“Just the Facts, Ma’am”: Gender Stories from Unexpected Sources with Morals for Microfinance

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Introduction

An American television detective of several decades ago was famous for reminding witnesses, "just the facts, ma'am."[1] The Microcredit Summit Campaign originally requested a paper called "How Microfinance Contributes to Gender Equality." It's a nice invitation to re-visit some of the 50-odd pages of reporting on empowering women through microfinance that the Campaign originally commissioned in 2002—but then again, you can read that paper in the book Pathways Out of Poverty[2] or on the Microfinance Gateway.[3]

For this paper, we wanted to do something a little different—frankly hoping to attract readers beyond the women's empowerment loyalists. The microfinance industry broke new ground by recognizing women as a market to be served and as a force in the development of their own communities. Yet questions remain. How well do we "see" this previously invisible market? Do we believe that it's truly worth serving and that it can be a profitable market? And do we know the market as well as we should in order to serve it well? We decided to look for answers in a series of case studies that can be skimmed for lessons learned and that largely can each be read on its own.[4]

[1] What Jack Webb of Dragnet actually said was "All we want are the facts, ma'am" or sometimes "All we know are the facts ma'am"—but this has been remembered as "Just the facts, ma'am."
[2] Susy Cheston & Lisa Kuhn, "Empowering Women through Microfinance," Pathways Out of Poverty: Innovations in Microfinance for the Poorest Families, (Kumarian Press, 2002).
[3] <http://www.microfinancegateway.org/content/article/detail/3240>
[4] Examples are included from a mainstream bank, U.S. corporations, a women's association, efforts to measure gender issues, and international development organizations that have intentionally mainstreamed gender.

In the spirit of "just the facts," this paper does not attempt to provide a conceptual framework or a comprehensive look at gender and microfinance, but instead looks at a few issues where there is hard data. I am inspired by the example of the Massachusetts Institute of Technology (MIT) in the United States, which carried out several rigorous gender equity studies that focused on facts and figures. For MIT, the devil was in the details. By quantifying inequities in resources, access to leadership roles, and decision-making processes, MIT was able to look beyond the basics of numbers of women and men faculty and truly understand the gender dynamics within the faculty. The study resulted in significant changes in policies, more women on the faculty, and a more collegial atmosphere, among others.[5]

Although not nearly as comprehensive as MIT's impressive study, this paper unearths a few facts and figures that suggest a few findings:

- That targeting women business owners as clients is profitable business in the U.S.
- That financial performance is better when there are women in leadership in the U.S. corporate world
- That it pays to look at the differences between impacts on male and female clients, including differences within households—and at least one rigorous study points to significantly greater impacts on the households of female clients than male clients
- That mainstreaming a gender perspective throughout an institution works—as long as there is also an intentional focus on gender

In the midst of these findings, a few themes emerge, including the importance of a client-centered approach to product development and operations (knowing your clients, both men and women); that intangibles, such as loan officers' attitudes and the personal networks of decision-makers, can make a big difference in outreach to women; and that a an

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[5] Massachusetts Institute of Technology, "Reports on the Committees of the Status of Women Faculty," (March 2002), <http://web.mit.edu/faculty/reports/ >.

approach that combines the business case with the social bottom line can result in positive change that is good for women, good for men, and good for microfinance.

It may seem that these arguments are too obvious to address, or irrelevant when considering the broad scheme of the microfinance world. Yet consider the most recent edition of the MicroBanking Bulletin (MBB), which seems to show that the trend toward commercialization and large-scale outreach means a reduced focus on women. (See Appendix A.) Of 231 institutions reporting, the highest percentages of women clients are found in those institutions that are young; NGOs or credit unions; small in scale; not-for-profit; and/or not financially self-sufficient. To make clear the opposite picture: the lowest percentages of women clients are found in those institutions that are mature; banks or non-bank financial institutions (NBFIs); for-profit; large scale; and/or financially self-sufficient. The MBB shows the link between targeting women and targeting the poor very clearly, with the highest percentage of women found in MFIs targeting the low end (73.3%) and the lowest percentage of women found in those targeting the high end (41.3%) and small business (33.0%).[6]

Certainly a reduced focus on women does not necessarily mean that fewer women are being reached—just a lower percentage compared to men. But the impression remains that profitable, large-scale banks are less likely to reach women. Let's look at one for-profit mainstream bank targeting customers at all levels that has turned that impression on its head.

