

USAID W-GDP Eswatini Women's Employment for Economic Recovery Project (WEER)

Financial Ecosystem Gap Analysis Findings



About USAID W-WGDP WEER

The USAID Women's Employment and Economic Recovery Activity (WEERA) is a three-year project implemented by the American Bar Association, Rule of Law Initiative (ABA ROLI) in partnership with Grameen Foundation USA and Kwakha Indvodza (KI), **working to increase women's participation in the Eswatini economy both as small business owners and as salaried workers.**

The project works across three main focus areas:

- 1. Addressing laws that limit women's freedom to work;**
- 2. Increasing women's access to finance to start and grow businesses;**
- 3. Engaging male champions of women's rights to address gender beliefs and practices that limit women's ability to participate in the economy and allow gender-based violence**

Under this project, **Grameen is responsible for Focus Area 2.**



Key Project Activities

1. **Legal Reform:** Work with a coalition of Eswatini CSO and private sector partners to advocate for legal reforms promoting women's participation in economic activities
2. **Financial Ecosystem Gap Analysis:** Analyse women in Eswatini's needs and desires for financial products serving women entrepreneurs; the products currently being offered by banks, MFIs, and mobile network operators; and identify the gaps where new products are needed or existing products could be scaled up
3. **DFS Innovation Prize:** Establish an Innovation Prize to provide financial and technical support to financial institutions and mobile network operators to pilot or scale financial products and services that meet the needs of women entrepreneurs, especially smallholder farmers.
4. **Corporate Gender Training:** Support private sector companies to improve gender, diversity and inclusion, and workplace harassment practices

What is the Financial Ecosystem Gap Analysis?

The Financial Ecosystem Gap Analysis is a mixed methods research study designed to identify gaps in the Swati financial market for financial products and services that meet the needs of women entrepreneurs, and make recommendation on how to reduce these gaps through the WEER DFS Innovation Prize.

Specific objectives of the study:

1. Understand women entrepreneurs' **needs and use cases** for financial products and services, especially rural women entrepreneurs
2. Map **existing products and services** offered in the Eswatini financial market
3. Identify the gaps between existing and needed women-centered products and services
4. Provide **recommendations on** existing products and services that could be scaled up to address, or new products and services that could be innovated to fill the gap

Methodology

- Desk Research
- Key Informant Interviews with Government and Parastatal Actors, Financial Institutions, and NGOs
- Individual Surveys with 84 Women Entrepreneurs and 35 Spouses of Women Entrepreneurs: To understand women's business profiles, needs for financial products, uptake of existing financial services, and views/challenges/pain points with the financial products they currently use or have used in the past.

Women Entrepreneurs and Spouses Surveyed by Region

Region	Women Entrepreneurs	Spouse (Male)	Total
Hhohho	19	7	26
Lubombo	27	13	40
Manzini	19	8	27
Shiselweni	19	7	26
Total	84	35	119

Overview of the Presentation Today

1. Profile of Women Entrepreneurs
2. Women's Current Usage of Financial Services
3. Women's Barriers to Financial Access
4. Recommendations for Financial Institutions

Profile of Women Entrepreneurs In Eswatini

Women Entrepreneurs Are a Huge Untapped Market Segment for Financial Services

- Women make up 52% of the adult population in Eswatini (823,716 people) and 71% of these women are rural
- A full 72% of adult women (**roughly 310,404 women**) are self-employed
- 52% of entrepreneurs surveyed by WEER reported their business expanded in the year prior to COVID, while 32% reported their business had remained the same size
- Just 7% of entrepreneurs in a 2014 GOE survey were able to access credit from a formal bank

Access to Credit is a Key Constraint to Women's Business Growth

- **Desk research and KIs with GOE officials concluded that insufficient access to credit is one of the key constraints to women's business growth.**

