Microfinance Gender Study: A Market Study of Women Entrepreneurs in Yemen

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Context

This report, commissioned by SFD with support from the German Development Bank KfW, builds on the National Microfinance Strategy and Action Plan (2007), the National Women's Development Plan (2006-2011), and SFD's Gender Mainstreaming Strategy (2007) by identifying, for the first time in Yemen, the preferences and perceptions of clients regarding microfinance and the extent to which it responds to their needs. The report is intended to provide the SFD and its partner MFIs with information that can be used to improve and expand their operations, grow their client base, and have a stronger impact on poverty; its findings also offer valuable insights to banks and other financial institutions.

Methodology

The qualitative study was carried out in association with six MFIs who collectively serve 84% of the active clients and 81% of the total Outstanding Portfolio of all SFD supported programs. The study covered 164 entrepreneurs from six locations – Aden, Al Hodeidah, Ibb, Sana'a, Ta'iz, and Yerim – and included both urban and rural clients. As microfinance has evolved in Yemen, the vast majority of borrowers have become women who, because of social restrictions, face significant constraints on their ability to participate in business, to interact with the market, or to have collateral. It is for this reason that the study places women at the center of its analysis.

Legal framework

Under Yemeni law, once a woman is of legal age, she is permitted to obtain loans and make financial transactions. However, in practice, traditions and customs pose significant barriers for women in approaching, negotiating, and physically navigating banks, which are considered the realm of men and where women feel they will not be taken seriously. The same constraints apply to government offices where businesses must be registered. While it is understood that some financial institutions, especially Islamic banks, are opening branches intended to serve women specifically e.g. the Hawa and butterfly sections at the YCB, for these reasons the majority of women continue to opt for microfinance.

Findings

Typically female MFI clients are engaged in very small-scale, home-based enterprises; opportunities to work outside the home are limited. They are generally married and working part-time to bring in supplemental income to the family. The predominance of home-based work, combined with the restrictions on women's mobility and lack of ability to work in the public domain, means that they are confined to traditional, often low pay and low status work in a handful of areas - sewing and incense manufacturing, buying and selling clothes, perfume, hairdressing, animal husbandry, and to a lesser extent handicrafts. Women's objectives for taking loans are to improve the household's standard of living and increase income security. Those with bigger businesses are the exception (e.g. beauty salons, small shops) and were found mostly in Sana'a where there appears to be more opportunities for women working outside of the home, and larger markets.

With regard to constraints on business growth, very few women had received any formal training from specialized organisations; the vast majority are self-taught or learnt from a relative or neighbour. The potential for entrepreneurial development was largely unrecognized, with few seeing the opportunities to transform subsistence strategies into income generating activities. For those who have attended training courses, there is no link between receipt of training and access to credit, leaving many without the financial resources necessary to turn their training into a sustainable livelihood; hence the investment in training is undermined. On the whole, women were not very interested in technical training, but there was a strong demand for business development type services such as financial literacy, marketing, and product development, and to some extent skills up-grading.

Clients Perception of MFIs

Overall, women expressed a high level of satisfaction with microfinance and the staff of MFIs. For married women who face social and cultural constraints to taking a job in the marketplace, access to credit enables them to generate income while working within the home; this in turn helps them to overcome unemployment. The opportunity afforded to access a lump sum and repay it gradually was seen as a key benefit.

Women generally consider that obtaining a loan from an MFI is relatively quick and easy. MFI staffs are deemed to be very helpful and supportive to women, many of whom were known by the clients personally.

Products and Services

However, despite significant progress, microfinance in Yemen remains small scale. The low level of loans, especially at entry level, is overwhelmingly the main point of dissatisfaction among clients. First loans were considered by most women to be insufficient for starting a business, and were cited as a reason why many women do not join or drop out of the program. Most MFIs have not increased their initial loan size for several years and are not keeping pace with inflation; the diminishing value of the loan is ever more acutely felt in the current context of rising food prices. Moreover, it must be assumed that if loans are small poverty impacts will be small. Women repeatedly stated that they needed larger loans if they are to grow their businesses faster.

Most of the MFIs report offering a mix of productive, service, seasonal and consumption loans, using both Murabaha and cash transactions (i.e. "Islamic" or conventional lending). Loans are available for both start-up and existing businesses depending on the institution, and are made available in the form of either individual or group loans. Individual loans are ostensibly open to both men and women. However, collateral requirements set by the programs, as well as perceptions regarding gender appropriate loan types, have worked to restrict most women to group lending.

There is a notable similarity in the products and services offered by MFIs, and very little innovation over time; if anything, MFIs have become more conservative. It is recognised that MFIs can achieve economies of scale and seek expansion through streamlined products; the downside of this approach is that they are limiting not only the development of businesses but also their market. Looking to the future, there is a need to move away from the concept of 'one size fits all' towards offering a wider range of products.

MFIs are slow to graduate women from small group loans to relatively larger individual loans, and the main barrier continues to be a guarantee. The objective of minimising portfolio at risk has led to guarantee overkill, and unnecessary costs for clients who have to pay guarantors for their assistance. Conservative lending practices and the use of collaterals and guarantees for larger loan sizes effectively reinforce women's home based traditional activities and limit women's ability to grow their businesses beyond income generating activities to more entrepreneurial enterprises with greater potential for growth. Most MFIs require approval of a male relative before lending to women, again reinforcing women's low status.

Social Promotion

At the same time, MFIs are missing an important opportunity for social awareness and empowerment; by virtue of bringing women together they have the opportunity to be a broker in promoting networking among the women's groups and in linking clients with and drawing on the resources of other service providers. Provision of information on what opportunities are available to women through other organisations would go a long way towards promoting women's social awareness, and ultimately their rights.

Benefits

Given the restrictions on women's mobility and employment outside the home, microfinance offers them an entry point to develop a home-based business; the opportunity to access a lump sum and to repay gradually is particularly valued. Microfinance has enabled women to contribute to supporting their families and improve their status within the household. Many women have establishment on-going businesses either for themselves or their family members leading to increased income security. Women were emphatic about the personal benefits their had attained from participation in the program which includes greater independence, self-confidence, greater respect and decision-making in the house hold, improved economic situation, and the ability to have a home based job that allows them to contribute to the family well-being.

Recommendations

1. ***Provide strategic technical support to partner MFIs.*** As the main financier of the industry and implementing agency for the joint SFD/UNDP ***Yemen Microfinance Network Project***, the SFD will continue to have a critical role to play in the ongoing capacity building among MFIs. While a focus on portfolio quality is important, it should not be done at the expense of experimentation and innovation, which should be the focus of ongoing support. Areas identified during this study include:
   - **Terms and Conditions.** Greater business growth and ultimately greater impact on poverty could be achieved if loans sizes were increased based on individual needs and capacities as well as allowing early repayment options so that clients can graduate to the next loan size.
   - **Product Development.** There is a great need for MFIs to move away from the current '*one size fits all*' approach towards a more diverse range of products (i.e. seasonal loans, housing/home improvement loans, education loans, loans for men) that better meet the needs of different businesses and take into account life cycle needs. Those MFIs that observe a direct transfer of loans by women to men should consider developing *limited* products for men e.g. 10-15% of the loan portfolio, rather than leaving women with the responsibility of repayment when they clearly do not have the wherewithal to do so.
   - **Guarantee Requirements.** MFIs should revisit the concept and practice of the group guarantee to ensure that it is being used as the collateral substitute it was intended, obviating the need for multi-level guarantees. There is need to consider ways to open up individual loans to women clients with an established track record using non-traditional collateral.
   - **Market Research.** MFIs should be building feedback loops (such as exit surveys and market studies) into their regular operations in order to better gauge client satisfaction and identify unmet demands in the market.
   - **Social Promotion.** Given the limited outlets and sources of information for women in Yemeni society, and the opportunity presented by bringing groups of women together, MFIs should play a brokerage role in linking women with other service providers to enhance their empowerment and increase the social promotion role of microfinance.
   - **Marketing.** MFIs should step up their marketing strategies and develop information dissemination plans that will achieve greater outreach to both men and women clients, and strengthen approaches towards enlisting the support of husbands so that other women can be included.

2. ***Provide ongoing financial support to partner MFI***. MFIs need to reassess the scale of their operations, particularly in the face of rising prices and increasing economic hardships among clients. This will mean scaling up operations and trying to grow with the huge unmet demand. To do this more capital will be necessary and hence there is a continued need for SFD to support programs with a high poverty focus based on clearly defined criteria and jointly agreed performance indicators. Monitoring would be carried out through regular reporting and external audits and funding policies designed to allow for sustainability at the NGO level.

3. ***Stimulate entrepreneurship development.*** Given the propensity for women to be clustered in traditional income earning activities, more effort needs to be paid on improving skills and helping women break into less traditional areas of business. The SFD through the Small and Micro Enterprise Program (SMEPS) should be linking with MFIs to develop practical, demand oriented programs geared to meet the specific needs of women entrepreneurs, with a particular emphasis on marketing and quality enhancement/product development.