Targeting Women as a Profitable Market: The Story of Wells Fargo Bank

In the United States, Wells Fargo Bank has found there is profit in targeting women clients. Wells Fargo is not hurting for business: it has $492 billion in

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[6] The MicroBanking Bulletin, MBB Issue No. 11: "The Scope of Funding Microfinance," Peer Group Tables/2003 Benchmarks. (August 2005). < http://www.mixmbb.org/en/mbb_issues/11/mbb_11.html#>.

assets, it's the only bank in the United States to receive the highest possible credit rating, "Aaa," from Moody's Investors Service, and it's been around for over 150 years. Yet somewhere along the way Wells Fargo discovered that there was a largely invisible market of women business owners who were not being targeted by its competitors. Wells Fargo decided it wanted to "own" the market of financial services for women business owners, and the result has been a thriving and profitable niche. Since 1995, Wells Fargo has loaned more than $25 billion to more than 600,000 women business owners (as of May 2006).[7] Its current lending goal is $20 billion to women-owned businesses over the next 10 years.[8]

Wells Fargo was clearly onto something. A number of private banks in the U.S. have followed suit by creating substantial lending initiatives targeting women business owners and aggressively tailoring a full array of financial products and services to them.[9]

The result has been good for banks and good for women. According to the latest economic Census data, between 1997 and 2002, the number of women-owned businesses in the U.S. grew 20% -- nearly twice the rate of all privately held businesses. According to the Center for Women's Business Research, "the range of financial choices available to women entrepreneurs [in the United States] has increased considerably and now includes different types of commercial and government loans; personal and business credit cards; micro-loans; and venture capital (both angel and institutional).[10]

It's no coincidence that Wells Fargo is also the number one lender to small businesses in the United States in total dollar volume according to the most

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7 Wells Fargo & Company, "Wells Fargo Surpasses $25 Billion in Lending to Women Business Owners," Press Release (2 May 2006). Wells Fargo was unable to provide a breakdown showing comparable lending to men during the same period.
8 <http://www.wellsfargo.com/>
9 "Access to Capital: Where We've Been, Where We're Going," Center for Women's Business Research, (March 2005), 2.
10 ibid.

recent data.[11] Nor is it surprising that Wells Fargo's appreciation of diverse and underserved markets has led it to develop outreach programs to African American, Latino and Asian business owners as well.

How did Wells Fargo accomplish this? Does Wells Fargo's experience tell us anything that might apply to microfinance markets outside the U.S.? How did Wells Fargo make "an invisible market" visible?

While Wells Fargo's experience and context are unique to the United States, a number of their strategies have implications for microfinance programs outside the U.S. that are committed to excellence in serving women. Most MFIs serve women, and in many MFIs women make up a majority of the clients and are targeted as an integral part of their social mission. Yet the best MFIs are always pushing themselves to even greater excellence. In terms of serving women, this may mean reaching women who are currently not served or underserved; improving products and services to be more responsive to women's needs and assets; and/or searching for ways to ensure their programs have an even greater impact such as through a focus on women's empowerment. In that spirit, here are a few observations about Wells Fargo's experience that may have implications for microfinance programs outside the U.S.

- Learning about the clients: To learn about the evolving landscape of the women business owner market, Wells Fargo partners with organizations like the Center for Women's Business Research, which does cutting edge research on the financial and personal characteristics of women business owners.
- Developing alliances with women's groups: In 1995 Wells Fargo developed a strategic alliance with the National Association for Women Business Owners (NAWBO) as well as various regional and local alliances. Those alliances help it to translate what it learns about

11 Community Reinvestment Act (CRA) data, (2004).

clients into concrete knowledge, resources and outreach efforts towards the women's market.

- Developing a targeted program and operational unit with specific business strategies: NAWBO helped the bank develop a specialized Women's Business Services program for women run by its own program manager.
- Setting a measurable "stretch" goal: Wells Fargo established a public lending goal in 1995—and then increased it 3 times when it was exceeded. Well before that, Wells Fargo had a longstanding tradition—more than a century--of recognizing the contributions women make to the business community. Yet instead of resting on its laurels, the bank decided to take that experience to a much higher level.
- Building a gender focus into all aspects of the organization: Wells Fargo's vision is not only to make a profit but also to help women entrepreneurs succeed financially in business and personally. In another example, the Wells Fargo Foundation supports non-profit organizations providing services to women and girls. As Dick Kovacevich, Chairman & CEO of Wells Fargo & Company, puts it: "I think the most important thing we have done at Wells Fargo, relative to diversity, is integrate it into our entire business and everything that we do….It is no longer a program. It is no longer a project. It is so integrated into the culture it is just the way we do things now."[12]
- Ensuring the leadership reflects the customer base: As of December 2005, five of fourteen members of Wells Fargo's board of directors were women. (As well, two board members are African-American and one is Hispanic.) While this is not gender equity, it is significantly higher than most Fortune 500 companies.[13] As well, women run many of Wells Fargo's businesses, including the largest business, Wells Fargo Regional Banking. As of 2005, approximately two thirds of Wells Fargo team members were women.