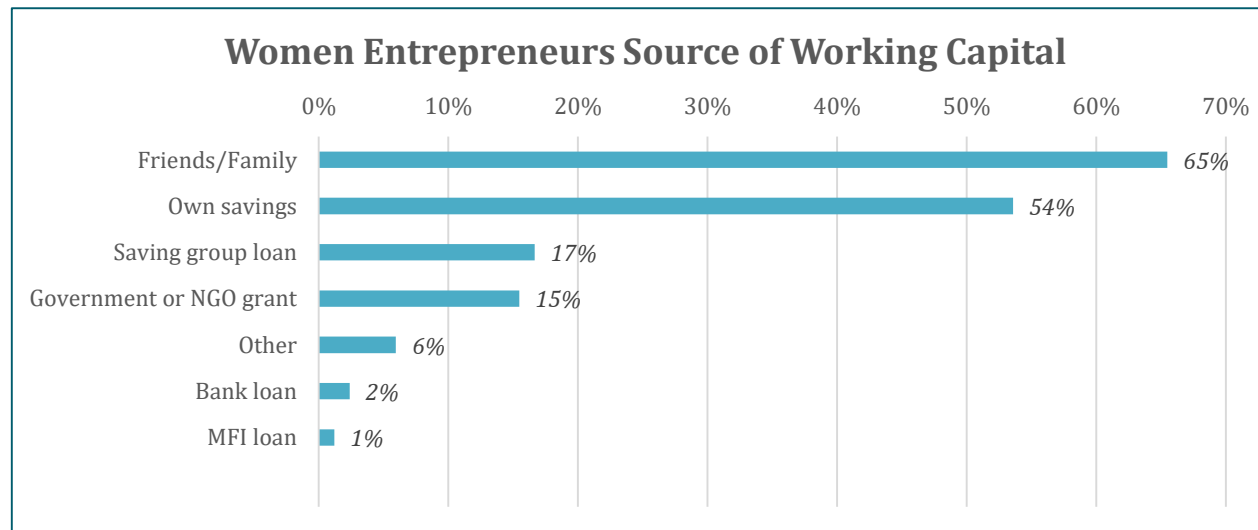
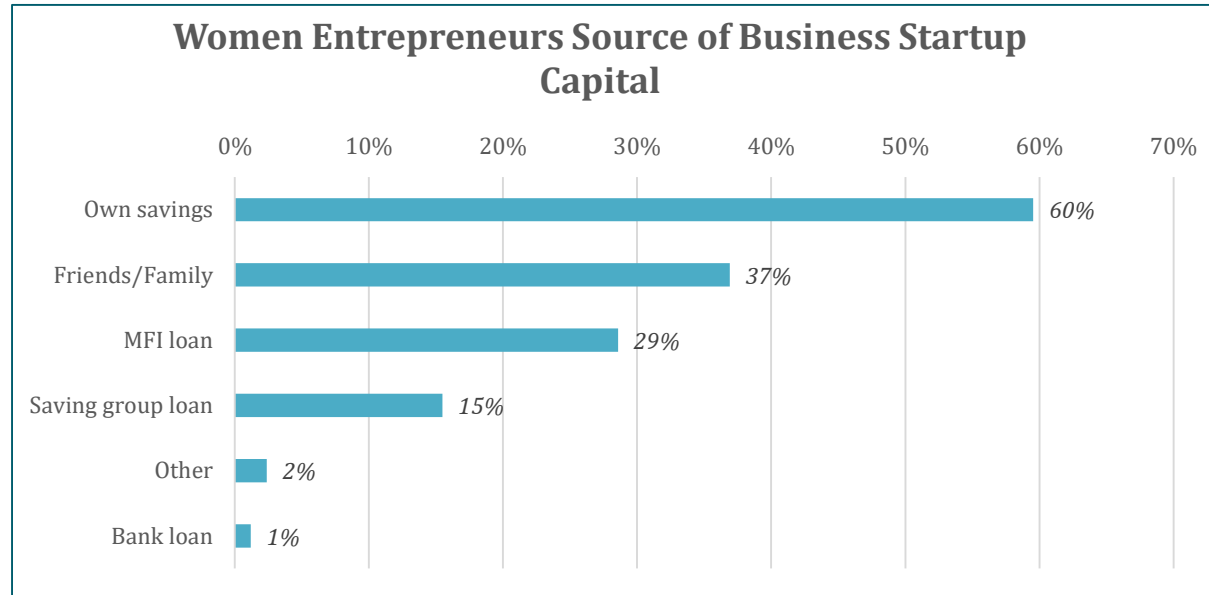
Women's Current Usage of Financial Services