4. ***Promote Cross Sector Linkages and Networking.*** Given its unique multi-sectoral role, its links with government agencies and NGOs, and its presence at the decentralised level, SFD should explore opportunities to harness the services and resources of these organisations in order that women have access to information on much needed services in their area.

1. Introduction

The environment for microfinance operations in Yemen is challenging. Yemen remains one the poorest countries in the world, ranking 151 of 177 countries on the UNDP Human Development Report in 2005. Population growth is very high (3.02% annually), is doubling every 19 years and is expected to reach 38 million by 2026. Almost 74% of the Yemeni population lives in scattered rural, often mountainous, settlements making it extremely difficult to provide basic social services including microfinance. The under-15 age group represents 46.3% of the population creating huge demands for education and health services, access to clean drinking water and job opportunities. Human development indicators show low school enrolment rates, high rates of child malnutrition (46%), maternal mortality (366 for 100,000), and illiteracy (56%). There are also large gender disparities, with significant gaps in women's access to economic, social and political opportunities; Yemen ranks 155 out of 156 countries in the UNDP Gender Development Index.

It is within this context that, since its inception in 1997, the Social Fund for Development (SFD) has been active in promoting the microfinance industry in Yemen as an important tool for development and poverty reduction, and as a means to create jobs, generate income and small businesses opportunities. SFD currently works with 11 microfinance institutions (MFIs), most of which were started as NGO projects and now strive to become sustainable MFIs. As microfinance has evolved in Yemen, the vast majority of borrowers have become women who, because of social restrictions, face significant constraints on their ability to participate in business, to interact with the market, or to have collateral. It is for this reason that the study places women at the center of its analysis. However, some discussions were also held with men to assess commonalities and differences.

SFD is committed to women's rights and women's empowerment, and to mainstreaming gender in all areas of its programmes; with support from KfW, it developed a Gender Mainstreaming Strategy in 2007. The overall objective of the strategy is to increase the effectiveness of SFD and its interventions in promoting gender equality and empowering women. A key focus is that SFD becomes a role model for increasing the status of, and respect for women in communities. Monitoring of the implementation of the Strategy is based on sector indicators, which for the microfinance sector are as follows:

1. *Poverty targeting:* numbers of poor women (lowest 3 income deciles) increased from 24% to 50%
2. *Control of resources:* majority of women accessing credit controlling the loan; strategies directed at men to support women.
3. *Status of women:* greater role in household decision-making; greater respect from men
4. *Skills development:* numbers of women/men that have access to training (where provided).
5. *Livelihoods:* Increased resources for household use.
6. *Other impacts and benefits* documented, such as improving relationships within the families, children education

This Microfinance Gender study supports the implementation of the Gender Strategy and the National Women's Development Strategy 2011 by assessing the extent to which microfinance institutions (MFIs) are addressing gender-specific issues; it also provides SFD with a baseline against which to measure progress. Much has been written about microfinance in Yemen but this is the first study of its kind to access its effectiveness from the perspective of the clients. By better understanding the experience of diverse women around the country, and their insights on the products and services available, this report hopes to provide the SFD and their partner MFIs with valuable information that can be used to sharpen their operations and better respond to needs of clients.

The key outputs of the study are:

- An assessment of gender based constraints to microfinance (financial, economic, social, cultural, political and legal);
- An assessment of the impact of current microfinance operations on the social and economic status/empowerment of women based on data gathered, survey results and in-depth interviews;
- Recommendations for product development and program design that better services the needs of female clients in Yemen.

The purpose of the study is to ascertain women's preferences and perceptions in relation to microfinance. In view of SFD's forthcoming Impact Assessment (2009) this study is not concentrating on impact but does illicit some benefits as perceived by women, and provides guidance for the Impact Assessment. The report is divided into 4 sections. Section 1 sets out the background to, and methodology for, the study including sampling methods used. Section 2 provides an overview of the microfinance industry in Yemen, profiles the MFIs, their objectives, clients, products and services. Section 3 presents the findings of the survey based on an analysis of the nature of women's businesses, constraints to the growth of these businesses and their access to financial services. It also presents the level of women's satisfaction with the MFIs and the products and services provided, and women's perception of the benefits, which they gain from engaging in microfinance. Section 4 offers recommendations for SFD, and provides guidance on issues that could be examined by the 2009 SFD (3-yearly) Impact Assessment.

Methodology

The Yemen gender study was undertaken between April and June 2008 under the guidance of the Monitoring and Evaluation Unit (M&EU) and in cooperation with the Small and Micro Enterprise Development Unit (SMED) of the SFD. The team was led by two international consultants Mary Jennings (Institutional/Gender consultant) and Deena Burjorjee (Micro and Small Enterprise Development consultant); in keeping with SFD's Gender Strategy Capacity Development Plan, the survey team included local staff working on gender/microfinance, Intesar Bakhawar (SFD SMED Unit), Nashwa Hazaa (the SFD Gender Coordinator), and Aleen Hamza (UNDP programme officer). The study builds upon the Social Fund's ongoing work to support the development of an inclusive financial sector in Yemen, embodied in the National Microfinance Strategy and Action Plan[1]. Specifically, the study addresses the Action Plan objective to improve product diversification and availability of quality of services in the market by increasing industry understanding of market needs and demands through client focussed market research.

The research team worked in cooperation with six microfinance institutions (MFIs) that collectively serve 84% of the active clients (Figure 1) and 81% of the total Outstanding Portfolio of all SFD supported programs.

[1] The Yemen National Microfinance Strategy was developed under the direction of the Ministry of Planning and International Cooperation (MoPIC) through a consultative process involving key stakeholders operating in the sector to build a common understanding and vision of the role of microfinance in the country's financial sector development. The subsequent Action Plan sets out key actions to be taken to realize this vision.

Figure 1: Market Share - Clients

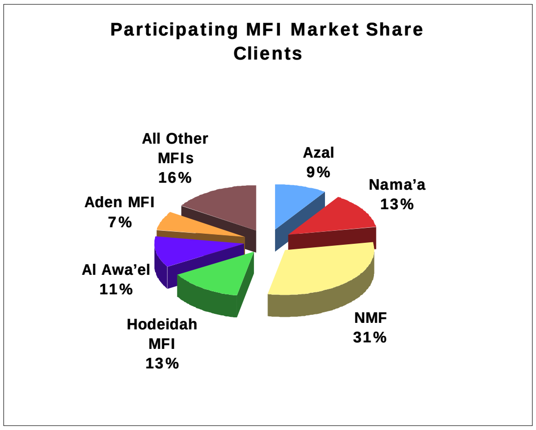
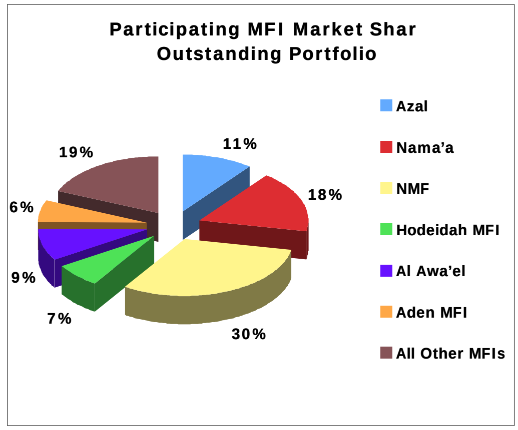


Figure 2: Market Share – Outstanding Portfolio



The team used qualitative interview techniques - focus group discussions and in depth interviews – to develop a profile of the typical microfinance client in Yemen and to gain a better understanding of current access and constraints to both formal and informal financing for low income populations in Yemen. The study covered 164 microentrepreneurs who were randomly selected from six key geographic areas: Sana'a (26%), Al Hodeidah (24%), Ta'iz (9%), Aden (15%), Ibb (20%) and Yerim (6%), where the vast majority (71%) of all SFD microfinance operations are located (Figure 3 and 4). The survey team sought to weight the samples according to the national distribution of the SFD's portfolio; this was achieved in all cases except. Ta'iz, where due to logistical constraints, the sample was much smaller than anticipated. However, in spite of the lower numbers, it was felt that the Ta'iz sample was still reflective of the typical client in this area.