[12] *CEO Initiative* publication, (December 2005).
[13] Wells Fargo ranks 26th on the *Forbes* ranking of the world's 2,000 largest companies, ahead of such companies as Microsoft, Nestlé and DaimlerChrysler. (2006).

- Providing a range of support services: These include programs such as employment benefits and retirement plans.[14]
- Focusing on women's assets and not only their needs. "It is very exciting that we have arrived at a point where women business owners are recognized and appreciated for the very important contributions they make to the U.S. economy," said Rebecca Macieira-Kaufmann, executive vice president and head of Wells Fargo's Small Business Segment. "Wells Fargo recognized early on the power, drive, and potential of women entrepreneurs."
- Developing a feeder program to help women get started: Wells Fargo developed a partnership with WISE (Women's Initiative for Self-Employment) which served as a feeder group working with micro level women who were then able to graduate to Wells Fargo bank.
- Establishing an award to honor and recognize women business owners: The NAWBO/Wells Fargo Trailblazer Award honors women business owners who have successfully implemented an innovation to create a new market, a new way of doing business, a competitive advantage in an existing market or an improved customer experience.

The result of this comprehensive commitment to outreach to women has been not only serious profits for Wells Fargo, but also a transformation of the world of finance for women business owners in the U.S.—a market made visible.

Every one of these strategies has been found in microfinance programs targeting women. What's intriguing about Wells Fargo is how comprehensively—and how profitably--they have integrated a gender focus throughout their operations.

[14] <www.wellsfargo.com/biz/women>

Women are Good for Microfinance; But is Microfinance Good for Women?

Women made up 66 percent of microfinance clients funded by the U.S. Agency for International Development (USAID) in FY 2003. USAID targets women at a higher rate than men because of the empirical evidence that "cash surpluses controlled by women are more likely to be invested in the well-being of children and the household than are surpluses controlled by men," as well as the "higher rates of social and economic exclusion" that women experience.[15] The Microcredit Summit Campaign estimates that the number of very poor women with access to microloans reached 55.6 million in 2004.[16] (This represents 83.5% of the poorest clients and not the total clients. The Microcredit Summit Campaign recognizes that it has failed to report on total women clients to date, and expects to remedy that lack soon.) In many MFIs, women have become preferred clients because more of their income benefits their families through improved nutrition, health, education and well-being; because they have higher repayment rates; and because women work better in the group lending programs that make reaching the poor efficient.

On many levels, the microfinance industry has embraced best practices in reaching women clients, but understanding of how best to provide services for women could be much deeper within many MFIs. As the industry grows, even basic knowledge about the nature of women's businesses and the best ways to provide financial services to support them is sometimes ignored or lost in the face of new contexts and new pressures. For example, it has long been known that, in some parts of the world, women lack property rights and can't show legal ownership of assets. These legal restrictions, along with cultural ones, can limit women's access to individual loan products, particularly those that require collateral. Yet even when women have proven

15 USAID Microenterprise Results Reporting for 2003, (Arlington, VA: Weidemann Associates, 2004), 14. <www.mrreporting.org>.
16 <www.microcreditsummit.org>

themselves creditworthy through increasingly larger group loans, some MFIs have policies such as collateral requirements that often do not permit women access to more sophisticated financial products.[17]

It all comes down to knowing our clients--their needs, their assets, and the barriers they face to participation in our services. The Wells Fargo experience demonstrates the importance of client market research and every aspect of client insight. This is useful for increasing outreach to un-served and underserved women, but it's also useful for understanding the impact we are having on women and men clients and their households. While most MFI's track clients by gender and can report on number and percentage of loans to women and men, and amount of loans to women and men, few get into a level of detail that can tell us anything new or useful. For instance, Opportunity International had always known that its average loan size was higher for men than for women, and this was never surprising. However, it wasn't until Opportunity disaggregated its data by gender and by loan product that it realized that, even in the women-targeted group-lending product (Trust Banks), the average loan size was higher for men than for women in some of its MFI partners. While the characteristics of men-owned businesses may make this easily explainable in the large group product as well as in the individual and solidarity group products, it nevertheless pointed out the need for more work in order to level the playing field to provide opportunities for women.

