A number of banks offer tailored products for women in business, but the country surveys suggest this typically does not represent a major share of their portfolio. Even when banks are involved in financing women, they usually deal with women entrepreneurs with large businesses and primarily have corporate clients. Some banks in the countries studied reported having higher rates of non-performing loans by women as compared to men, making them sceptical about the financial behaviour of their clients and requiring valuable collateral as security on loans disbursed to women. Microfinance institutions, leasing companies, guarantee funds, and other non-financial institutions were often found to have a substantial share of women in their portfolio. These institutions focus on micro, small and medium-sized enterprises (MSMEs) and have the necessary MSME lending methodology knowledge and the requisite know-how, in contrast to large commercial banks.

Various national governments and policy-makers have embraced an agenda for greater financial inclusion of women entrepreneurs, but existing gender finance programmes are typically of limited scale or still in their infancy. For instance, in Nigeria policy-makers have taken specific actions in order to increase women’s access to financial services for their businesses. Similarly, the Zambian government has increasingly integrated women’s empowerment and financial inclusion in government operations. Additionally, the government decided to create a Women’s Bank, but the institution still needs to elaborate its specific business model and financial sustainability approach.
The total financing gap for women in Africa is estimated at US$ 42 billion. The financing gap for women in agriculture is estimated at US$ 15.6 billion. The highest credit gap for women was found for women in the central and northern regions, followed by the southern, western and finally eastern regions. The central and northern regions alone make up more than half of the total credit value gap for the continent. The gap difference among regions on average can be as wide as US$ 70,000 per enterprise. Moroccan women business owners appear to have the highest average credit value gap among the countries studied.

Source: IFC Enterprise Finance Gap Database (2016)

The AFAWA programme has a strong business case. AFAWA aims to address all critical elements of the entrepreneurship ecosystem of women in business in Africa, in particular finance, to support their economic empowerment, reduce vulnerability, and unleash unused potential for more sustainable and equitable growth. Going forward, the AfDB may wish to consider the following recommendations in order to further enhance the prospects for successful programme implementation:

- The vision for AFAWA is rightfully ambitious, yet there is a need to further streamline its value proposition and the sequencing of the planned interventions.
- AFAWA needs to treat women in business as a heterogeneous group of actors with different backgrounds, skills, literacy levels, ages, firm sizes, and, therefore, different needs.
- To be successful, AFAWA needs to take a country-by-country approach and leverage existing best practices in promoting access to finance.
- AFAWA will not be successful in isolation given the magnitude of the issue. It should probably think of itself as a catalyst for market forces to take over once there is solid proof of concept.
- A clear implementation plan and growth strategy are integral parts of the programme’s long-term financial sustainability framework and are essential to communicating a long-term partnership vision to participating financial institutions.
- A short-term (at most one year) flagship programme should be launched. This will ensure that the AfDB knows in a timely fashion if the approach is working or if adjustments are necessary.