Figure 3: SFD Geographic Distribution

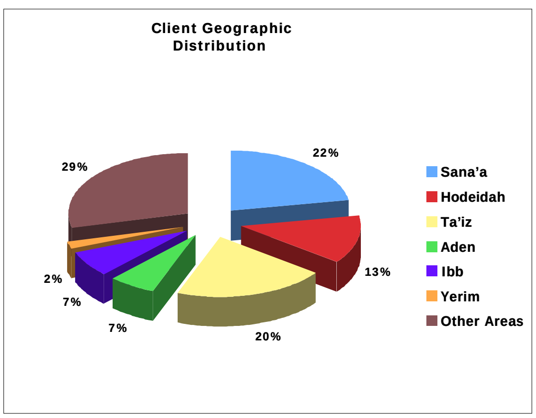
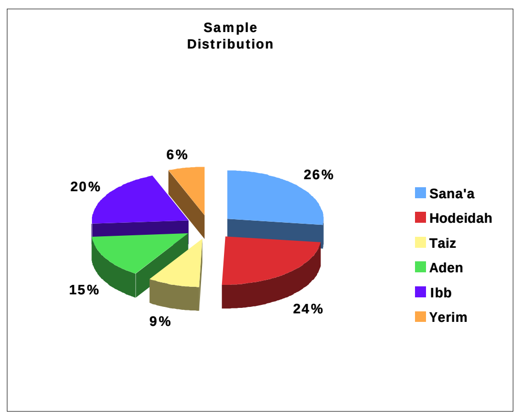
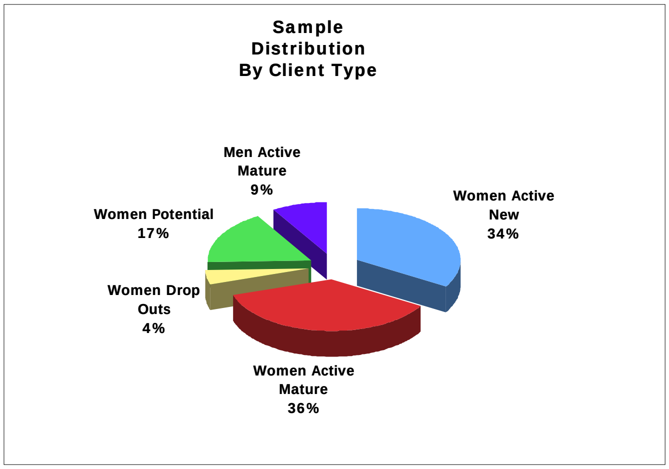


Figure 4: Sample Geographic Distribution



The study sample represents a variety of client types in the sample and therefore included: women active new clients (34%), women active mature clients (36%), women potential clients (17%), women drop-outs (4%), and men active mature clients (9%) in order to compare their experiences.

Figure 5: Sample Client Distribution



In addition to the qualitative data collection undertaken in the field, a brief questionnaire was developed and administered by the SFD to the six participating institutions to better understand their objectives and procedures for working with women clients and what they see as the biggest needs and constraints facing this client group. While these institutions do not constitute all of the MFIs operating in Yemen, their large combined outreach and geographic coverage allow us to extrapolate from the findings broader industry trends.

2. Microfinance Industry in Yemen

Overview of SFD Supported MFIs

Legal and Regulatory Framework[2]

There are no formal barriers to women owning or registering a business in Yemen, or in securing a loan for that enterprise. Legally women have the right to own assets and to engage in any activity they choose, though these rights exist more on paper than in practice, with the ultimate control of these assets usually mediated by male relatives. Under Yemeni law, once a woman is of legal age, she is permitted to obtain loans and make financial transactions. However, traditions and customs pose significant barriers for women in approaching, negotiating with, and physically going to banks which are considered the realm of men and where women feel they will not be taken seriously. The same constraints apply to government offices where businesses must be registered. However, there are changes gradually taking place particularly in larger cities whereby there is a growing awareness in the financial sector of the need to serve women clients. Some financial institutes, especially Islamic banks are opening branches intended to serve women specifically; a good example in this regard is the Hawa and butterfly sections at the YCB.

Institutional Profile

The six participating MFIs were National Microfinance Foundation (NMF), Aden Microfinance Foundation, Nama'a Microfinance Development Program, Azal Microfinance Program, Al Hudeidah Microfinance Program, and Al Awa'el Microfinance Company. They represent a mix of institutional types including foundations (2), programs (3) and one company (1), which together serve 24,721 active clients and have an outstanding portfolio of USD 2.53 million[3].

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[2] Source of data on legal framework: interviews with MFIs.
[3] SMED, SFD March 2008, Quarterly MFI Report

Figure 6: Participating MFI O/P

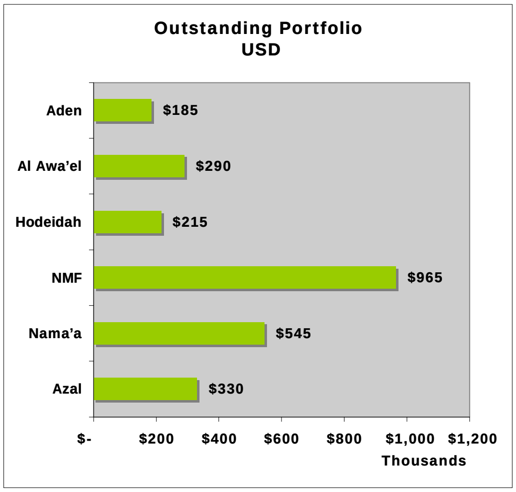
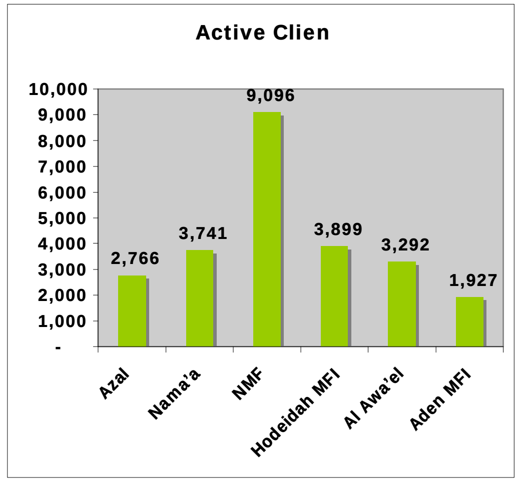


Figure 7: Participating MFI Active Clients



Client Distribution

These MFIs work predominantly in urban areas (78%) with some penetration into more rural (22%) communities. The vast majority (82%) of all clients are reported to be women, with the exception of the Nama'a MFI where men predominated (62%). However, it is important to note that while NMF reports a 99% female client base, it was widely acknowledged by program staff in the Ibb branch that most of the women are taking loans on behalf of men in their family, suggesting an overstatement of gender outreach figures.

Figure 8: Participating MFI Outreach

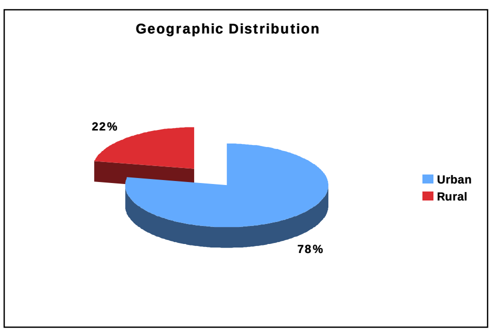
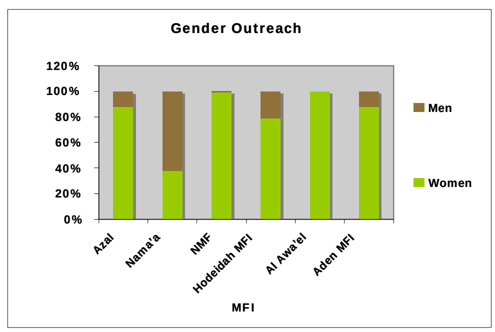


Figure 9: Participating MFI Gender Outreach



Products and Services

Most of the MFIs report offering a mix of productive, service, seasonal and consumption loans, using both Murabaha and cash transactions. However, aside from these methods of the transaction (i.e. "Islamic" or conventional lending), there was little evidence of product diversity in the field, with most clients taking a similar graduated loan product, with little variation regardless of their length of time with the institution, repayment history or type of business being financed. And while there is a growing use of mandatory savings components among MFIs (3 of the six reported using this feature), broad based voluntary savings mobilization is still non-existent due to current legal/regulatory restrictions.

Loans are available for both start-up and existing businesses depending on the institution, and are made available in the form of either individual or group loans. Individual loans are ostensibly open to both men and women. However, collateral requirements[4] set by the programs as well as perceptions regarding gender appropriate loan types have worked to restrict most women to group lending.

