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W e s t e r n E u r o p e

Based on a Survey of 30 Microlenders

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EXECUTIVE SUMMARY

Women entrepreneurs cite access to finance as the most significant constraint affecting the launch, growth and sustainability of their businesses (Eurochambers, 2004). On average, women in the European Union start their businesses with less capital than men do. Further, many women have difficulty accessing bank lending and borrow funds via informal networks of family and friends. Accessing start-up and growth money through informal networks can result in under-funding of women's businesses, which is a principal cause of business failure.

Given this context, many interested in women's entrepreneurship see great potential for microlending programmes to meet women's financing needs. First, eighty-seven percent of women entrepreneurs run microenterprises (Eurochambers, 2004). Second, the majority of these businesses are in the service sector. Service sector businesses tend to have fewer physical assets to offer as collateral for bank lending and require relatively less financing than banks are used to providing. Microlenders address these challenges directly by offering loans of 25,000 euros and less, providing alternative collateral arrangements and having flexible repayment plans. More than half of lenders also provide business planning support, and technical assistance and training throughout the life of a borrower's loan.

In June 2005, the European Microfinance Network (EMN) launched a survey of Western European microlenders to determine the percentage of women receiving loans from 2002 to 2004. Limited data from 3 Western European microlenders suggested that 35 % of microloan clients were women in contrast to 62 % in Eastern Europe and the Newly Independent States, 59 % in North America and 84 % in developing countries. The EMN survey aimed to verify the Western European lending rate by collecting data from a more representative sample of microlenders. In addition, the survey examined possible barriers affecting women's participation in microloan programmes in Western Europe and collected information on microlender policy and practice with respect to female entrepreneurs.

Thirty microlenders participated in the survey. The data provided indicated that over the period 2002-2004 the number of microloans made to women increased by 30 % and the total value of microloans rose

by 34 %. For men the figures were 35 % and 21 % respectively. In 2004, the average value of loans disbursed to women (7,670 euros) was slightly higher than the value of loans disbursed to men (7,130). As of 2004, 39 % of microloans reported in the survey were disbursed to women. This lending rate is above the general female entrepreneurship level in Europe of 30 % (Middlesex University, 2000), but below the lending rates in other regions of the world. The survey results suggest that despite microlending's great potential to meet women's financing needs, a combination of demand-side and supply-side factors are resulting in a lower lending rate in Western Europe than observed elsewhere.

First, on the demand side, practitioners reported that women's status and position in society and in the family may affect their interest in entrepreneurship in general and microlending in particular. Managing a household and dependents creates time pressures making business creation difficult. On the other hand, Eurochambers reports that many women launch businesses in the hope that running their own business will give them greater flexibility in managing their time.

Second, several respondents reported that women are more risk averse than men and therefore are less likely to become indebted to create a business. In fact, some lenders reported that whilst microloans attracted female entrepreneurs to their programmes initially, many women completed training and business support activities and decided to launch their businesses without accessing a microloan. Women's attitude to risk and debt may be affected by their relative poverty when compared to men and/or their caretaking responsibility for dependents.

Third, according to the Global Entrepreneurship Monitor, the degree of necessity-entrepreneurship, that is starting a business because other employment opportunities are not available, is dependent on country-level income. High income countries, such as the majority reporting data for this survey, have low levels of necessity-entrepreneurship which, coupled with social benefits systems, may contribute to lower overall entrepreneurship rates for women and men. Two Western European countries participating in the survey fall into the middle income country bracket where necessity-entrepreneurship is higher.

Fourth, government welfare to work and welfare to entrepreneurship policies may also have an impact on the number of women starting businesses. Some respondents reported that single mothers, in particular, were unlikely to risk their government benefits to launch a business unless there were benefits guarantees in place.

On the supply side, a majority of microlenders did not think that the design and implementation of their programmes in any way hindered women's access to microloans. However, 69 % thought that special measures were needed to improve women's success in accessing loans.

According to the survey, measures targeting women appear to be most required at the pre-loan phase. There is a need for tailored assistance in business planning and business management skills. Respondents also recommended loan products that waive guarantee and collateral requirements. Many practitioners thought that having specialised and/or female staff to deliver pre-loan services to women was important. In the post-loan phase, respondents thought that women did not face unique difficulties running their businesses or meeting repayment requirements when compared to men. Therefore, it appears that existing post-loan training, coaching and technical assistance is adequate.

Although 69 % of respondents thought special measures were needed to increase women's access to microloans, the majority of microlenders participating in the survey do not at present undertake such measures. Seventy-five percent do not have a policy to guide their work with women, 65 % do not

have tailored loan products and 55 % do not provide access to specialised training and technical assistance or access to specialised staff. As such, there seems to be a gap between programme design and awareness of actual need. This gap may be contributing to a lower rate of female lending.

This gap between programme design and need may be explained by several factors. First, a cluster of respondents reported that they did not implement specific programmes for women because of their equal opportunities policy. They thought that implementing specific programmes for women would be discriminatory. Second, the microfinance sector in Europe is relatively young. According to a survey carried out on behalf of EMN by the new economics foundation (**nef**), 45 % of microlenders active in 2003 started their programmes after 2000, thus their programmes were only 4 to 5 years old at the time of this EMN study. As such, microlenders may not have developed a full understanding of the specific needs of particular client groups nor appropriate programme responses to these needs. Third, in Western Europe, women working in the microfinance field are concentrated in support roles. Whilst 54 % of the microlender workforce is female, 73 % of this group is support staff, 23 % is in middle management and 4 % of this group is in senior management. In addition, 36 % of microlender board members are women. The number of women in decision making positions may influence the level of attention given to supporting women's entrepreneurship.

INTRODUCTION

Women entrepreneurs cite access to finance as the most significant constraint affecting the launch, growth and sustainability of their businesses (Eurochambers, 2004). On average, women in the European Union start their businesses with less capital than men do. In Germany, 70 % of women-owned businesses finance their start-up with less than 5,000 euros. In contrast, 31 % of male-owned businesses fund the start-up phase with less than 5,000 euros (KfW Bankengruppe, 2005). Further, many women borrow funds via informal networks of family and friends. In the UK, women are more likely than men to use informal sources of finance to start and develop their businesses (Carter, Tagg, Brierton, 2002). Accessing start-up and growth money through informal networks can result in the under-funding of women's businesses. Under-funding at the outset has long term negative effects on women's businesses and is a principal cause of business failure (Carter, 2005).

In the traditional sector, banks seem to have no reason to discriminate against female borrowers as their repayment record is equal to or better than that of men. Women are also equally competent as business owners (Carter, 2005). However, women tend to request smaller loans when compared to men and tend to start businesses in less capital intensive sectors. Small loans are linked to relatively higher administrative costs and therefore lower profits for banks. And without significant physical assets in their businesses, women do not have collateral to offer as a guarantee. For these reasons, women's financing proposals can be less attractive.

Given this context, many interested in women's entrepreneurship see great potential for microlending programmes to meet women's financing needs. Microlending first came to prominence in the 1980s as a tool to alleviate poverty in developing countries. This intervention has now spread to developed countries and has been adapted accordingly. The sector is young but growing in Western Europe.

Across Europe different types of entities have launched microlending programmes: not-for-profit organisations, savings banks, cooperatives, credit unions, foundations and traditional banks. Their goals range from promotion of economic development and employment creation to poverty reduction

and financial and social inclusion. Microlending programmes typically offer loans valued at less than 25,000 euros and focus their efforts on microentrepreneurs, owners of businesses with 9 or fewer employees. In Western Europe, 87 % of female entrepreneurs are microentrepreneurs (Eurochambers, 2004). For women, therefore, business size coupled with their financing requirements should make microlending programmes attractive. In addition, microlenders offer alternative collateral arrangements and flexible repayment plans. More than half of lenders also provide business planning support, and technical assistance and training throughout the life of a loan.

In March of 2005, the European Microfinance Network (EMN) launched a data collection exercise in order to determine to what extent European women were accessing microloans. EMN found that aggregated data was not available for Western Europe. However, separate reports published by Adie in France and Crédal and Fonds de Participation in Belgium, indicated that in 2004, about 35 % of their clients were women. A report by the Community Development Finance Association (cdfa) indicated that in the UK in 2004, 38 % of microloans were made to women (cdfa, 2004). In contrast, 61 % of microloans in Spain were disbursed to women (Foro Nantik Lum de Microfinanzas, 2004).

Except for Spain, Western Europe's microlending rates to women appeared to be significantly lower than those in OECD countries such as Canada and the United States where the rate is 59 % (Guerin, 2002) and lower than in Central, Eastern Europe and the New Independent States where the rate is 62 % (MFC, 2003). The gap is even greater when compared to developing countries. Globally, in 2004, 84 % of clients living on less than one dollar a day were women (State of the Microcredit Summit Campaign, 2005).