- **87% of adult women are currently financially included** (using at least one financial service)
- Bank Accounts: **49% of women currently have a formal bank account, and 79% of women have either a bank or MM account.** 60.7% of the women entrepreneurs surveyed by WEER have a bank account
- Savings: **65% of women in Eswatini currently save in some form or another. 26% of savers have formal savings accounts at banks, while 47% save in non-bank formal products like mobile money and cooperatives.** 88% of women entrepreneurs surveyed by the WEE project save in a community savings group/self-help group/merry-go-round

Women's Current Usage of Financial Services-cont.

- Mobile Money Accounts: **71% of people in Eswatini overall have a MM account. 95% of women have access to a mobile phone. 84% of people in Eswatini live within a 30-minute walk to a mobile money agent so they have the opportunity to transact.**
- Uses of Mobile Money: 64% of MM users in Eswatini primarily use only the Person to Person (P2P) payments functions, while 20% of users also use MM to save.
- Credit: **While there has been an increase in access and usage of other financial products, access to credit is still extremely low in Eswatini.** Only 8% of people have borrowed from a bank. Of those who credit, only 12% borrowed from a formal financial institution (including banks, SACCOs, and MFIs) while 14% of people borrowed from informal sources, including savings groups, shop credit and moneylenders. Just 1% of women entrepreneurs surveyed by WEER have borrowed money from the bank, whereas the vast majority borrows from MFIs and savings groups.

Where Women Access Business Capital



Key Takeaways

- Women entrepreneurs are increasingly financially included, but they still do not have access to credit and this is preventing them from growing their business.
- Mobile money is growing rapidly, and has the potential to address the access to finance gap, while cutting costs for financial institutions

Barriers to Financial Access: Why Are Women Not Using Credit?

- 1. Lack of Women-centered Financial Products and Services:** no tailored products for women from financial institutions, lack of interest in the women sector
- 2. Financial Institutions Do Not Target Micro, Small and Medium Enterprise Segment:** Financial institutions in Eswatini focus nearly entirely on large businesses and salaried workers
- 3. High Interest Rates and Fees:** Women entrepreneurs surveyed by WEER are price-sensitive
- 4. High Collateral Requirements:** 20% of potential bank borrowers, 19% of MFI borrowers, and 27% of agricultural loan borrowers surveyed by WEER cited high collateral requirements as a key barrier to their ability to access loans and/or a pain point with the product
- 5. High Documentation Requirements:** High documentation requirements (ID, proof of salaried employment, cash flow analysis, complicated loan applications) prevent women from qualifying for loans
- 6. Limited Awareness of Available Financial Products**

Barriers to Financial Access: Why Are Women Not Using Credit?