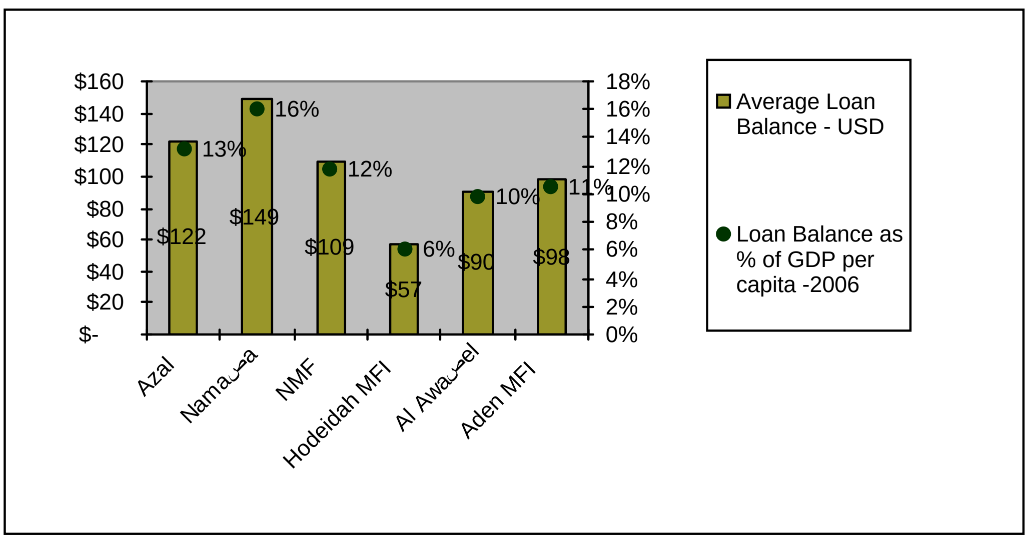
Loan sizes vary across the programs, with group loans ranging between YR 5,000 and YR 50,000, and individual loans reaching as high as YR 500,000, with repayment terms of between 6 and 12 months. The average loan size among the six MFIs is USD 104, or 11% of Yemen's per capita income[5], reflecting a very high depth of poverty targeting. A common benchmark used for microfinance programs for assessing poverty outreach is an average loan balance of less than 25% of per capita income. However, within the six participating MFIs, some were clearly reaching poorer clients than others e.g. NMF targets slightly better off/more educated women in Sana'a while in Yerim their poverty targeting was more evident; poverty levels are acknowledged to be very low in Al Hodeidah compared with national averages and this was clearly reflected in the MFI clientele.

Box 1. Application of Murabaha

Murabaha is a common Islamic banking instrument used for short-term financing based on the conventional concept of purchase finance or cost plus mark up sales. As it has been applied in the microfinance sector in Yemen, MFI staff accompany the client to the suppliers to buy the goods and then charges a mark up fee for its services. In the case of group lending, the MFIs take all of the clients together for buying days, which can be very tiring and time consuming, particularly for women merchants who buy and sell their goods door to door. In some cases MFIs use sale centres to purchase certain goods facilitating the process. Repayments are made in monthly instalments, the same as conventional loans.

While it is clear that these MFIs are working with the poorer segments of the population in Yemen, the small first time loans, which in some programs were noted to be as low as YR 7,000 or USD 35, clearly have not kept pace with rising costs over the years, and are increasingly insufficient to deal with current food shortages and national price escalations.

Figure 10: Participating MFI Poverty Outreach



4 All MFIs ask for some sort of collateral for individual loans including personal and/or commercial guarantees or gold, both of which are difficult for poor women to produce on their own, particularly if they are not married.
5 A proxy indicator is used by microfinance practitioners to measure poverty outreach is the average loan balance relative to GNP per capita, commonly known as the depth ratio.

Institutional Objectives for Working with Women

The reasons given for working with women clients ranged from very clear social and economic development objectives as in the case of Al Hodeidah MFI (e.g. promoting women's empowerment and community solidarity, improving family income and standards of living for children, increasing employment opportunities for women etc.) to the more practical considerations of project implementation – i.e. women are more committed to repay. No matter what the entry point, all MFIs appeared to be aware of the challenges facing women entrepreneurs in Yemen, particularly with regards to their restricted mobility, which confines most women's enterprises to the private sphere.

Approaches/Adaptations for Working with Women Clients

The main strategy employed by MFIs to meet the particular needs of women clients is the use of group lending schemes, whereby women are organized into groups whose members guarantee each others loans in lieu of formal collateral. This collateral substitute has allowed many women the opportunity to start up new businesses and others to expand their existing operations where they wouldn't have been able to otherwise. However, the practice by most MFIs of getting permission from male family members for program participation and in some cases the need for additional salaried guarantors who in practice are generally men, add unnecessary burdens on female clients and undermines the concept of the collateral substitute.

Credit officers reach women by going door to door as well as by visiting training centres and attending women's gatherings such as graduations and wedding ceremonies. Group meeting times and places are set to accommodate women's multiple responsibilities and lack of mobility outside of the home and separate women only divisions are set up within the MFIs. For the most part clients need only come to the MFI for the initial loan, after which time the group leaders make payments on behalf of the other members. A number of MFIs have made access even easier for clients by collecting payments and savings instalments directly from their homes or place of business.

Group guarantee schemes tend to have a clear social promotion role in most countries, where borrowers help each other with business advice, give support to marketing efforts (providing connections to customers, suppliers, etc.) or other types of support. However, in the Yemeni context this aspect was quite varied and in some instances not observed at all. Groups interviewed during the study indicated that they meet mainly to discuss the loan methodology, terms and requirements of the program, and for loan repayments e.g. Sana'a, Ta'iz; however in Aden a more dynamic relationship was observed amongst members. The determining factor appears to be the extent to which women know each other well; where they are part of a large family group, or are close knit neighbour, there tends to be a good rapport but for many, especially in larger urban areas, this was not evident.

All of the credit officers working with female clients are women, as are a majority of the rest of the staff, facilitating easy access to this client group. This is not without its own challenges as it is often difficult for women loan officers to work in more rural areas with limited public transport. While most credit officers do not directly handle cash, which could create a security issue, long working hours conflict with family obligations and are seen as a major barrier to continued employment among MFI staff. In Aden, almost all of the loan officers interviewed said that they would be leaving the program once they were married.

Nama'a MFI had undertaken an exit survey to better understand the reasons for client drop out. However, most MFIs do not have a feedback loop for improving and adapting current products and services to better meet client needs. This study was the first time that any of these MFIs had facilitated focus group discussions with their clients. Management's preoccupation with portfolio at risk has been at the expense of innovation and client retention, with MFIs overlooking the significant institutional costs of high client drop out rates.

3. Findings

Women's Business Needs

Women's Economic And Income Earning Activities And Responsibilities

The typical female MFI client in Yemen is engaged in a very small-scale enterprise operated out of her home. She is generally married and working part-time, to bring in supplemental income to the family. The types of activities engaged in are those that can easily be done from home and that can accommodate other family responsibilities. The main objective for taking the loan is to improve the household's standard of living and increase future security.

The main enterprises supported are sewing and incense manufacturing, buying and selling clothes, perfume, hairdressing, animal husbandry, and to a lesser extent handicrafts (e.g. jewellery making, basket weaving, etc.). Those with bigger businesses are the exception rather than the rule (e.g. beauty salons, small shops) and were found mostly in Sana'a where there appeared to be more opportunities for women working outside of the home, and greater marketing opportunities. Businesses are more focused on trade (with a dalala - poorer woman - buying/selling of goods on a house to house basis) as clients become further removed from cities and there are fewer opportunities for productive work. This was particularly the case in Al Hodeidah where the bulk of clients were involved primarily in small scale subsistence activities, living hand to mouth on whatever they can earn.

Opportunities for women to engage in economic activities outside the home are severely limited particularly for women with young children. However, mobility becomes less of an issue for older women and single heads of household for whom staying at home is less of an economic option. As such women clients tend to limit their activities to products that can be easily marketed to other women (perfumes, clothing, handicrafts) either from their homes, during celebrations (Eid, births, weddings), or through other women working as teachers in the school system.

For the most part, women were borrowing to support their own enterprise; with the major exception of Ibb where the majority of loans were for consumption purposes and were being repaid by husbands. There were also a number of cases in Sana'a and Yerim, where loans were being taken to support husbands and sons to start or grow their businesses. Most of these cases came from clients of the NMF where staff was quite open about the practice of giving loans to men through women and using women to ensure repayment. There were also a limited number of cases where loans were being handed directly over to fathers for household expenditures.

Constraints to Business Growth

Very few of the women interviewed had received formal training from a specialized institution, nor had they heard of training opportunities offered by other service providers that might be open to them. The vast majority were self-taught or learnt from a relative or neighbour. Those that had been to training centres had very mixed experiences – some were very positive, but for the most part the centres were criticised for their poor quality, lack of materials and resources. The potential for entrepreneurial development was largely unrecognized, with few seeing the opportunities to transform subsistence strategies into an income generating activities. In addition, there was no link between receipt of training and access to credit, leaving many without the financial resources necessary to turn their training into income earning activities.

> **Box 2. Barriers to Market Entry**
> Safia has a sewing machine & makes clothes for women & children. She would like to make clothing for men but this necessitates hiring a tailor & renting a shop for him as she can't interact directly with male clients. She would also like to make uniforms for the hospital as large, regular orders would provide her with a regular income. However, she has no contacts with the hospital and as a woman she cannot approach the hospital authorities herself.

On the whole, women were not very interested in technical training, seeing the lack of financing and access to markets as their biggest constraint to growing their businesses. Many clients rely on middlepersons or Dalala to help market their goods on a fee for service basis; however, these arrangements are not always very reliable. Several women discussed how their dalala had fled with their goods, making their own repayment of the loan very difficult. While in the best of circumstances the intermediary role played by other poor women provides some additional income for the dalala, it is small and most prefer to graduate to the role of producer. Marketing was seen as less of a problem in Al Hodeidah where women expressed greater mobility and opportunities for women working in the public spaces.