Worldwide, 25-30 % of businesses in the formal sector are women owned (Global Entrepreneurship Monitor, 2004). In Europe the female business ownership rate is estimated at 30 % (Middlesex University, 2000). As such, except for Western Europe, microlenders are lending at a rate approximately two times the female business ownership rate.

Given these initial findings EMN undertook a survey to collect a more representative sample of data from Western European microlenders and members of its network. EMN's primary aim was to verify the 35-38 % lending ratio. In addition, EMN wished to understand whether the difference between Western Europe and the rest of the world was due to demand-side or supply-side factors. That is, were there constraints affecting demand for loans thereby making it difficult for microlenders to attract female clients? Or, was the design and implementation of microloan programmes not meeting women's specific needs?

As such, EMN undertook a survey of microlenders that aimed to:

- 1) collect data on lending rates
- 2) gather practitioner opinions on barriers faced by women entrepreneurs seeking microloans
- 3) gather information on microlender policy and practice with respect to female entrepreneurs
- 4) gather organisational information on the number of women working for microlenders in Western Europe

This study is the first in Western Europe to collect and aggregate microlending data by gender as well as information on lender policy, practice and staffing profiles. It allows comparison between countries and provides a benchmark for future studies. The

results can be used to compare the gender sensitivity of microlending programmes and to examine factors associated with above average female lending rates.

This study raises a number of important questions for practitioners and policy makers at national and European levels. These issues include interpretation and implementation of equal opportunities and affirmative action, targeting and gender mainstreaming, identifying benchmarks for female participation in lending programmes, women's attitudes toward risk and debt and the role of government entrepreneurship and welfare to work/entrepreneurship policies. As such, this study contributes to the debate on how gender-based differences in microlending and entrepreneurship rates can be addressed.

This report is organised into 5 main sections. The first reports on quantitative lending data, the second on practitioner opinions on barriers faced by women entrepreneurs, the third on microlender policies and programmes, the fourth on the gender balance of the microlending work force and the fifth section draws conclusions and highlights points for further reflection. In addition, there are 4 case studies. These studies demonstrate the different types of microlending organisations that focus on women entrepreneurs, the variety of programme responses designed and programme results to date.

METHODOLOGY AND DATA COLLECTION

EMN conducted the survey via a questionnaire sent to 60 microlenders operating in Europe. Thirty organisations responded. Twenty-seven of these operate in Western Europe. An EMN member operating in Eastern Europe and its 2 Eastern European affiliates also participated in the survey. This paper focuses on the 27 respondents and uses the data from Eastern Europe as a point of comparison. The present paper is the result of feedback from practitioners and researchers on a preliminary report produced in October 2005, as well as new data received between October and December, 2005.

For the purposes of the study, EMN adopted the European Union definition of microloans as loans of 25,000 euros or less. The definition of microenterprise is a business with 9 or fewer employees. It is important to note that 90 % of the businesses created each year in Europe have 5 or fewer employees (nef-EMN, 2004). Further, in the general accepted definition, microlending targets people who are excluded from mainstream bank lending.

The EMN questionnaire requested quantitative information on loan data for the years 2002, 2003 and 2004. It also requested staff data for 2004. The questionnaire posed a series of multiple-choice and a limited number of open-ended questions to gather information on barriers affecting women's access to microloans. Further, the questionnaire collected data on policies and services related to female entrepreneurship.

The microfinance sector in Western Europe is young and there is variety in the type and quality of data collected by microlenders. Therefore, the questionnaire offered respondents the opportunity to provide estimates of loan data where necessary.

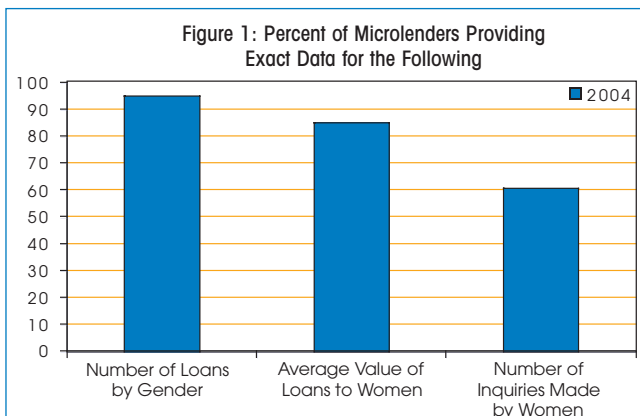
Amongst microlenders participating in the survey, as of 2004, 96 % collected data on the number of loans being made to women and men (Figure 1). Fewer could provide exact figures for the average value of loans made to women, with 88 % doing so for 2004. With respect to the number of women inquiring about microloans, as of 2004, 67 % collected this data.

These percentages increased slightly over the 3 years covered by the survey indicating improvement in microlender data collection processes. For the purposes of the study, EMN used all data, including estimates provided by respondents. EMN has assumed that the estimates are reasonably accurate and merit inclusion.

The results presented here should be treated with caution. The survey response rate for Western Europe is approximately 45 %. As such, EMN has not captured all of the microfinance activity currently undertaken. However, the data of the primary actors in the field is included.

In addition, as will be seen in the next section, two lenders, Adie in France and Finnvera in Finland account for over 70 % of all loans reported in the survey. The programme policies, data collection and data reporting methodologies of these two lenders may mask trends amongst the smaller lenders. Therefore, in some instances, EMN separated Adie and Finnvera data for comparison purposes or looked at country-level data.

Although the results should be treated with caution, they provide the first overall view of female lending rates and issues related to women's access to microlending programmes in Western Europe. Furthermore, the results are a useful baseline for future studies and should enable those interested in microlending and women's entrepreneurship to monitor future trends. EMN welcomes the opportunity to collaborate with other researchers to develop further the points discussed in this paper and to help complete the data collected to date.



Banco Mundial de la Mujer - Women's World Banking, Spain

Banco Mundial de la Mujer, Spain is part of the international Women's World Banking (WWB) network. The network comprises 41 members in 35 countries. WWB-Spain began its activities in 1989 and focuses on facilitating women's access to lending. WWB is an example of an organisation that works exclusively with women and focuses on training and support.

➤ BARRIERS

In Spain, banks have specific expectations with respect to the size, activity and number of jobs that should be created by an enterprise. For many women entrepreneurs the quantity of funding sought and the sector chosen do not fit bank expectations.

In addition, women are often asked personal questions about their family situation. They are also expected to provide levels of collateral beyond their means or are requested to have a co-signer to guarantee the loan, for example a husband. Women entrepreneurs also find that they are not conversant with bank terminology and have difficulty selling their ideas to loan officers.

➤ SERVICES

In order to address these challenges, in 1989, WWB Spain began offering the following services to women entrepreneurs:

- Special Advisors to work with women
- Assistance with business plan preparation
- Access to savings bank loans, some of which require collateral and some of which do not
- Training
- Coaching and technical assistance for new businesses
- Conferences, meetings and exchange visits
- Seminars on how to negotiate with banks
- Joint meetings with banks to support entrepreneurs negotiating a bank loan

For bank loans requiring collateral, WWB Spain collaborates with La Caixa, Caja Madrid and Banco Popular. For loans not requiring capital, WWB collaborates with Fundacio Un Sol Mon, La Caixa, Caja San Fernando and Aval Madrid.

➤ RESULTS AND LESSONS LEARNED

To date, WWB Spain has provided assistance to over 10,000 women who have created 3,000 businesses and 5,000 jobs. WWB has facilitated the disbursement of 900 bank loans to women entrepreneurs and over 100 loans not requiring collateral.

During its 16 years of experience facilitating the start-up and financing of women's businesses, WWB has learned the following lessons:

- It is important to raise women's awareness of the advantages and disadvantages of starting one's own business. Running a business does not suit all people.
- Provision of information and training is crucial to the success of women's business ventures.
- In order to succeed, the entrepreneur needs a mature and well thought out business idea and each business project must be analysed carefully.
- Post-loan training and technical assistance is important for promotion of business survival and success.

PROFILE OF SURVEY PARTICIPANTS

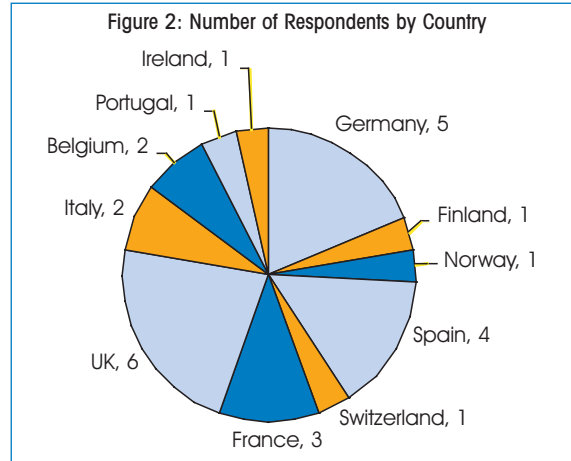
Amongst Western European respondents, four organisations work exclusively with women. Two of these, Banco Mundial de la Mujer and Business and Innovation Centre, are based in Spain. The others, WEETU and Street Cred are based in the UK. In 2004, the number of loans they made represented 3 % of the **total number** of loans being made to female entrepreneurs and 4 % of the **total value** of loans made to women. A fifth microlender in Italy, Fondazione Risorsa Donna, also lends to women only. Their data was included in that of their bank sponsor, San Paolo IMI-Campagna di San Paolo, and could not be identified separately.