6. Challenges with Savings Groups:

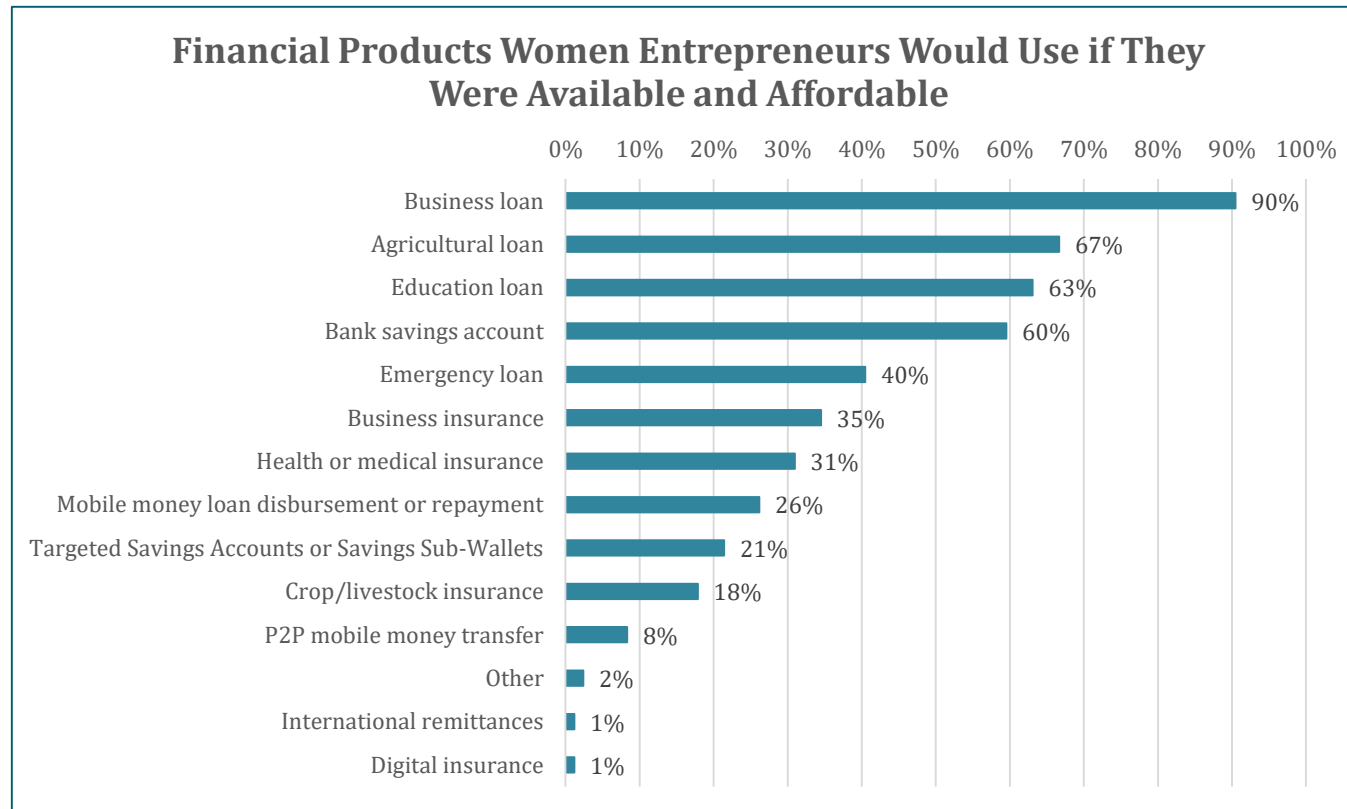
- Savings groups are widespread in Eswatini, used by 83% of women entrepreneurs surveyed under WEER
- Women find many benefits of savings group loans
- But both the FSRA and savings group members noted that weak capacity of many savings groups leads to inefficiencies and group conflict, loan sizes are too small to start new businesses, and lack of a formal credit history prevents women from graduating to larger formal loans

7. Fear/Reluctance to Adopt Formal Financial Products: Limited knowledge of loan terms, inexperience with formal products and low confidence discourage some women from adopting new financial products.

8. Long Loan Processes: Prevents women entrepreneurs who need immediate funds from taking loans

Recommendations for Financial Institutions

- 1. Provide women entrepreneurs with affordable and accessible business, agriculture, and education loans:** Out of all the financial products in the market today, the top products needed by women entrepreneurs are business, agriculture, and education loans. **90% of women entrepreneurs surveyed by WEER said they would take up a business loan if it was affordable and they met the documentation requirements. 67% would use an agriculture loan, and another 63% would use an education loan.**



Recommendations for Financial Institutions

- 2. Leverage DFS and Mobile Money to Expand the Scale of MFI and Bank Credit:** According to the 2019 State of Financial Inclusion Report, 71% of people in Eswatini already have MM accounts and MM agents are very accessible in local areas. MM addresses the price sensitivity many clients have to loan products, because it eliminates the cost of transport to access loans. MM also enables clients to access loans quickly when they need them. Finally, MM has the potential to reduce financial institutions' costs of doing business by enabling loan disbursement and repayment without the high cost of deploying Credit Officers to rural areas. **Banks, MFIs, cooperatives and other financial service providers should consider how DFS and Mobile Money can improve the scale and popularity of their services.**
- 3. Introduce Financial Products Tailored to Meet the Needs of Priority Women-Centered Value Chains:** These include livestock (beef, leather, dairy, goat, pig/pork, indigenous chicken, beekeeping) and horticulture (vegetable gardening) financial products.
- 4. Introduce Credit Products that Address Women Entrepreneurs Needs for Short-Term Working Capital.** This could include short-term loans that enable traders to purchase goods for sale, pay for transport to transport goods to market, etc.