Most women were extremely confident in their ability to increase their productivity and thus profitability with access to bigger loans and their ability to service loans. Reported profit margins of a 100 – 200 % were not uncommon. However, many expressed interest in business development type services such as financial literacy, marketing, and product development that were seen to have a more direct link to improved efficiency and improving their businesses to better meet market demand.

Many of the women has a preference for individual loan product, particularly those with more mature businesses, but did not know about the availability of such a product. Of those who did know about this product, many could not offer the gold or commercial guarantee needed or feared that the monthly payment would exceed their repayment capacity.

Access to Financial Services

The most common source of finance for women clients is the jimaya or haqba – an informal rotating savings and credit association, whereby a group of women pool their money and take turns receiving the pot. Jimayas are used to finance life cycle events such as weddings and births, as well as to pay for school fees, pay off debts and meet increased production needs around seasonal business peaks including Ramadan and Eid. Participation in jamayas was higher among better off clients, particularly in Sana'a where the majority of those interviewed reported belonging to at least one jimaya in addition to receiving a microfinance loan. However, among poorer clients engaged in more basic subsistence activities, such as in Al Hodeidah, even these informal mechanisms were inaccessible for most women who lacked the extra disposable income at the end of the day to save.

In either case, jimayas are not the preferred mode of financing as the payments are not very consistent and the women must wait a long time before it is their turn for the pay out. Given the tight social cohesion of the group, it is also not a real option for more marginalized women (e.g. refugees without a fixed permanent address or women living in very conservative rural setting such as the case in Ibb) who do not have easy access to these social groupings.

Box 3. Jimaya or Haqba
Local Rotating Savings and Credit Associations

7-8 women (neighbours/extended family) make regular weekly payments totalling 10,000 YR per month, with each person getting a turn at the 70-80,000 YR pot. With eight people it can take eight months until every member has a turn.

Aside from the jimaya there are limited opportunities for Yemeni women to save or gain access to credit. While there are no formal legal barriers to women accessing formal financial sector services, the tight social restrictions on women's mobility effectively bar them from directly navigating formal financial institutions. Even if they were able to overcome this barrier, the minimum account balances (sometimes as much as two times the amount of the loan requested) and collateral requirements of the banks make their services prohibitive to majority of Yemenis – men and women[6].

Some of the more mature businesswomen have negotiated credit from wholesalers or suppliers through male relatives, usually without any mark-up. However, this credit is often tied to specific products that may be substandard. At the same time, this type of credit is becoming increasingly more difficult to come

[6] As a Least Developed Country (LDC) with approximately 50 per cent or 11 million of its 21 million people living below the poverty line, it is estimated that about 97% of the population lacks access to formal financial services.

by given the current pricing environment, leaving most women dependent on support from family and friends for start up and working capital.

Among the better off clients there was much enthusiasm for formal savings services where they would not have such easy access to their money. A limited number of clients, mostly in Sana'a and Ta'iz, were saving with the Postal Savings Bank where they were able to open an account with as little as 500YR. A few women interviewed preferred the door-to-door savings collection services of the NMF, even though they were not active borrowers of the institution.

Client Satisfaction with Microfinance

Procedures

Overall, women expressed a very high level of satisfaction with microfinance and the staff of MFIs. For married women who face social and cultural constraints to taking a job in the marketplace, access to credit enables them to generate income while working within the home; this in turn helps them to overcome unemployment. The opportunity afforded by microfinance to access a lump sum and repay it gradually was seen as a key benefit. Microfinance has enabled women to contribute to supporting their families and improve their status within the household.

Women generally consider that obtaining a loan from an MFI is relatively quick and easy. Once the group has been formed, a leader agreed, and savings criteria have been met, the loan processing time is considered fast (ranging from a few days to 10 days). Microfinance is seen to be a more reliable source of funds than the traditional jimaya saving system, which can take several months before getting a lump sum, and payment by others is not always timely.

MFI staff were deemed to be very helpful and supportive to women, many of whom were known by the clients personally. However the staff's support is largely restricted to providing credit and receiving repayments. Some credit officers have been effective in seeking out technical information for clients but, in general, they do not have technical or business skills and thus are limited in the level of support they can offer.

Some women did express frustration at not having heard about the programme sooner, and proposed that there be more discussion at neighbourhood level about microfinance and greater promotion through the media. While door-to-door contact has been effective in reaching women within their homes and gaining critical male family support from the onset, in more remote and difficult to reach villages it has meant that outreach has been more by word of mouth and often restricted to certain families.

Terms and conditions

The low level of loans, especially at entry level, is overwhelmingly the main point of dissatisfaction among clients. Typically the first loan ranges from 10,000 YR to 25,000 YR (40,000 YR in provided by Nama'a in Sana'a), which was felt by most women to be insufficient for starting a business, and was cited as a reason why many women did not join or dropped out of the program. Most MFIs have not increased their initial loan size for several years and are not keeping pace with inflation; the diminishing value of the loan is ever more acutely felt in a context of rising food prices[7]. Moreover, it must be assumed that if loans are small poverty impacts will be small. Women repeatedly stated that they needed larger loans if they are to grow their businesses faster. This finding is consistent with the 2006 SFD Impact Assessment, which found that low loan amounts were amongst the most negative aspects in dealing with the Program.

[7] The World Bank estimates that after a year of record inflation, and the accompanying rises in wheat products, prices might increase national poverty by 6 percentage points.

The majority of women were working with the small capital, posing a major constraint to business growth. Traders (mainly selling clothes - malabis) argue that the demand is there but that the loan is so small they can only offer a very limited range of products and that they need a greater flow of funds to reach a bigger client group. Women had to wait for several loans before they could afford to purchase a sewing machine to make clothes, or set up a small shop at their houses. It was observed that some clients, both women and men, used the first loan or two for consumption purposes until a larger loan was obtained. A few dynamic women had used the group mechanism as a way to get access to larger capital for their business by pooling the resources for a single enterprise e.g. in Sana'a seven women borrowed and gave the funds to one woman to start a hairdressing salon while she met all the repayments.

Box 4. Overcoming Capital Constraints

Under the NMF programme in Sana'a a group of seven women (sisters and neighbours) came together to each take a loan of YR 30,000. They each felt that the USD 150 was too small to do anything meaningful independently, so they decided to pool their resources (YR 210,000) to buy raw materials for a small incense "factory" for local sale and export. Each member of the group gets a share of the products to sell. The group leader pays off the loan from the total profits and then distributes the profit based on the percentage of individual sales.

There was very little flexibility among MFIs on loan size regardless of client's ability. Even when women had proven their credit worthiness by repaying several loans, growth in the size of loan remained small. One woman who was in hairdressing for 15 years had received an initial loan of 15,000 YR and a second loan of 25,000 YR; she also proved her capacity to repay larger loans by repaying a seasonal loan of 100,000 YR within a month. Yet, she eventually dropped out after 3-4 years with the MFI because the level of loans was too low to enable her to expand her business. Women stated that they did not have difficulty in meeting higher repayment amounts, as they would have increased revenue from the higher volume of sales; the exception to this was Ibb where most loans were for consumption. Women suggested that there should be loan packages for different businesses e.g. a higher amount for those opening a beauty shop/hair salon, as their capital outlay is larger than most other businesses.

Many women, especially in Al Hodeidah who are working with very small loans, would like to repay loans early e.g. some said they could repay within a month but the MFI restricted them to scheduling repayments over six months with the accompanying interest payable over this period. While it is appreciated that MFIs rely on standardized procedures to reach scale, many MFIs do have a feature for early repayment after a certain number of payments allowing them to better meet the evolving capital needs of their clients.

There is variation among MFIs in the approach to collection of repayments. In Aden the MFI had very strict hours/location for receipt of repayments, which made it difficult for rural women travelling to a central location with cash. In some instances, if women were even a few hours late the MFI staff would immediately go to the women's home/guarantors to get the repayment. By comparison, in Ibb, the credit officers go to the village to collect the repayments, usually from the house of the group leader.

There were differing views among clients regarding loan repayments. Some clients found it easier to repay on a weekly basis than securing a relatively large sum once a month. However, the majority expressed a desire to repay on a monthly rather than bi-monthly basis; this was especially so for traders who sell on a credit basis and are repaid at the end of the month by those on salaries, or are repaid in instalments over the period of one to two months. Furthermore, women starting up with new businesses, particularly recently graduated technical trainees (e.g. sewing courses), found repayment even within the first month difficult and requested a longer grace period to enable them to start their businesses.

Interest Rates

While generally satisfied with the loan terms, many clients did voice dissatisfaction with interest rates that they considered were too high. This is a common complaint by microfinance clients around the globe, as interest rates must be considerably higher than commercial lending rates to offset the small loan sizes and higher operational costs associated with collateral free lending. However, given the conservative lending practices among MFIs in Yemen, rising poverty levels, and the fact that additional informal guarantees are required that often involve additional costs, there may be some merit to this complaint.