The 3 Eastern European respondents are part of the Integra network. In 2004, Integra Romania disbursed 93 % of its microloans to women and Integra Serbia and Slovakia lent exclusively to women. The 3 Integra organisations, similar to many microfinance institutions in Eastern Europe, emerged at a unique historic moment with a different economic, regulatory and donor environment from that prevailing in Western Europe. The data from Eastern Europe as well as information collected from EMN's sister network the Microfinance Center¹ is used as a point of comparison at various points in this report. This data helps to shed light on some of the reasons for the significant contrast in female lending rates between the West and the East.

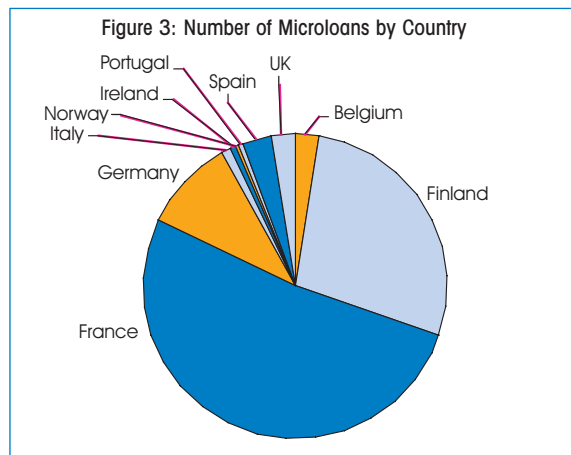
Seventy-four percent of Western European respondents provide loans as well as technical assistance and training. The remaining organisations lend only and refer clients to other service providers for non-loan support. One commercial bank and one savings and loan bank provide microloans via a network of non-governmental organisations that screen and help entrepreneurs develop their business plans and loan applications. The 3 Eastern European lenders provide loans and technical assistance and training.

Forty-four percent of agencies that participated in the survey are members of the European Microfinance Network (EMN). The majority of Western European microlenders that participated in this survey are in the United Kingdom, Germany and Spain

(Figure 2). In France and Finland there are large microlenders with national coverage. In the UK and Germany, there are several smaller regional or county-based microlenders (nef-EMN, 2004).



Looking at the number of loans being made (Figure 3), we see that most of the loans reported in the survey are being made in France (51 %). Here, 3 microlenders participated in the study. Adie-France, the largest microlender in Western Europe, disbursed just under half of all loans reported. The picture is similar in Finland where Finnvera, a state owned export bank with a national network, makes most of the microloans disbursed within Finland and 28 % of the loans reported in the survey.



EMN found that 14 % of lenders are increasingly making "microloans" in excess of 25,000 euros². This finding presents an interesting definitional point deserving further investigation. EMN removed this loan data from the analysis.

1. The Microfinance Center, based in Poland, brings together 100 microfinance institutions working in Central and Eastern Europe and the Newly Independent States of the Former Soviet Union.

2. 50% of microloans made by German microlenders fall into this category. The Aston Reinvestment Trust in the UK observed that there is increasing need for microloans in excess of 25,000 euros.

QUANTITATIVE LOAN DATA FROM EUROPEAN MICROLENDERS

Thirty microlenders participated in the survey. As said above, this report focuses on the data of the 27 respondents operating in Western Europe and uses the Eastern European data for comparison purposes.

Key Findings

In 2004, the 27 Western European microlenders made 10,798 new loans worth approximately 81 million euros. The main findings from an analysis of the data provided are :

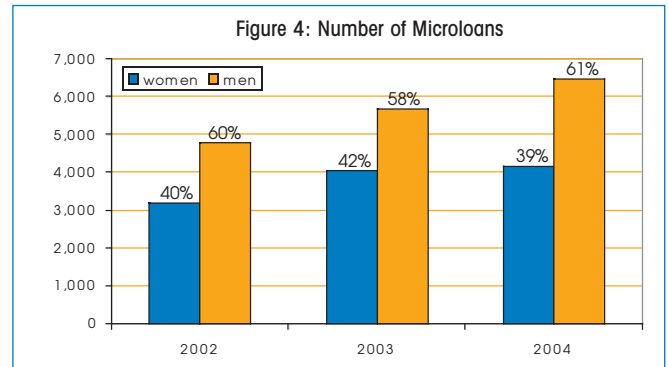
- Over the 3-year period (2002-2004) the number of microloans made to women increased by 30 %.
- The number of women contacting microlenders about microloans increased at a rate greater than the number of loans made.
- The percentage of microloans made to women in 2004 was 39 % of the total, a slight drop from 2003.
- The total value of microloans disbursed rose 29 % between 2002 and 2004. The total value lent to women rose by 34 % and the total value lent to men increased by 21 %.
- In 2004, the average value of microloans disbursed to women (7,670 euros) was 8 % greater than the average value of microloans disbursed to men.

The 3 Integra lenders made 454,000 euros in loans in 2004, twice as much as the value lent in 2002. The number of loans made to women almost doubled during this period. The average value of loans disbursed in 2004 was 1,600 euros. In this subgroup, the percentage of microloans made to women was 95 % of the total in 2004.

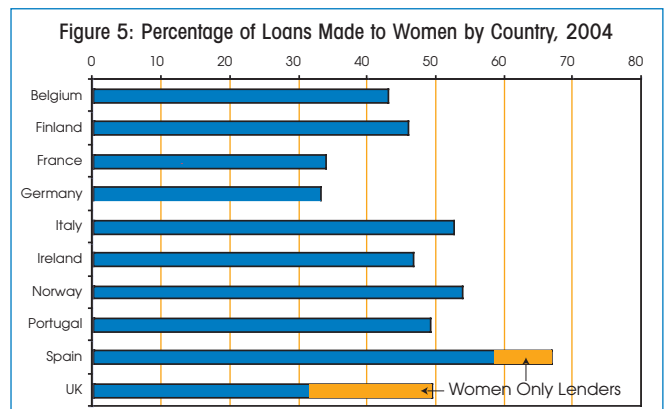
Number of Microloans

Over the three year period covered by this survey, the number of microloans made to women in Western Europe increased by 30 %. The increase in the number of loans disbursed to men was 36 %. The percentage of loans made to women has stayed roughly the same over the three year period (Figure 4). In 2004, 39 % of microloans were made to women, down slightly from 42 % in 2003. This overall increase in lending is due to

expansion of existing programmes and new entrants into the market. Three respondents making loans in 2004 were not doing so in 2002. One of these three lends exclusively to women and a second makes roughly equal numbers of loans to women and men.



The breakdown by country for 2004 is shown below (Figure 5) with the largest percentage of female clients in Spain (67 %) and the smallest in Germany (33 %). Spain, the UK and Italy are the only countries in Western Europe where women-only microlenders provided data. There may be other countries with women-only lenders, but other information available to EMN suggests that this is not the case.



Looking at the UK, if one takes the loans made by women-only lenders out of the UK data, the percentage of loans made to British women in 2004 drops to 32 %, the lowest in the region. We will see later that apart from the women-only lenders, none of the other UK respondents have gender-sensitive lending programmes³.

In Spain, if one removes the data from

³ Gender-sensitive refers to programmes that take account of gender-based differences that constrain women's entrepreneurship and access to capital. Gender-sensitive programmes aim to design relevant responses in order to break barriers and to promote the participation of women.

the women-only lenders, the 2004 female/male client ratio drops to 58 %. This ratio still approaches levels observed worldwide. In Spain, 'generalist' lenders, those lending to women and men, undertake gender-sensitive programming.

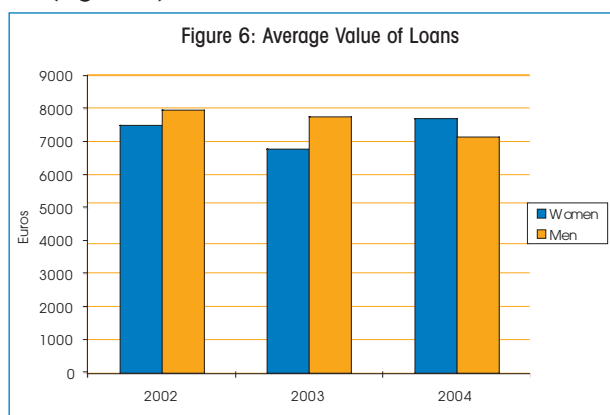
We are unable to report exact figures on Italy as it was not possible to separate precisely this lender's data from that of its sponsor. However, estimates indicate that the lending rate in Italy would be 29 % without the women-only lender's data. It is important to note that the sponsor's lending programme was launched at the end of 2003 and hence is very new.