A study by WISDOM, a microfinance affiliate of World Vision in Ethiopia, also demonstrates the usefulness of disaggregating client impact data by gender. This careful study, carried out in collaboration with World Vision and with the Johns Hopkins School of Public Health, looked at the socioeconomic and nutritional well being of its clients within the context of the 2002-2003 Ethiopian drought and food insecurity crisis. At the time of its survey, only

[17] Susy Cheston, Rationale for Women in Leadership Survey, Women Advancing Microfinance (WAM), (2004), <www.wam-international.org>.

24.7% of the 12,157 active clients were female—a low rate attributed to cultural patterns in the rural areas. The study used a three-group, cross-sectional survey design in which established clients were compared to two control groups: incoming clients and randomly selected community controls.

Among the striking findings were that malnutrition rates, as measured by middle upper arm circumference, were significantly lower among female clients (1.6%) than in community controls (8.3%). (The report does not include male clients on this indicator.) The children of female clients showed better nutritional status, but when it came to male clients and community controls, their children were, respectively, "2.0 and 2.1 times more likely to be moderately or severely wasted than children of female clients…." Likewise, households of female clients were more able to improve the quality of their diets (37.1%) compared with both households of male clients (19.6%) and community controls (23.5%). Further, "only 16.5% of female clients reported receiving food aid in the past year compared to 26.9% of male clients and 28.2 % of community controls. Compared to female clients, male clients were 1.94 times as likely to receive food aid, and community controls were 2.08 times as likely to have received food aid during the past year."[18]

The report does not speculate about why women clients showed better nutritional status and diets and less need for food aid then the men clients. It simply concludes "women benefited from access to loans to a greater extent than men."[19]

It appears that not only are women good for microfinance, but also that microfinance could be even better for women with a little more focus on gender differences.

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[18] Shannon Doocy, Dan Norell, Shimeles Teferra. "The Emerging Role of Microfinance Programs in Mitigating the Impact of Natural Disasters: Summary Findings of an Impact Assessment of World Vision's Ethiopian Affiliate," The SEEP Network Progress Note No. 4, (September 2004), 4.
[19] Doocy, 5.

Financial Performance is Linked to Women in Leadership

In 2004, the American organization Catalyst released a study finding that financial performance is higher for companies with more women at the top.[20] The report looked at 353 Fortune 500 companies in the United States and found that gender diversity in leadership matters to a company's bottom line. "Companies with the highest representation of women on their top management teams experienced better financial performance than companies with the lowest women's representation. This finding holds for both Return on Equity (ROE), which is 35 percent higher, and Total Return to Shareholders (TRS), which is 34 percent higher."[21]

Catalyst makes the case that companies that recruit, retain and advance women will have a competitive advantage in the global marketplace.[22] They suggest that gender diversity in leadership benefits an organization in two important ways: accessing a broader talent pool; and hiring people who reflect their consumer base.

Catalyst's premise is similar to that of Women Advancing Microfinance (WAM), a professional association dedicated to advancing the microfinance industry by supporting women in the industry. WAM has chapters in Washington, DC; New York; Uganda; Poland; and Kenya, and is eager to support women in other countries who wish to open new chapters.

WAM believes it matters to have women in leadership in microfinance institutions and within the microfinance industry. According to WAM, while in many ways the microfinance industry is doing a phenomenal job of reaching women clients, there is much yet to be done to ensure that we can reach

[20] Catalyst is a research and advisory organization whose mission is to advance women in business.
[21] "The Bottom Line: Connecting Corporate Performance and Gender Diversity," (2004), www.catalyst.org/knowledge/titles/ (exec summary)
[22] ibid.

women who are still unserved and underserved. WAM's argument is threefold:

- First, women bring valuable perspectives about the needs, assets and challenges of women clients. These perspectives are important to include in the design and implementation of our products and services, and throughout microfinance operations, business plans, marketing strategies and policies. In other words, it's part of "knowing our clients."
- Second, that including women in leadership makes good business sense because of the talent, creativity and diversity that they bring to their institutions and businesses. Without women in leadership, the industry is cut off from the energy, intellect, and perspective brought by 50% of the talent pool. WAM's assumption is that providing equal opportunities for talented women to participate in leadership in the microfinance industry increases the double bottom line, leading not only to better financial performance but also to better social performance.
- Third, that including women in leadership simply makes sense as part of the social mission of microfinance: "we must reflect the values we hold and our leadership should reflect the people we serve."[23]

It Makes a Difference to Women Clients to Have Women as Decision-Makers

The Center for Women's Business Research has another take on the women in leadership issue as related to serving women clients. In a study of women entrepreneurs' access to capital in 2005, they determined that women business owners are significantly less likely to use equity financing than their men counterparts. Why? They focus on "the relative scarcity of women decision-makers in the venture capital business" as a likely cause.[24]   Note that this difference was not due to differences in size or type of business as

[23] Susy Cheston, Case for Women in Leadership Survey, (2004), <www.wam-international.org>.
[24] Access to Capital, 2

they were careful to compare apples to apples and like businesses to like businesses. They cite research by the Diana Project that shows that "through the 1990's, women [in the United States] received less than 5% of all venture capital money invested."[25]

Venture One, a private firm that tracks venture capital investments, also found low levels of venture capital investment in companies with women CEOs. Of all the venture capital-backed companies they studied between 1997 and 2004, only 4.6% had women CEOs, representing 4.1% of the total amount invested each year.[26]

The reasons may be as simple as familiarity with women-owned businesses and access to business networks—knowing the market. Access to informal business networks—including those involving venture capitalists—is different between men and women. As of 2000, women made up only 9 percent of the management in the venture capital industry, and they tended to have less seniority than their men counterparts. Another study by the Center for Women's Business Research in 2000 found that 67% of the women investors had made an investment in a woman-owned company over a three-year period, compared with 40% of the men investors.[27]

Does the Microfinance Industry have Gender Equality in its Leadership?

If we accept the argument that having women as decision-makers in an industry is important in serving the market of women, it would be helpful to know how well we are doing as a microfinance industry. In 2005, Women Advancing Microfinance (WAM) set out to learn just that. WAM carried out a

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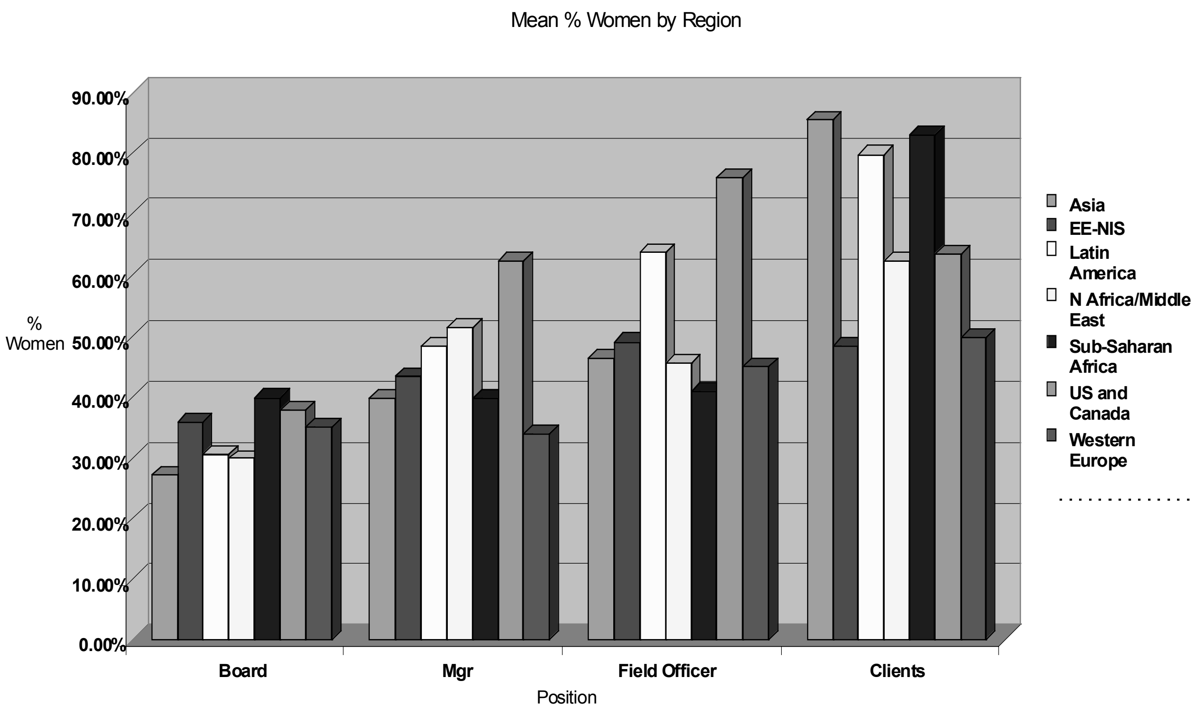
[25] Access to Capital, 12, taken from Brush, C.G.; Carter, N.; Gatewood, E.; and Hart, M.M. "Gatekeepers of Venture Growth: A Diana Project Report on the Role and Participation of Women in the Venture Capital Industry." (March 26, 2004).
[26] "Access to Capital, 12, see also www.ventureone.com
[27] Women Entrepreneurs in the Equity Capital Markets, Center for Women's Business Research, (July 2000).