In addition there was some concern raised about whether the lending scheme was in keeping with their faith, with some clients more comfortable than others with conventional lending schemes. In Sana'a, there was a clear preference for Murabaha loans, which was on offer by all of the institutions visited. In other parts of the country, where only conventional loans were available, women have accepted the concept of interest. Additionally, when asked whether they would prefer Murabaha to cash loans, most of these women stated a preference for cash. In general, women found the system of purchasing goods on behalf of group members cumbersome (all members go together on the same day with their credit officer to buy their inputs). By contrast, cash lending enables them to choose their own suppliers, obtain a credit line, and exchange materials if they are unsuitable. They did however indicate that fear of 'haram' prevents other women from participating.

Products and Services

There is a notable similarity in the products provided by all the MFIs and very little innovation over time; if anything, MFIs have become more conservative. It is recognised that MFIs can achieve economies of scale and seek expansion through streamlined products; the downside of this approach is that they are limiting not only the development of businesses but also their market. There is a need to move away from the concept of 'one size fits all' towards offering a wider range of products. This will need to be underpinned by regular market research and client perception studies and a more open approach to responding to the demands of clients. The following are but a sample of demands that arose during discussions, but it is anticipated that market research would identify several others.

Seasonal loans: Both women and men wanted access to seasonal loans to be able to take advantage of key periods when they confident that they could sell much high volumes of goods, e.g. in advance of Eid and Ramadan. One MFI has recently offered a seasonal loan, which must be repaid within a month, but there was not enough understanding among the women about the product to have a high demand. In many instances, MFIs do not allow early repayment, which is a further constraint to business growth. In those MFIs were there is flexibility in repaying, some women were repaying the full loan in advance of an up-coming festival period such as Ramadan/Eid and taking a new loan to maximise the opportunity for sales.

Housing/Home Improvement Loans: It was observed through out the survey that where loans are given for consumption, house renovation and maintenance featured high in terms of priorities, followed by household furniture. Frequently the loan was taken by the women but used by their male family members for house improvements (most especially in Ibb), but house improvement was also a priority for divorced and widowed women. For example a divorced woman with two children took the first two loans to convert the downstairs of her parents' house into living accommodation. It wasn't until her third loan that she used the money to start a business. Moreover, the stage in women's life cycle also affects her use of a loan. For example, some older women indicated that they needed a loan to upgrade rooms in their house in order to rent them and have a regular income. Additionally, credit officers in Al Hodeidah spoke of the opportunity to offer housing products to those with regular incomes such as government workers.

Consumption Loans: Given the high prevalence of borrowing for consumption purposes, particularly among first time clients, MFIs may need to have a more open approach to 'consumption' items to ensure that women are able to make the decisions to help smooth their household consumption and protect against risk. Household purchases that help save labour or allow the family to spend enough money on food, health or even education until the next flow of income can be just as valuable as a productive loan. At the same time the interconnectedness of microenterprises with the household often make the distinctions less clear. One woman argued that she needed a refrigerator so that she could cook meals for a few days rather than on a daily basis thereby releasing time to spend in her hair salon. Another older woman who had a monthly rental income from letting a room wanted a washing machine to provide laundry services to the tenant.

Loan Products for Men: Although it was clear that most women were taking loans to support their own businesses over which they have financial control, the pattern of borrowing on behalf of men that appeared in Ibb and Yerim is worrying. While women may gain some nominal respect by being the access points for credit, the extra burden put on them to ensure their husband's repayment hardly seems to justify it. Therefore, MFIs who lend to women simply because they are better credit risks should examine their practices and consider opportunities for involving men more directly, relieving women of this collection role. For example, those MFIs who observe that their loans are being transferred to men may consider providing limited services for men e.g. a ceiling of 10-15% of their loan portfolio is made available to men. However, this should not to take place until strong mechanisms are developed to maximise women's involvement, and a clear mechanism established to monitor the impact on women's participation.

Appropriateness of Lending Instruments

Group lending

One of the fundamental principles underpinning microfinance group lending is that the group provides the guarantee for women who do not have collateral or a guarantee and enables women to access credit in their own right thereby enhancing their economic and social roles. Among the MFIs in Yemen this principle risks being lost, as many require a woman to have permission from her family, as well as a guarantee from a salaried person and/or local sheikh. In some locations this may be linked to consumption loans where women were not responsible for the payments (NMF in Ibb, and Yerim), but in others it appears to be the norm and thereby risks reinforcing women's unequal position in society. Women perceive the requirement to have permission from a husband/male family member before receipt of a loan as inevitable. However, they also indicate that some women are denied permission by their husbands and thus are excluded which raises the challenge for MFIs to do more to increase understanding by men, and if necessary by religious leaders, in order to reach a wider group of poor women.

Groups tend to comprise either family members or neighbours – some groups had up to 23 family members. Such groups have good interaction, support and market for each other, and make timely repayments on behalf of others who are awaiting instalments on goods sold on a credit basis. However, other groups were found to be purely functional in terms of accessing credit and meeting repayments; they played no support function for women, either socially or economically.

By virtue of bringing women together who normally have significant restrictions placed on their mobility, MFIs have a great opportunity to promote the social development and empowerment of women as is practiced by MFIs in many other countries. This role is particularly pertinent in Yemen where human development indicators are so poor, but as yet is not being grasped by the MFIs. Rather, there is inefficient use of the group as a mechanism for information dissemination and promotion of empowerment. It was somewhat surprising when women in Aden said they had never had the opportunity to come together with other MF women, nor did they have access to resource persons with expertise on topics of interest to them. Even in Al Hodeidah where the MFI was originally a Women's Union project and the two organisations are located on the same site, there are no joint initiatives. This represents a lost opportunity for both organisations to work towards the enhancement of women based on their comparative advantage. Groups have indicated that they would welcome the opportunity to meet with other groups and to hear about other services and issues.

Women also stated that they would like the opportunity to visit exhibitions so that they can learn about other products. There is much potential for innovation in using the resources that exist among the women/within the MFIs. Creativity in bringing women together to share experiences could offer women who are new to business much needed support. More experienced women could share skills such as product design (e.g. new styles in clothes, new hairstyles or different cosmetics).

Individual lending

MFIs are slow to graduate women from small group loans to relatively larger individual loans, and the main barrier continues to be a guarantee. The fixation among MFIs to minimise portfolio at risk has led to guarantee overkill[8], and unnecessary costs for clients who have to pay guarantors for their assistance. In the case of individual loans, those who cannot provide gold as guarantee must secure guarantees at several levels – the family, a guarantor and the local sheikh. This is best illustrated by women in Ta'iz who stated that firstly a woman must have permission from her husband, and then pay for a further four guarantees - a guarantor with a salaried position, the local sheikh, the sheikh who oversees the local sheikh, and the local police. This is in addition to repayment of loan.

Box 5. The Hidden Costs of Guarantees

The case of Hafiza in Ta'iz indicates that in addition to meeting her repayments she must pay 1,900 YR extra in advance to guarantors; she states that this level of guarantee must be obtained every time she borrows.

In the case of larger loans when commercial guarantors are required, the costs are much higher. Moreover, there is a requirement to have new guarantees for each loan, with the associated costs, raising the issue for MFIs about how a woman proves that she is creditworthy.

The desire by SFD/MFIs to avoid default or nepotism has meant that some MFIs are not permitted to loan to relatives of credit officers – up to 4th cousins. In a cultural context where intermarriage between relatives is very common, and where some credit officers were former clients, this stipulation excludes many deserving people from participation. Indeed, it is argued that such an approach may encourage, as opposed to prevent, fraud by staff.

Box 6. Barriers to Recognition of Creditworthiness

Amira runs three hair salons in Sana'a and supporting her six sisters. She is unable to use these salons are collateral for an individual loan because she rents rather than owns the premises. The MFI fears that if she defaults they will not be able to bring a woman to the police or to court.

External opportunities – linking with other service providers

Most women have never received formal training of any kind, either in relation to their businesses or with regard to social skills e.g. health, education, nutrition, family planning. Women stated that they would welcome such opportunities and would not experience difficulty in attending. In particular, there was a desire for on-the-job training for business development, marketing, financial skills, and technically upgrading skills in clothes design and hairdressing. Several women expressed an interest in training in sewing; however, in terms of promoting women's empowerment, unless well structured and combined with other support, such training is likely to reinforce women's confinement to the home. It is understood that sewing is seen by men to be a more acceptable business for women than any work which takes them outside the home or which involves interaction with a wider client group.

Many women expressed a desire for training in marketing and in managing their loan – some borrow without having a clear idea of how to develop their business, do nothing with the loan, and have to repay the loan and interest. In Al Hodeidah and Ta'iz there is some discussion that the local authorities may establish a local market as has been done in Hadramout and a request for exchange of council staff and members of the Women's Union.

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[8] The need for guarantors also extends to credit officers before they are permitted to take up employment; in some instances the cost of this guarantee can be up to 7000 YR per year, must be paid in advance and is not receipted, though others may do it for a once off flat fee. In one instance, a credit officer paid 10,000 YR to a guarantor who was black-listed by the MFI and never received her money back.