► Value of Microloans

The **total value** of microloans disbursed by survey respondents in Western Europe rose 28 % between 2002 and 2004. The total value lent to women rose by 34 %. The total value lent to men rose by 21 %.

The **average value** of microloans made to all microentrepreneurs has dropped slightly from 7,700 euros in 2002 to 7,500 euros in 2004. For women, the average values dropped between 2002 and 2003 and then rose above their 2002 level in 2004 to 7,670 euros. For men, there has been a steady decline in the average value of loans over the period. The average value of loans disbursed to men in 2004 was 7,130 euros.

In relative terms, in 2002 the average value of loans made to women was 6 % less than the average value of loans disbursed to men. In 2003, this figure was 12 % less and in 2004 the average value of loans to women was 8 % more than that for men (Figure 6).



The reasons for the decline in the combined average values as well as the relative rise in average values of loans to women when compared to men are unclear. For

the combined data, the trend is generalised across the respondents. There appears to have been no single event or entrant into the market that affected averages. However, some microlenders indicated that they were making an effort to make smaller loans in order to reduce risk and others mentioned facing funding uncertainties.

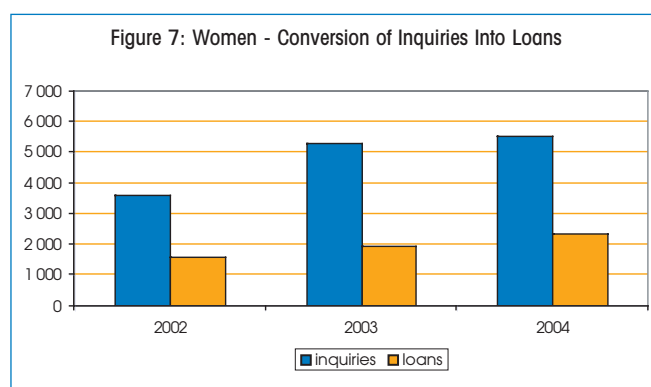
► Numbers of Inquiries about Microloans and Conversion of Inquiries to Loans

The survey results indicate that the number of inquiries in Western Europe has grown significantly over the period. This result should be treated with caution since a third of respondents estimated the numbers provided and 3 did not provide data on inquiries.

Between 2002 and 2004, the number of women contacting Western European microlenders about loans more than doubled. Contacts made by men tripled. When EMN investigated this increase, it found that since 2003, Adie has been making a significant effort to record accurately all inquiries, including those made by telephone. Since Adie disbursed approximately half of all loans reported in the survey, their relative weight appeared to have a significant impact on the results.

Figure 7 shows the growth in inquiries by women excluding the Adie data. We see that instead of doubling, inquiries by women increased by 50 % over the 3-year period. For the 3 Eastern European respondents, inquiries grew at a similar rate, 46 %.

The conversion rate of inquiries to microloans is used by many microlenders to review the effectiveness of their outreach, their front office information provision and their loan screening procedures. Initial analysis indicated a significant decline in conversion rates over the survey period.



However, when Adie's loan inquiry data is removed, we see conversion rates for women of 44 % in 2002, 36 % in 2003 and 42 % in 2004 (Figure 7). That is, as of 2004, 42 % of inquiries made by women led to a micro-loan and the rate of loan conversion is reasonably constant over the period. The conversion rate for men is higher than that for women, but has dropped over the period. In 2002, the rate for men was 59 %, 56 % in 2003 and 52 % in 2004. The difference in conversion rates suggests that fewer women successfully pass from the initial inquiry to loan disbursement stage when compared to men.

There are multiple possible reasons for this lower female conversion rate. For example, it may be that women de-select themselves depending upon the approach, welcome and information provided at the inquiry stage. It may also mean that women's business ideas are less well developed, less feasible, they lack guarantees or that their previous business experience is not adequate, as many lenders suggested in the qualita-

tive section of the survey discussed further in this report. It may also be that there is some sort of gender discrimination taking place.

In order to further explore this last point, we took out the women-only lenders data from this analysis and found that without their data, conversion rates for women actually rose to 49 % in 2004, close to that for men. Looking at the individual women-only lenders, one did not provide data on inquiries and two operating in Spain had very low conversion rates, the lowest in the survey.

For the 3 Eastern European lenders, conversion rates for women entrepreneurs fell from 55 % in 2002 to 49 % in 2004.

Although the conversion rate remains higher for men in Western Europe, it is difficult to take the analysis much further because we do not have precise information for all respondents on loan inquiry counting methods. The loan conversion rate by gender, however, is clearly an important subject that deserves further study.

PRACTITIONER OPINIONS ON BARRIERS FACED BY WOMEN

The second part of the survey sought to determine whether there were specific reasons why women in Western Europe access microloans at a lower rate than female entrepreneurs elsewhere. To do so, the questionnaire asked microlenders for their opinions about possible external barriers affecting women's demand for microloans. The questionnaire also asked practitioners about supply-side barriers, that is, constraints resulting from microlenders' programme design and implementation.

► Key Findings

The majority of respondents thought that female demand for microloans was affected by external factors related to women's complex social responsibilities for immediate and extended family, self-confidence and a general lack of interest in entrepreneurship, perhaps linked to perceptions of risk.

A majority believed that microlenders in general did not in any way create barriers to access. Even so, 69 % felt that specific measures are needed to increase women's access to this form of business finance.

► External Constraints Affecting Demand

Ninety percent of respondents thought that barriers external to their institutions affected women's interest in microloans. The three most important barriers were family constraints, a lack of self-confidence when compared to men and a lower interest in starting a business when compared to men (Figure 8). Lack of time and lack of business experience were in fourth position. Lack of time might be related to balancing family responsibilities with income earning. In 'other,' respondents also mentioned lack of support from family and friends.

Women's Employment and Enterprise Training Unit - Norfolk, United Kingdom

WEETU, Women's Employment Enterprise and Training Unit, is an independent not-for-profit organisation launched in 1987. WEETU assists women to improve their access to the local labour market by providing employment and enterprise support services. WEETU is an example of an organisation which provides microloans and business support exclusively to women.

➤ BARRIERS

WEETU's enterprise support programme grew out of recognition that women in the UK face multiple gender-specific barriers when launching or developing a business. These barriers include fear of debt, lack of self-confidence, poverty and fear of coming off of benefits, responsibility for managing childcare, lack of affordable and appropriate support and lack of collateral to guarantee business loans.

WEETU addresses these barriers by providing education, support and finance. WEETU has worked on developing an environment that is easy to access. They maintain hours that respect women's caring responsibilities, staff are sensitive to gender differences and WEETU provides financial help with childcare and travel expenses.

➤ SERVICES

Women participate in the Full Circle training programme if they want to become self-employed or further develop an existing business. This programme provides a range of support from assisting women to prepare business plans to bookkeeping courses.

Full Circle training facilitates the creation of 'Lending Circles'. Lending Circles are groups of 4 to 6 women who meet regularly to support and give business advice to each other. They take responsibility for loan decisions and repayment plans. They work together to solve defaults if and when they arise. And until problems are solved, all future lending to this group is frozen.

Loan security is established through the strength and loyalty of relationships between peer members. WEETU has found that peer lending reduces the risk of default as it picks up difficulties early through the constancy of contact within the peer groups.

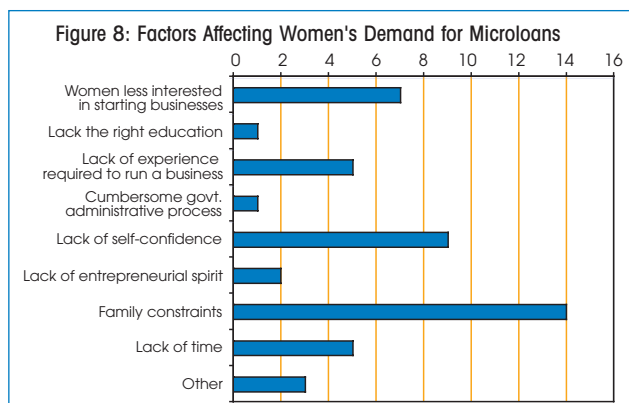
The maximum value of first loans is 2,200 euros repaid over 20 months and second loans can be 3,600 euros with more time to pay. WEETU supports borrowers with a 440 euro travel allowance and a 1,000 euro childcare allowance which is a grant, not a loan. WEETU also assists clients to open bank accounts. WEETU hopes that the lending process will assist women to move on to 'conventional' forms of lending.