Recommendations for Financial Institutions

- 5. Financial Products and Solutions that Effectively Address Rural Women Entrepreneurs Reluctance to Adopt New and Formal Financial Products.** These could include lower-risk financial products, savings group linkage and group loan products that help women transition from informal to formal financial services.
- 6. Alternative Collateral Financial Products and Solutions that Enable Women Entrepreneurs Without Formal Collateral to Access Business Loans:** Of the survey respondents, 20% of potential bank borrowers, 19% of MFI borrowers, and 27% of agricultural loan borrowers cited high collateral requirements as a key barrier to their ability to access loans and/or a pain point with the product. Financial institutions should adjust these collateral requirements if they want to expand their customer base. This could include loans with alternative or flexible collateral requirements rather than land titles.
- 7. Develop Alternative Credit Scoring and Loan Assessment Financial Products and Solutions that Enable Women Entrepreneurs Without Formal Credit Histories to Access Business Loans.** This could include the use of alternative data like digital payment histories, cash flow analysis, or SME Scores to generated credit scores, dramatically expanding availability of loans that do not require formal credit histories, or any other innovative solution the applicant would like to offer.

Recommendations for Financial Institutions

- 8. Introduce Financial Products and Solutions that Effectively Address Rural Women Entrepreneurs Reluctance to Adopt New and Formal Financial Products.** These could include lower-risk financial products, savings group linkage and group loan products that help women transition from informal to formal financial services.
- 9. Leverage DFS and Digital Learning Platforms/Communication Channels to Improve the Scale and Quality of Services Provided to Savings Groups:** Of the women entrepreneurs surveyed, 83% are members of a savings group, and 48% use savings groups to access credit. But these loans are 1) not large enough to catalyze business growth; 2) not available to every member due to limited loaning funds; and 3) are subject to group conflict. WEER recommends financial institutions and savings group-facilitating organizations identify solutions that increase the scale and quality of services to savings groups through digitization/DFS or any other innovative solution the applicant would like to offer; and improve the quality of the services to better meet the needs of women entrepreneurs for example by improving the functioning of savings groups or SACCOs.

Recommendations for Financial Institutions

- 9. Introduce Interoperable Digital Platforms and More Graphic User Interfaces to Make DFS Accessible to Wider Audiences.** Mobile money has the potential to expand financial services to a large portion of the population, but this potential is currently not being realized because of awareness and/or accessibility barriers. While 71% of people in Eswatini have a mobile money account according to the 2019 State of Financial Inclusion Report, only 33% are using their accounts to access services beyond airtime and P2P payments. Financial institutions should introduce innovations that make it easier for mobile money users to use financial services on the mobile money platform. This could be interoperable digital platforms that link women entrepreneurs to financial institutions; digital platforms catering to low-literacy users, etc.
- 10. Provide Needs-Appropriate Business Skills Training Bundled With Finance**

Recommendations for Financial Institutions

- 11. Use Financial Education, Women-Friendly Advertising Campaigns, and Positive Male Engagement to Increase Women's Awareness of the DFS Products That Are Already Available:** A broader financial education and/or awareness-raising campaign could increase women's knowledge of and willingness to try DFS products. Research in many countries has shown that many rural women think formal financial services and DFS are 'for other people, richer people' and 'not for them.' So a targeted women-friendly advertising campaign featuring rural women in phone or advertisements, speaking to women's fears and questions around DFS products, etc. could increase women's uptake of these services.

Additionally, the Gap Analysis demonstrated that women's husbands are both clearly involved in their decisions on whether or not to take a loan, and contributing funds to their wives' businesses. Therefore identifying ways to engage men as positive champions of their wives financial access could catalyze uptake.

Questions?



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Thank you!