Box 7. Social Welfare Fund Pilot Programme

The Social Welfare Fund is conducting a pilot programme to promote small businesses among women so that ultimately they will no longer be dependent on the stipend they receive from the Fund. Women are in receipt of Social Welfare provided with skills training and a loan. Four such members of the Aden MFI spoke enthusiastically of the value of financial and marketing training they received from the Fund – an opportunity not open to them through the MFI.

There appears to be no correlation between undertaking a training course and translating the skill into an income. For some women social norms are very restricting; on the one hand some women are prevented by their husbands from undertaking training courses, while on the other hand there is a view that even if a woman completes a training course the main benefit is that she will be more effective within the home. For those who are able to overcome such restrictions, education and life cycle affect women's attitude to training. In Sana'a in particular it was noted that younger, more educated women want formal training so that they could engage in a business that did not demand so much physical work e.g. computer work. By contrast, older, less educated women just wanted capital to grow their business, feeling that they already knew their business well.

Benefits of Access to Microfinance

Social Benefits

In a cultural context where most married women do not work outside the home (single women stated that they were freer to get a job), microfinance is especially important in that offers them an entry point to develop a home-based business and enables them to help their husbands and children. The opportunity to access a lump sum and to repay gradually is particularly valued. Establishment of an on-going business leading to security of income is a huge asset for women e.g. one women continued to have an income from her beauty shop while she had surgery.

Throughout the study women were emphatic about what they saw as the benefits of their participation in the program, which includes greater independence, self-confidence, greater respect and decision-making in the household, improved economic situation, and the ability to have a home based job that allows them to contribute to the family well being. They felt that attitudes among men in Yemen are changing in that in the past there would have been much resistance against women having their own businesses, but now, economic necessity is a driver of more open attitudes towards women's work. However, women must keep their husbands informed of what they are doing and very few are able to engage in the market outside their homes.

The findings also indicate that women's contribution to the household income is more important to poorer families and to families where the husband is, for whatever reason, not working. In such households male resistance to women working is less than in better off households.

The perceived disadvantages of being involved in microfinance for women were increased responsibility, balancing work with household responsibilities and stress over being able to repay the loan, and the constant problems that arise with any business. However, for many the benefits in terms of having an income and being able to make decisions, makes it worthwhile.

Socially, women's position is improving; they are learning skills, gaining respect in family, and developing their self-esteem/confidence. This is mainly due to the fact that women are able to make an economic contribution to the household. At a personal level, women in Ta'iz spoke of the positive experience of developing a business and of having 'ambition and dreams', while women in Aden spoke of the value of owning their own business. Being in business and earning an income boosts women's self-confidence, independence, enables them to help the family and to show that they are responsible.

In a few cases women spoke of the value of groups in opening space to get out of the house and meet other women, but overall this did not emerge as a strong benefit of microfinance. To some extent it can be argued that the objectives of MFIs in terms on enhancing women's position and encouraging their empowerment is inherently restricted by the singular focus of MFIs on loans and loan repayments. This approach assumes that economic activities lead to greater empowerment, which is not necessarily the case. The empowerment that has occurred has been negotiated by the women themselves, within their households, with little support from MFIs. In many other countries, savings and credit services are complemented by initiatives that seek to ensure that women derive other benefits from the programme. An example of how programs have integrated a social development component can be seen in the case of Grameen Bank (below) where groups are used to promote beneficial social message for the women and society at large.

Box 8. Grameen Bank's Sixteen Decisions:
An Example of a Social Development Component for Microfinance

1. We shall follow and advance the four principles of Grameen Bank --- Discipline, Unity, Courage and Hard work – in all walks of our lives.
2. Prosperity we shall bring to our families.
3. We shall not live in dilapidated houses. We shall repair our houses and work towards constructing new houses at the earliest.
4. We shall grow vegetables all the year round. We shall eat plenty of them and sell the surplus.
5. During the plantation seasons, we shall plant as many seedlings as possible.
6. We shall plan to keep our families small. We shall minimize our expenditures. We shall look after our health.
7. We shall educate our children and ensure that we can earn to pay for their education.
8. We shall always keep our children and the environment clean.
9. We shall build and use pit-latrines.
10. We shall drink water from tube wells. If it is not available, we shall boil water or use alum.
11. We shall not take any dowry at our sons' weddings; neither shall we give any dowry at our daughters wedding. We shall keep our centre free from the curse of dowry. We shall not practice child marriage.
12. We shall not inflict any injustice on anyone; neither shall we allow anyone to do so.
13. We shall collectively undertake bigger investments for higher incomes.
14. We shall always be ready to help each other. If anyone is in difficulty, we shall all help him or her.
15. If we come to know of any breach of discipline in any centre, we shall all go there and help restore discipline.
16. We shall take part in all social activities collectively.

Through focus group discussions, the survey sought to explore whether involvement in microfinance was causing difficulties, or indeed, increasing gender based violence. Of its nature, gender based violence is shrouded in silence in all societies and therefore it difficult to ascertain. Within the limitations of this study, it can be said that there was no evidence that microfinance lead to violence – women consistently stated that 'if he is a good man there is no problem'. Women say that economic circumstances is forcing poor couples to cooperate; in the words of one woman in Al Hodeidah, 'we have so little there is no room for argument on what the money will be spent'. It is not surprising since currently programs do little to challenge traditional gender roles. This may change if more of an empowerment focus is introduced. In addition, participants are self-selected; it may well be that in those households where there is tension regarding women's participation, women do not join or drop out.

Economic Benefits

In many cases the income of women clients is a supplement to that of the husband's but for others the family are totally dependent on her income. This was particularly the case in Al Hodeidah where the majority of women reported being de facto heads of household, as their husbands were ill, unemployed or infirm. Here women stressed the important role that their microfinance loans played for the survival of the households and how much the program had helped them. At the same time it is where women were most adamant about the small loan sizes and the need for larger chunks of working capital to increase their operations.

Unlike in many other microfinance programs, a number of MFIs in Yemen do provide loans for start-up businesses. While this is often seen as inherently more risky, it does give women greater opportunities for women income generating activities to meet their household needs.

Female Head of Households
In Ibb, two widows (wives of the same man) had fourteen children between them and were supporting the whole family through basket work with credit from the local MFI; all school-going age children were in school and the oldest girl was in university.

Women stated that they were able to grow their business, though at a very slow level due to the low loan size, and that engagement in the business increases the family's sense of security and that for the first time they are able to assist in providing children with the basic necessities such as food, clothes, health care, school related costs, and house improvements/furniture. A common feature was the use of loans to set up husbands/sons in small businesses such as shops and motorcycle taxis, businesses from which women are excluded. A minority of women are able to save much of their earning to reinvest in their businesses. On the other hand, there were examples where women were accumulating funds to buy gold as dowry so that their sons could be married.

Conclusion

The Social Fund for Development has done a commendable job building the foundation of the microfinance industry in Yemen. In a country where there is not a well-established credit culture and where opportunities for women's paid employment are limited, the SFD has effectively reached a segment of the population previously excluded from the economic equation of most households, and has created new space for women as recognized economic actors along side men.

That said, microfinance in Yemen remains small scale. Conservative lending practices and the use of collaterals and guarantees for larger loan sizes effectively reinforce women's home based traditional activities and limit women's ability to grow their businesses beyond income generating activities to more entrepreneurial enterprises with greater potential for growth. At the same time group guarantee mechanisms are not being effectively utilized to support women's economic or social empowerment creating a missed opportunity to promote greater social change. As such, the Social Fund as the pioneer of the sector has a great opportunity to leverage its influence to increase the impact of its microfinance activities. The following recommendations are in line with the National Microfinance Policy and directly reinforce Action Plan items already committed to.

Recommendations

1. ***Provide strategic technical support to partner MFIs.*** As the main financier of the industry and implementing agency for the joint SFD/UNDP ***Yemen Microfinance Network Project***, the SFD will continue to have a critical role to play in the ongoing capacity building among MFIs, by ensuring that appropriate training opportunities are available through the Network and local training institutes on key operational and managerial issues. While a focus on portfolio quality is important, it should not be done at the expense of experimentation and innovation, which should be the focus of ongoing support. Areas identified during this study included:

    - **Terms and Conditions.** The small loan sizes, while an important mechanism for self-selecting poorer clients, have not kept pace with rising prices and changes in the environment and currently stand as the biggest complaint among women clients. Ramping up the loan sizes more quickly based on individual needs and capacities as well as allowing early repayment options so that clients can graduate to the next loan size sooner would drastically improve income generating opportunities for women clients and ultimately lead to greater impact on poverty. Furthermore, rigid graduation schedules that do not take into account individual capital requirements or successful repayment histories work to hamper business growth and revenue streams. Moving from weekly to bi-weekly, or bi-weekly to monthly repayments, while still keeping regular meetings for discipline, could reduce the amount of time spent on transactions and better meet client cash flow needs, without sacrificing repayment rates.