➤ RESULTS AND IMPACT

WEETU has made over 150 loans worth almost 150,000 euros. Over 70 % of businesses formed in 2000 are still trading. The current turnover of businesses supported is more than 5 million euros with a loan repayment rate of 94 %.

A recent social impact evaluation carried out by WEETU demonstrated that :

- Women feeling more in control of their lives rose from 45 % to 90 %
- Use of adult education services rose from 55 % to 72 %
- Use of professional business services rose from 16 % to 42 %
- Use of professional financial services rose from 14 % to 24 %



In the 'other' category, respondents also said that women were relatively risk-averse. Respondents reported that women saw entrepreneurship as riskier than paid employment and therefore women preferred paid employment. A Belgian Diane Project study has made a similar finding (Cornet, Constantinidis, Asendel, 2004) about women's attitude toward risk. However, others have suggested that if one controlled for poverty levels, women and men may be equally risk averse⁴.

This 'risk aversion' finding generated significant discussion after distribution of the preliminary report. In follow-up discussions, 2 lenders reported that women initially participated in their programmes in order to access lending. However, after completing the training and support programmes offered, many decided to start their businesses without external borrowing. Another reported that participants from the outset made it clear that the training was of interest, but not the lending. One lender said, "it is hard to get women to take out loans." Another reported that fear in general and fear of debt, in particular, is a significant barrier.

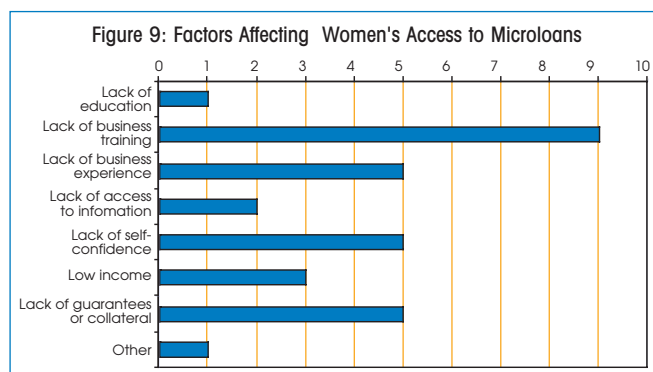
This finding and the experience of these lenders is of some concern. If women generally have difficulty accessing business finance and this is coupled with a fear of debt, then women's businesses may remain chronically under-funded. Since under-funding is a leading cause of businesses failure, fear of debt and aversion to risk are issues requiring further investigation and possible action.

➤ Barriers to Accessing Microloans

Fifty-nine percent of respondents did not think that women faced particular barriers when attempting to access microloans from microlenders. Within this group of respon-

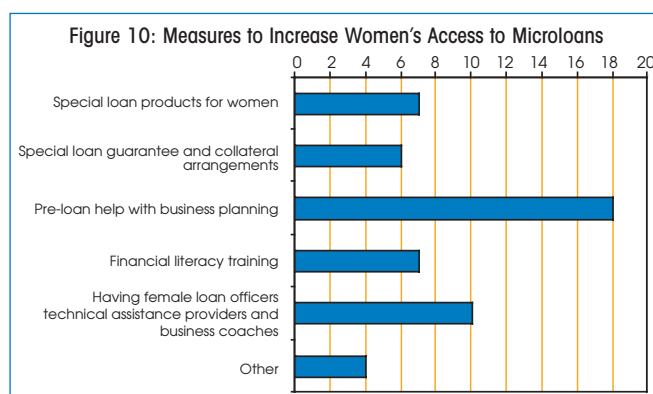
dents, the majority do not currently offer special programmes or services to female entrepreneurs.

For the 41 % who felt that women *did* face barriers in comparison to men, the most important barrier was lack of business training. Lack of business experience, lack of self-confidence and lack of collateral and guarantees were the second most frequently cited constraints (Figure 9).



➤ Increasing Access to Microloans

Although 59 % of respondents did not think women faced particular barriers when seeking loans from microlenders, 69 % *did* say that specific measures were needed to increase women's access to microloans. The measures that microlenders believed would be most effective were pre-loan assistance with business planning and having female loan officers, technical assistance providers and business coaches. Respondents also suggested special loan products and financial literacy training (Figure 10). In the 'other' category, respondents recommended social support, business networking and empowerment programmes.



The 59 % and 69 % responses appear contradictory. These 'contradictory' positions may indicate that lenders, in their view, implement 'gender neutral' programmes. By

4. Dr. Sara Carter, personal communication.

“Women’s Business, Women in Business” – Crédal MC2 Pilot Programme, Belgium

Crédal is a savings and loan cooperative founded in 1984 in Belgium. Crédal’s mission is to offer ethical savings and affordable credit. Credit is available to social enterprises and to individual entrepreneurs excluded from the formal banking system.

In 2005, within the MC2 microcredit programme for entrepreneurs, Crédal launched a 3-year pilot project, “Women’s Business, Women in Business” financed by the Ministry for Employment and implemented in tandem by 3 other organisations : Hefboom, Stebo and Vie Féminine. Crédal is an example of an organisation working with both sexes but implementing a gender aware approach to women entrepreneurs.

“STILL TOO FEW WOMEN ENTREPRENEURS” Crédal launched its pilot programme because it believed it was not fully reaching its target group since very few women applied for micro-loans. Crédal wanted to begin to redress this imbalance. After the 3-year pilot period, it is expected that a workable and fine-tuned model for supporting women entrepreneurs will be developed. It is hoped that the programme will be expanded and replicated elsewhere.

➤ BARRIERS

Experience in the first year of the pilot project demonstrated that barriers experienced by women included lack of self-confidence, lack of support from their entourage and multiple responsibilities, notably caring duties. Further, women’s caring duties, particularly for participants who were single parents, created a very cautious attitude toward risk.

➤ SERVICES

The pilot project targets women who are un-employed and/or living on social benefits who would like to start a small business. Training focuses on an analysis of whether trainees are ready to become entrepreneurs, whether their business ideas are realistic and development of business plans. At the same time, participants develop support circles of 3 to 5 women. The purpose of the support circles is to help one another in the development of the business plans and to continue to assist one another after the launch of the business.

In the first year, the loan fund made available loans of up to 4,000 euros. In 2006, the loan ceiling is 10,000 euros. The interest rate charged is 5 % and collateral or guarantees are not required, in contrast to the main MC2 loan programme which requires participation in a guarantee fund. Loans are to be paid back over 18 to 36 months.

➤ RESULTS AND LESSONS LEARNED

At the outset, the programme focused on making available microloans through monies set aside from Crédal’s main loan fund and specific tailor-made training for women. However, out of the first 47 participants in the programme, no one requested a microloan. In fact, the main attraction to the programme turned out to be the training and not the loan fund.

Of those who launched businesses after the first round of training in 2005, most used their own funds or worked via an incubator programme which reduced overheads and allowed women to continue collecting social benefits whilst testing their business idea. In addition, most women launched businesses in the service sector, where start-up costs are traditionally low. However, those with businesses in other sectors found the 4,000 euros loan maximum inadequate, hence the increase in the loan maximum for 2006.

In addition to changes to the loan fund, in 2006 the training programme has been lengthened, the training requires completed pieces of work, including a business plan, and support circles are being created in a more focused and analytical manner.

gender neutral we mean that microlenders provide services without regard to the gender of those who participate. At the same time, however, lenders are aware that women are under-represented in microlending programmes and that they face gender-based challenges. Microlenders also seem to believe that a pro-active approach would improve the rate of loan disbursements to women.

When considering these results it is important to note that approximately 26 % of respondents implement programmes that focus on microlending only, without support services. These lenders refer their clients to other institutions for ancillary pre- and post-loan services such as business planning and business management training. If female entrepreneurs require assistance that a lending organisation does not provide, maybe there is no barrier as long as there is

a partner agency to which potential female borrowers may turn.

➤ Women Entrepreneurs' Post-Loan Performance and Repayment Record

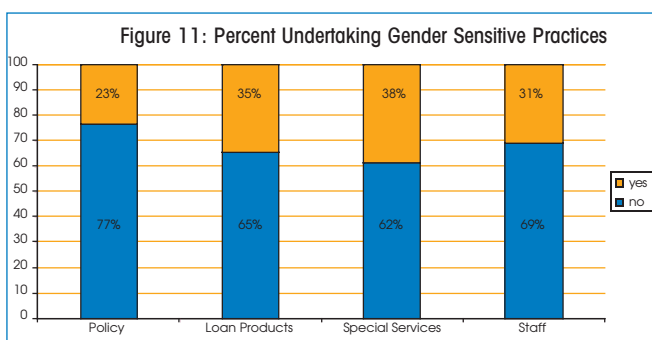
Seventy-five percent of microlenders thought that women did not face gender-based difficulties in running their businesses. The difficulties women faced were believed to be the same as those experienced by men. Similarly, 85 % felt that women did not face unique difficulties with loan repayment. Women reportedly respect repayment schedules and repay their loans in full as well as men do. Two lenders participating in the survey reported lower default rates amongst female clients. These results suggest that during the post-loan phase, there may be less need for specialised services for women business owners when compared to the pre-loan phase.

MICROLENDER POLICY AND PRACTICE WITH REGARD TO WOMEN

Having gathered practitioner opinions on barriers and possible remedies, this section summarises the actual policies and practices of microlenders.

➤ Key Findings

Although 69 % of respondents thought that special measures to increase women's access to loans were needed, in practice, the majority of microlenders are not at present undertaking such measures (Figure 11).



➤ Policy

Over 75 % of microlenders do not have a specific policy to guide their work with

female entrepreneurs. Within the 23 % that do have a policy, there are 5 respondents that lend to women only and one respondent that lends to both sexes.

If we take out the 5 women-only lenders, we observe that 96 % of generalist lenders do not have a policy with respect to women. Many believed their equal opportunities policy was sufficient. These lenders reported that they did not seek to discriminate positively or negatively on the basis of race or gender.

➤ Loan Products

Sixty-five percent of respondents do not have a specific loan product designed for female entrepreneurs. Of this group, most thought that the existing loan products being offered, which take account of business type, size and stage of development, were sufficient to meet the potential needs of female entrepreneurs.

Amongst the 35 % that do have specific loan products for women, over half are women-only lenders. 'Generalist' lenders represent 82 % of the total surveyed. Within this group, only two organisations offer spe-

Fondazione Risorsa Donna - Rome, Italy

Fondazione Risorsa Donna is a non-governmental organisation based in Rome, Italy. It was founded based upon the experience of Women's World Banking in Italy. The goal of Fondazione Risorsa Donna is to remove social and economic barriers that limit the participation of women in society and in the economy. The Foundation undertakes training, research and recently began collaborating with the Compagnia di San Paolo in microcredit. It is also providing technical assistance to a microcredit programme being launched by Fondazione de Venezia. It is an example of an organisation providing loans and technical assistance exclusively to women.

➤ BARRIERS

The Foundation's microcredit programme began in late 2003 and is focused on lending to women, especially immigrant women, living in the Rome area and wishing to launch or further develop a microenterprise. Microloans can also be used to finance training courses aimed at improving one's employability.

Fondazione Risorsa Donna decided to focus on immigrant women because they experience the biggest difficulties in accessing credit. Women immigrant entrepreneurs face many barriers including a lack of self-confidence, family constraints and difficulties navigating the administrative process required to register a business. These women also lack business training and access to information.

➤ SERVICES

The maximum loan amount that can be disbursed is 35,000 euros repaid over a period of 18 to 60 months. The interest rate charged on these microenterprise loans is : 4 %. The loans are individual loans and collateral is not required to secure the loan.

In addition to providing microloans, the Foundation provides training, support and personal coaching to women entrepreneurs in business plan development and business management.

➤ RESULTS AND IMPACT

In its first year of operation, the Foundation has disbursed 26 loans to immigrant women entrepreneurs in the Rome area worth 250,450 euros. The average loan size disbursed has been 10,000 euros. The repayment rate is 97 %.

A recent social impact evaluation carried out by the Foundation examined the economic and 'empowerment' impact of microcredit in the Mediterranean region. Amongst Rome programme participants, improvements were observed with respect to participation in social and community life, purchasing power, decisions over spending and investment, bargaining power and capacity to reconcile work with family life. In particular, women experienced improvements in their ability to go out, their purchasing power and their role within their communities.

cialised loan products to women. As such, female specific loan products represent a very small proportion of loan products available.

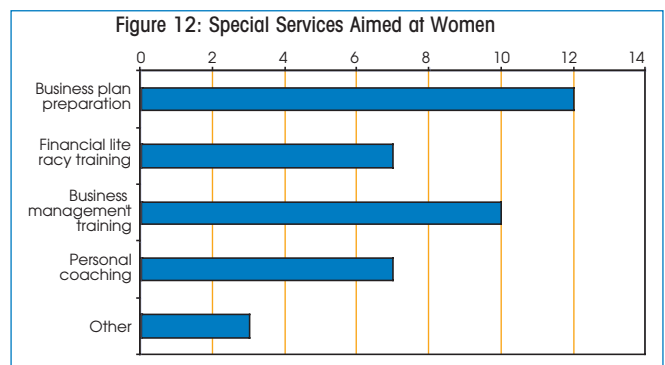
Forty-three percent of lenders providing specialised loan products are based in Spain. Here, both women-only and a generalist lender are providing these products. The women-only lenders in the UK provide specialised loan products. The generalist lenders operating in the UK do not. In Belgium a generalist lender is implementing a 3-year pilot programme for women combining loans, technical assistance and training (see Crédal case study).

Of the organisations providing women-specific loans, over half are addressing collateral constraints. These lenders simply wave collateral and guarantee requirements or wave them through the peer-group lending methodology. In peer-group lending, the group provides the guarantee by accepting a certain level of responsibility for individual defaults.

Other specialised loan products are characterised by reduced interest rates and 'interest only' grace periods of up to one year before loan repayments must begin. One lender combines peer lending with intensive training, group counseling and one-to-one follow-up for up to two years post-loan and includes a childcare grant and travel allowance as part of its loan package (see WEETU case study).

➤ Specialised Non-Loan Services

Almost two thirds of microlenders do not undertake specific training or technical assistance activities aimed at female entrepreneurs. Of the 38 % of organisations that do carry out specialised services for women, the most frequently cited services were business plan preparation and business management training (Figure 12). In the 'other' category, lenders provided training in negotiating with banks, facilitated meetings with banks and organised group coaching to improve women's self-confidence (see Women's World Banking case study).



➤ Staff Specialised in Working With Women

About 31 % of organisations surveyed have staff who specialise in working with women entrepreneurs. The staff positions most frequently cited were loan officers, business coaches, trainers and collections staff. Amongst these microlenders, over half are women-only lenders. Of generalist lenders with specialised staff, over half were based in Germany.

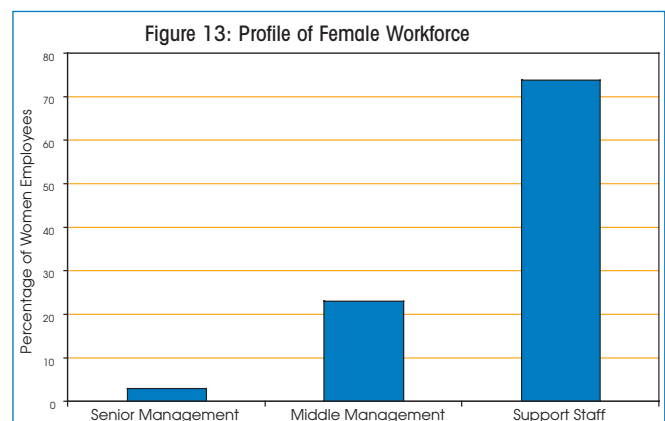
GENDER BALANCE OF MICROLENDER WORKFORCE

In 2004, reporting organisations employed approximately 1,293 staff. Finnvera had the largest workforce, which includes its export bank staff, followed by Adie. Data provided on the gender balance of the workforce and numbers of women in positions at senior, middle and support levels is incomplete (Figure 13).

Amongst these organisations, the estimated data is as follows for 2004:

- women were 54% of paid staff
- of female employees, 73% were in support roles, 23% in middle management and 4% in senior management

At board level, in 2004, 36% of the board members of microlenders were women, this includes the boards of the women-only lenders.



CONCLUSIONS AND POINTS FOR FURTHER REFLECTION

► Conclusions

The results suggest that the number of microloans made to women is growing. In addition, an increasing number of women are expressing an interest in microlending. Even so, lending rates to female microentrepreneurs are lower in Western Europe (39 %) than they are in the rest of the world (60 % and above). Moreover, this rate has remained fairly constant over the period 2002-2004. Based on survey responses, this gap between women in Western Europe and the rest of the world is related to both demand-side and supply-side factors.

On the demand side, external factors affecting demand are attributed to women's position in the family and in society. Respondents cited family constraints as the primary external barrier faced by women, followed by a lack of self-confidence and a lower interest in entrepreneurship when compared to men.

On the supply side, 59 % thought that microlenders in general did not create any particular barriers affecting women's access to microloans. However, a larger majority nonetheless felt that special services were needed for female entrepreneurs.

This apparent contradiction may mean that microlenders consider their programmes to be gender neutral. However, based upon experience, these same practitioners realise that women arrive in their offices less well equipped to meet the standards set for lending.

Despite this awareness, the majority of microlenders do not undertake activities that target female entrepreneurs. Over 75 % percent do not have a policy to guide their work with women or other disadvantaged groups. Sixty-five percent of respondents do not have specific loan products for women.

Seventy-four percent of agencies participating in the survey provide loans and technical assistance and training. Of these, slightly more than one third undertake pre- and post-loan technical assistance or training tailored to women's particular needs.