    - **Product Development.** There is a great need for MFIs to develop their services away from the current '*one size fits all*' approach. A more diverse range of products (i.e. seasonal loans, housing/home improvement loans, education loans, loans for men) that better meet the needs of different businesses and take into account life cycle needs, will be beneficial to both the MFIs and their clients, by better matching loan products with their use. This is likely to require more intensive training of credit officers in business assessment and appraisal. Those MFIs that observe a direct transfer of loans by women to men should consider developing *limited* products for men e.g. 10-15% of the loan portfolio, rather than leaving women with the responsibility of repayment when they clearly do not have the wherewithal to do so.

    - **Guarantee Requirements.** MFIs should revisit the concept and practice of the group guarantee to ensure that it is being used as the collateral substitute it was intended, obviating the need for multi-level guarantees. At the same time they should consider ways to open up individual loans to women clients with an established track record and repayment capacity, using non-traditional collateral such as moveable assets (e.g. bicycles, refrigerators, tools, etc.); marriage and degree certificates, and linked savings components, that are easier for women to obtain than conventional collateral.

- **Market Research.** MFIs should be building feedback loops (such as exit surveys and market studies) into their regular operations in order to better gauge client satisfaction and identify unmet demands in the market. This process is directly linked with new product development, the results of which should be translated into tangible operational adjustments. Market research can also identify which clients are leaving the program; when clients typically leave the program (graduate to sustainable businesses or dropout due to dissatisfaction); and how to entice them back.

- **Social Promotion.** Given the limited outlets and sources of information for women in Yemeni society, and the opportunity presented by bringing groups of women together, MFIs should play a brokerage role in linking women with other service providers to enhance their empowerment and increase the social promotion role of microfinance. Solidarity groups could be more effectively used to support women's multiple roles by engaging members more in the social capital building and using the meetings as a regular source of information exchange. The latter can be done easily with little added effort by the MFI by hosting meetings on topics of interest to women (e.g. health, education and literacy, agriculture, services for children needs) or linking clients with other resources and experts in their area. *Something as simple as* exposing start up clients to experienced businesswomen who can help them with skills and provide tips in managing their business could have a major impact on women with little exposure to other business models. In addition, making general information available at branch offices on topics such as literacy, family/reproductive health, or the availability of basic social services in the area is another low cost way of leveraging access to this marginalized community in order to promote beneficial social messages regarding health, sanitation, nutrition, etc.

- **Marketing.** While initially MFIs kept a very low profile in client outreach due to scepticism among the local populations and the lack of an established credit culture, now that the concept of microfinance is widely known and understood it is time for MFIs to step up their marketing strategies and develop information dissemination plans that will achieve greater outreach to both men and women clients. Consideration should be given to strengthening approaches towards enlisting the support of husbands to broaden outreach to women who are currently prevented from joining. Progress in this area is also likely to lead to a reduction in transaction costs related to drop outs.

2. ***Provide ongoing financial support to partner MFIs.*** Most of the programs in the market are still very small in spite of some being in operations for almost a decade. While issues of fraud and general lack of institutional capacity have been at the root of conservative growth strategies, MFIs need to reassess the scale of their operations, particularly in the face of rising prices and increasing economic hardships among clients. This will mean scaling up operations and trying to grow with the huge unmet demand. To do this more capital will be necessary. As new actors enter the market and begin targeting perhaps a better off segment of the population, there will continue to be a financing role for the SFD to support programs with a high poverty focus. SFD should continue to fund these organizations according to clearly defined criteria and jointly agree upon performance indicators. Monitoring would be carried out through regular reporting and external audits and funding policies designed to allow for sustainability at the NGO level.

3. ***Stimulate entrepreneurship development.*** Given the propensity for women to be clustered in traditional income earning activities that are low-pay, low skill and low status with little opportunities for business growth, more effort needs to be paid on improving skills and helping women break into less traditional areas of business. The SFD through the Small and Micro Enterprise Program (SMEPS) should be linking with MFIs to develop practical, demand oriented programs geared to meet the specific needs of women entrepreneurs to help them grow their businesses, with a particular emphasis on marketing and quality enhancement/product development. This could include innovative approaches such as mentorship programs with established entrepreneurs; organising 'road

show' visits to MFIs where clients can get advice on sourcing supplies, marketing, and exploring opportunities to be part of supply chains to broaden their market. It could also contract successful business people to help women up-grade their skills e.g. demonstrate new hair styles and products, new clothes designs etc. The SFD Safety Net Project in partnership with the Social Welfare Fund is another example of how to facilitate Start-Up businesses among the most poor and gradually built up their entrepreneurial capacity through asset transfers and livelihoods training.

4. ***Promote Cross Sector Linkages and Networking.*** Given its unique multi-sectoral role, its links with government agencies and NGOs, and its presence at the decentralised level, SFD should also explore opportunities to promote linkages between MFIs and these agencies to ensure clients have access to information on much needed services in their area. This could be done through regular exchange meetings at those decentralised locations where SFD has a presence, or through complimentary advertising/promotion campaigns.

Recommendations for Impact Assessment 2009

This Gender and Microfinance study is the first of its kind in Yemen to document client's perceptions of microfinance and the institutions that provide it. While the survey did try to assess some of the benefits associated with access to microfinance, the main focus was on client preferences and loan use, and therefore it did not attempt to measure the impact of microfinance on the clients. That said, given SFD's commitment to poverty reduction and development, as evidenced by its triennial external impact assessment, this exercise can be used to inform the next such assessment scheduled for 2009.

A rapid review of the final 2006 suggests that the analysis concentrated largely on three areas:

1. A Facility Survey focusing on services provided by SFD to MFIs and a descriptive institutional profile of MFIs- (indirect beneficiaries of MF); areas covered project staffing, training and project services;
2. Household's perception of the program, focussing on such issues as type of payment, repayment schedule, interest levels, general perceptions on clients experience with microfinance and the extent to which they benefited; and a
3. Beneficiary Assessment focusing on impact on the lives of poor women and their families.

It was noted that the IA was much more heavily weighted toward the institutional and operational appraisal at the level of service delivery than the Beneficiary Assessment, and as such could be substantially enriched through a refocus of questions. While an institutional assessment is certainly central to assessing the success of microfinance programs, a more balanced approach that looks more in depth at the tangible changes that microfinance has promoted at the individual, household and enterprise level would add significantly to SFD's understanding of the efficacy of its development interventions. As such the Impact Assessment may wish to distinguish between two aspects:

a) ***The institutional performance*** of MFIs based on quantitative data obtained from facility survey, *and* clients perception of the service they offer and the extent to which they meet women's needs to be obtained through the Household Survey and Beneficiary Assessment,
b) ***The impact*** at the following four levels to be obtained from the Beneficiary Assessment:
    1. *Individual client level*: (confidence, self-esteem, social respect, control of income, input to decision-making)
    2. *Business stability and growth*: how the business has evolved (scale, production, marketing, performance, skills, income, assets)
    3. *Family/household security*: benefits accruing in terms of income, expenditure, assets (diet, clothes, education, housing, household items)
    4. *Community development*: more participation in social networks/community activities e.g. parent/teacher meetings, project development. .

The following Table provides guidance on the topics that should be explored through the Household Survey and the Beneficiary Assessment.

Table 1. Guidance for Beneficiary Assessment Interviews	
Institutional Performance	
Procedures	Satisfaction with MF
	Ease of access to credit
	Attitude of staff
	Skills of staff
	Communication and information
Terms and Conditions	Size of loan – cross tabulate with a) impact, b) business growth
	Range of products to meet: a) the needs of different women e.g. life cycle b) different businesses
	Repayment schedule meets income cycle
	Interest rates
Products and Services	Seasonal loans
	Consumption loans
	Housing loans
	Insurance
Lending Instruments	Satisfaction with group lending & guarantees required
	Satisfaction with individual lending, & guarantees required
Access to other service providers	Linking clients with other service providers a) for business skills – technical, marketing, financial b) for social development – education, family health, reproductive health, child care, links to women's organisations etc
Impact	
Women's well-being & empowerment	Confidence, self-esteem, gains respect, control of income, input to decision-making
Family/household security	Increased income, expenditure, assets (diet, clothes, education, housing, household items etc)
Business growth & stability	Evolution of business (scale, production, marketing, performance, skills, income, assets)
Community benefit	More participation in social networks/community activities e.g. parent/teacher meetings, project development

A useful guide for the Impact Assessment is *Assessment Tools for Microfinance Practitioners*, the Small Enterprise Education and Promotion Network.

4. Next Steps

SFD will need to consider the findings of this report, identify priorities, and develop an internal strategy for how it is going to promote, lead and guide MFIs towards addressing the issues raised. In this regard, it may wish to consider holding a series of meetings with MFIs to discuss the implications of the findings for them, both financially and operationally.

In addition, there are a number of key events forthcoming over the next few months that present SFD with the opportunity to disseminate the study and advance discussion on the findings including:

- The 2008 third quarter meeting of National Microfinance Steering Committee;
- The market research study to be undertaken by ASA in July-September.
- The SFD/UNDP Microfinance Network Project; and
- The preparation for the Impact Assessment.