Less than half of microlenders have staff members devoted to working with women. In addition, women are under-represented

in the management and directorship levels within microlending organisations.

► The Lending Gap - Points for Further Reflection

► Supply Side Factors :

If women around the world face demand-side constraints similar to those cited by survey respondents, could it be that the main distinguishing characteristic between Western Europe and other regions is on the supply-side? That is, is the lower female/male lending ratio in Western Europe due to the gap between microlender awareness of women's specific needs and the actual programmes in place?

Even though the overall lending rate is 39 % in Western Europe, in some countries surveyed, rates approach those observed worldwide. In the UK, Spain, Italy, Norway and Portugal, rates were close to 50 % or more. Looking at this sub-group, in the UK, Spain and Italy, there seems to be an association between gender aware programming and lending rates approaching 50 % and higher.

In the UK, the female lending rate is 49 %. If we remove the women-only lenders' from the UK data, the female client rate drops to 32 %, the lowest in the entire sample. Of the remaining generalist UK lenders, none have policies, programmes or staff targeting women entrepreneurs. This result suggests the targeted approach of the women-only lenders plays an important role in maintaining the UK's lending rate close to 50 %.

In Spain and Italy several lenders working with women and men have adopted specific programmes, lending practices or have specialised staff. Spain has the highest lending rate to women of Western European countries from which EMN received data (67 %). In the case of Spain, when we remove the women-only lenders' data, the female/male lending ratio is 58 %, still the highest amongst the countries surveyed. The gender sensitive programming of the generalist lenders may be contributing to this above average rate.

Similarly, the high rates of lending to women in Central and Eastern Europe are

due in large part to targeting. The Eastern European environment in the early 1990's was characterised by the collapse of centrally planned economies, the end of government provided employment and social benefits, the collapse of state-owned banks and war in the former Yugoslavia. In this environment, donors such as the World Bank, the United States Agency for International Development and the Soros Foundation helped to create microfinance institutions using models adapted from developing countries. In developing countries, women are the primary clients of microfinance programmes. These new programmes, amongst other characteristics, focused on lending to women throughout the region and particularly in the former Yugoslavia where there were large numbers of war widows. Twenty percent of microfinance institutions that are members of the Microfinance Center (MFC), EMN's sister network, target women exclusively or focus primarily on supporting women entrepreneurs.

On the other hand, the lenders surveyed in Norway and Portugal do not undertake specific programmes for women, yet their female lending rates are 54 % and 49 % respectively. The poverty focus of the Norwegian microlender that responded to the survey may play a role here. In addition, according to the Global Entrepreneurship Monitor (GEM), Norway has a higher level of overall entrepreneurship, including female entrepreneurship, than the UK, Spain and Italy (GEM, 2000 ; GEM, 2004 ; GEM, 2005).

There may also be government efforts in both countries to promote female entrepreneurship through training, education and awareness raising. In addition, the regulatory environments in these countries may facilitate the creation of new businesses, including those owned by women (Facet, Evers & Young, nef, 2005).

For Portugal, OECD data on the 1990s shows that this country had a female entrepreneurship rate of 41 % (OECD, 2001). In addition, Portugal is a middle income country. According to the Global Entrepreneurship Monitor, as country income drops, there are larger numbers of female entrepreneurs engaged in necessity entrepreneurship, meaning other employment options are either absent or unsatisfactory. This may also be a demand-side factor in Spain, which GEM classifies as a middle income country.

The Norwegian and Portuguese survey data are very limited compared to the other countries in the subgroup. Nevertheless, these findings suggest that microlender programme design is an important factor influencing lending rates, but that a better understanding of the external environment is also required in order to fully appreciate the role of government policy and other demand-side factors such as rates of necessity entrepreneurship.

► Demand for Microloans :

According to the survey, the demand for microloans on the part of potential and existing female entrepreneurs in Western Europe is influenced by their roles in society. In particular, women's roles as care-givers, household managers and income earners may be discouraging them from realising their entrepreneurial ambitions. One microlender is addressing the childcare challenge by providing women childcare grants as well as grants to cover travel costs (see WEETU case study). What other interventions can microlenders consider that take account of women's multiple roles ?

Some survey respondents reported that the perception that starting a business is high risk discourages women from considering entrepreneurship. In France, data is regularly collected and published on the survival rates of small and medium sized businesses, the reasons why businesses fail and the outcomes for business owners. A recent French study found that although half of new businesses no longer exist after five years, only 15 % declare bankruptcy. The businesses are acquired by larger companies or sold to a sole proprietor or the owner finds salaried employment (Le Monde, 2005). Could this type of data be more readily available across Europe and be extended to microenterprise ? Would access to this data influence women's perceptions of risk and change behaviour ? What other interventions that raise awareness of the advantages and disadvantages of microenterprise might be possible and how can microlenders address women's relatively high fear of debt and risk as reported in the survey ?

► Equal Opportunities and Affirmative Action :

The majority of microlenders participating in this survey appear to be implementing a gender neutral approach to lending and support services. As stated earlier, by gender neutral we mean that microlenders

provide services without regard to the gender of those who participate. However, these organisations also recognise that targeted support is often required.

Why is there this mismatch between awareness and practice? The gap may demonstrate that microlenders, like others, are affected by the debate on *how* best to ensure under-represented groups gain access to services and opportunities.

When asked why they did not implement specific programmes for women, many microlenders cited their equal opportunities policy. Equal Opportunities is an approach intended to give equal access to an environment or benefits, often with emphasis on members of social groups which might have at some time suffered from discrimination. Equal Opportunities policies that are gender neutral, as practiced by microlenders responding to this survey, can be distinguished from Affirmative Action practices.

Affirmative Action, also referred to as positive discrimination, is an approach promoting the representation of groups who have been traditionally discriminated against. The theory is that adoption of gender neutral (or race neutral) approaches may not be sufficient because past discrimination limits access to education and job opportunities and hence the ability to achieve based upon merit.

There is disagreement in policy making and governmental circles about the advantages of adopting one approach or another. And hence, microlenders too, may find themselves in the centre of this debate. On one hand, their experience on the ground seems to indicate that a proactive approach with respect to women is required. On the other hand, their organisational policies and interpretation of Equal Opportunities may prevent them from acting upon their experience.

As the discussion above on supply-side issues demonstrated, there are many factors affecting women's access to microlending. Each country in Western Europe has its own history with respect to women's rights and ensuring representation of excluded groups. Nevertheless, it is important for microlenders to be aware of the differences between gender neutral approaches and gender sensitive approaches and to be aware that gender sensitive approaches ensure that, where these exist, gender-based inequalities and barriers are addressed.

► Separate Programmes and Gender Mainstreaming :

Like the debate over Equal Opportunities and Affirmative Action, there is also discussion of the advantages of providing separate programmes for women entrepreneurs via specialised women-only lenders and mainstreaming women's concerns into lending programmes working with both sexes⁵.

As of 2004, Western European microlenders working exclusively with women made 3 % of all microloans to women. Based in the UK, Spain and Italy, their lending represented approximately 4 % of the aggregate value of loans to women across the 27 Western European organisations surveyed. However, as seen above, in their home countries, their impact on lending rates is greater and particularly important where generalist lenders are not implementing programmes that take account of the differing needs of male and female entrepreneurs. Women-only lenders therefore have a very positive role to play in supporting women's entrepreneurship.

Although women-only lenders make an important contribution, in Western Europe as a whole, the majority of lending to women is undertaken by microlenders that work with both sexes. These lenders have great potential to help larger numbers of women gain access to lending, entrepreneurship and thereby the possibility to create better lives for themselves and their families. Many of these organisations are already aware of the specific challenges faced by women entrepreneurs although their programmes may not reflect this.

Would these lenders be willing to assess the differing concerns and experiences of women and men in their programme area and ensure that their policies and programmes are adapted accordingly? Are there lessons they can learn from the women-only microlenders and from microlenders that work with both sexes but have specific programmes for women? To help in this pro-

5. Mainstreaming a gender perspective is the process of assessing the implications for women and men of any planned action, including legislation, policies or programmes, in any area and at all levels. It is a strategy for making the concerns and experiences of women as well as of men an integral part of the design, implementation, monitoring and evaluation of policies and programmes in all political, economic and societal spheres, so that women and men benefit equally, and inequality is not perpetuated. The ultimate goal of mainstreaming is to achieve gender equality. Mainstreaming includes gender-specific activities and affirmative action, whenever women or men are in a particularly disadvantaged position. (United Nations Economic and Social Council 1997).

cess, should microlenders set themselves benchmarks for the number of female clients reached in order to monitor progress toward diversity and inclusion? For example, the Microenterprise Standards and Accreditation Project and The Association for Enterprise Opportunity, a network of microfinance institutions, set a 50 % benchmark for women's participation in microfinance programmes in the United States (AEO, 2004). This benchmark is based upon women's representation in the population, which is actually 51 %. The same project also states that microenterprise programmes should serve minorities at a level equal to or greater than their representation in the programmes' service areas.

► **Sector Maturity :**

Although microlending programmes have been operational in developing countries since the 1980's, 45 % of Western European microlenders have only been operational since 2000 (nef-EMN, 2004). A further 30 % have been operational since the mid-1990's. At the time of this study, many programmes were only 4 to 5 years old. Not only are the programmes young, but many have not scaled up to the numbers of loans seen in Eastern and Central Europe and developing countries. Some lenders make less than 100 loans a year and may require 1 to 2 years to reach these levels.

Is part of the reason for the gap in practitioner awareness and practice with regard to female entrepreneurship a reflection of sector maturity? Over time, as the sector matures and client numbers rise, it is expected that lenders will develop a better understanding of the specific needs of particular groups such as women, immigrants, ethnic and religious minorities and, as discussed above, design their programmes accordingly. Crédal in Belgium is an example of a generalist lender that, after running its microloan programme for several years, was dissatisfied with the number of women clients. In response, Crédal decided to design and undertake a women-only pro-

gramme in order to increase the number of women benefiting from its lending (see Crédal case study).

► **Women in Microfinance :**

This study found that 54 % of the microlender workforce in Western Europe is female. Amongst women employees, 4 % are senior managers and 73 % are in support roles. Thirty-six percent of microlender board members are women. Some research shows that there can be a link between the number of women in directorship positions and the organisational mission and targeting of the institution. For example, a study on microfinance governance conducted in Central and Eastern Europe and the Newly Independent States of the Former Soviet Union found that organisations with higher proportions of women on the board reached more and poorer borrowers (Hartarksa, 2004). It is not clear whether the number of women in senior and directorship level positions influences the level of attention given to supporting women's entrepreneurship in Western Europe, but this is another subject meriting further reflection.

► **Closing The Lending Gap :**

This study has demonstrated that initial indications of a gap in microlending rates to Western European women were accurate. The survey has improved our understanding of the multifaceted nature of this gap and has highlighted a number of areas that require further analysis, debate and action. The European Union's Employment Strategy established in 1997 is the main tool giving direction and ensuring coordination of the employment policy priorities for Member States. In 2002, Employment Strategy Guidelines stated that particular attention should be paid to obstacles which hinder women who wish to set up new businesses and become self-employed (Franco and Winqvist, Eurostat, 2002). This study contributes to that effort and indicates that microlenders, researchers and policy makers have much to do to ensure that a financial tool with great promise for women entrepreneurs achieves its full potential.

Microentrepreneurs' stories

➤ **Maria, shoe seller**

Maria Carmen Mesa recently opened her shoe shop in Valdemoro, a suburb of Madrid. "Without the loan provided by "La Caixa", nothing would have been possible" she claimed. Just a few months earlier, she was jobless. Her handicap makes it difficult for her to access the labour market. "I decided to create my own business, but no commercial bank wanted to provide me with a loan: I had no income, no personal goods and no guarantee." So she consulted the town hall and the Omega Foundation, where she received advice in working out the details of her project. While continuing to support her throughout the development of her idea, they put her in contact with "La Caixa", which then provided her with a microloan to make her project a reality.

➤ **Francelina, restaurant owner**

Francelina was finally able to see her dream come true two years ago thanks to a loan from ANDC. The Angola-born microentrepreneur now runs a small restaurant in Lisbon. After living several years in Brazil, Francelina came to Portugal with her three children, who she had to raise alone following a divorce. She had a succession of small-time jobs to feed her family: cleaning houses and working in restaurants. Francelina often found herself facing too many hours and too many employers - often two or three she saw in the same day!

Such conditions were too difficult to sustain, and Francelina wanted to create her own business. She contacted one or two banks for loans but without success, despite having people who were willing to act as guarantors.

Through a local development agency and an article she found in a newspaper she got in touch with ANDC, who granted her a €5,000 loan for taking over the management of a small, fully equipped restaurant. She used her personal contribution of €2,000 to round out the equipment. Just a month and a half after her first contact with ANDC, the loan was granted through the "Millenium bcp" bank.

Today she manages to pay all her expenses, taxes and social security, and tuition for her three children: two at university and one at school. She no longer commutes four hours a day to get to a restaurant, because she finally found an apartment nearby, although that doesn't keep her from opening her restaurant at 8 a.m. and closing at midnight! She's never kept track of her hours, but at least today she works for herself and is proud to see her efforts directly rewarded by a restaurant that works well, with regular customers who appreciate not only the quality of her food but also her availability and receptiveness.

➤ **Sarah and Emily, Cocoa Bean Artisan Chocolates or the passion for chocolate**

Cocoa Bean Artisan Chocolates makes innovative and contemporary chocolates. Sarah Hehir and her sister, Emily Stanford, started experimenting with dark chocolate in a little kitchen in Limerick, Ireland in 2002. Within a year they had moved into a workshop and were creating chocolates that were recently described in the new Bridgestone Guide as 'wild, radical work'.

They reach and inspire their niche market of gourmet food lovers by using the ultimate chocolate from small plantations, fresh ingredients, exciting flavours and artisan techniques. The chocolates are beautifully packaged in rich colours and wooden boxes. Their market includes restaurants, delicatessens, food markets, wine shops and Selfridges Food Halls.

It was Sarah and Emily's own passion and interest that initially inspired the company but it has been the appreciation of both customers and support agencies that have driven them forward.

First Step recognised the unique quality of Cocoa Bean Chocolates. They supported the company in the early stage with loan capital that went towards the purchase of the first Cocoa Bean van. Not only has the van been of great practical use but also helped to raise the company profile with the branded sign writing.

"The enthusiasm and continued support of First Step has been extremely valuable to the company in its first year."

➤ **Beverly: "I'm doing what I really want to do"**

Beverly started sewing when she was a child, and received training with top manufacturers in Birmingham, UK as a young adult. She began making clothes for other people, specialising in costumes for reggae dance music – she says she can still spot men in dance queues wearing shirts she made 15 years ago. A few years ago Beverly decided to formalise her qualifications, and went to college for three years to earn a Btec Diploma in Fashion and Design and a Cert. Ed. She financed her studies with needle and thread, doing exacting work at home for an award-winning bridal gown manufacturer. After her studies Beverly started flexi-time work as a fashion technician at a local college and began lecturing a few months later.

By the time she discovered Street UK, Beverly was renting an incubator unit in a fashion centre. Her most pressing need was to improve workflow in her sample-making business. Although she has no shortage of customers, she used to have to wait with each new commission until she could afford to buy the materials for the job. Banks wouldn't lend her the money. "I've made clothes all my life," Beverly says, "but I didn't have a formal track record." When Street UK stepped in to help, Beverly got a float for her purchases and her turnover increased right away. She also bought business stationery to promote her work. Now she employs a full-time assistant, plans to repay her loan ahead of time, and is taking her dress- and sample-making to new heights. Her goal? "I want to own a small manufacturing business," Beverly says, "catering for people who only need ten to thirty garments at a time -- and I'd like to take it country-wide."

"I never felt this confident before," she says. "I'm really buzzing because I'm doing what I really want to do." While her business is taking off, Beverly still finds time to make tops for her friends and daughters, selling them for £5 and £10 each. She also has good advice for other dressmakers who are thinking of going professional: "Don't wait as long as I did. If you want to do it, go for it!"

➤ **Mireille Ronarch: "Lalu: Young, vibrant and with a big future"**

Mireille Ronarch has found a superb location for her Paris, France fashion boutique, right in the middle of a fashionable neighbourhood at the corner of Oberkampf and Saint-Maur streets. Named "Lalu" because she loves aluminium, "l'alu" in French, Mireille's boutique attracts a "fairly young" clientele who are often well off even though most are from the local neighbourhood.

How did Mireille, aged 35, come to open up her boutique selling quality second hand clothing as well as new designs from local designers? "I had some business training and I had also done some courses at the Ecole du Louvre," she recalls. "I dreamt of having an artistic career, working in a gallery for example. But after ten years of various experiences in art and advertising, I found myself unemployed."

So Mireille began to think of starting her own business. At first she thought of opening up a sandwich shop and later she tried to take over a fashion boutique in the 17th district of Paris. Though she was ultimately unsuccessful in this effort, it put her in contact with Adie. As a result, when Mireille eventually located the shop she wanted in the Oberkampf area she was ready to sign her lease within three days. "The loan of €2,500 that I received from Adie was certainly a great motivating factor but the advice provided by Adie was also important." Always optimistic (she loves meeting people), Mireille is now able pay herself a reasonable salary and has fully repayed her initial loan after two years in operation. Nevertheless, she remains cautious. Her next project is to start a "children's corner", a project which will undoubtedly require another development loan...

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