survey of 198 institutions in 65 countries, of which 163 are microfinance institutions and the remainder is made up of microfinance networks, service providers, funders, and others in the industry. (See http://www.wam-international.org/wamgendersurvey.html.) Participation was particularly strong among members of the Microfinance Centre for CEE and the NIS and members of the Opportunity International Network, and MFIs participated on an entirely voluntary basis, which likely skewed results toward institutions with a greater interest in gender issues and possibly greater representation of women in their leadership. Nevertheless, it is interesting to look at this first attempt to get some hard data on where we stand as an industry regarding women as board members, managers, field officers and clients.

WAM Women in Leadership Survey 2005

Averages by Region (All Institutional Types)



Looking only at the microfinance institutions (including those practicing in Northern countries), an average of 36% of board members were women; an average of 44% of managers were women; and an average of 49% of field officers were women. Women on boards ranged from a high of 40% in sub-Saharan Africa to a low of 27% in Asia. The U.S. spiked with women managers at 62% whereas Western Europe had a low of 34%--and all others fell between 40 and 52%.

The total of women clients among the organizations participating was 63%. These figures are skewed as a result of the impressive participation of CEE and the NIS in the survey, which had an average of 48% women clients (with Western Europe only slightly higher at 50%). As might be expected, Asia had the highest percentage of women clients (86%) followed closely by sub-Saharan Africa (83%) and Latin America (80%). Field officers in this survey do not generally reflect the customer base. Field officers for all regions hovered between 41% and 49%, with the exception of Latin America (64%) and the US/Canada (76%).

Why isn't the Microfinance Industry Doing Better?

One pressure point making it harder to recruit women for microfinance leadership positions is the trend toward commercialization of microfinance and another is the increasing professionalism throughout the industry as a result of increasing size, scale and complexity. In both cases, it becomes harder to find women who have the experience and qualifications necessary to do the job. As Larry Reed, CEO of the Opportunity International Network, commented in 2005:

As we commercialize, we need to bring in more technical expertise in the areas of financial management and information systems. Those who already have that expertise in the local environments where we work tend to be men rather than women. This varies by region (Eastern Europe has a much higher percentage of women in financial services than does Africa, for example), but the overall challenge remains. I visited Daystar University in Kenya last year and found that out of 50 accounting majors, only two were women (though one of those was tops in the class). We face the classic vicious circle in trying to deal with this. There are not many women in financial service leadership roles, therefore young women do not see good career opportunities for themselves in this sector and do not study financial services in school. That means that men predominate in the existing financial service networks and when we try to access those networks to find people it is no surprise that we almost always find men.[28]

[28] Email from Larry Reed to Women Advancing Microfinance (WAM) on 10/27/05

WAM has also focused on the challenges as well as opportunities related to women in leadership in the midst of a "transforming" or commercializing industry. (See Appendix B.)

Note that this has nothing to do with aptitude. One of the partner organizations of Opportunity International, the Opportunity Bank of Montenegro (OBM) began offering a distance learning banking certification program to all of its employees through the Chartered Institute of Bankers in Scotland (CIOBS) in 2004. Out of 90 applicants, 38 were female. Eighty-six percent of those taking the first exam passed—and of those, 83 percent were women—meaning that fewer women applied, but of those who did, a far higher percentage passed the exam. As of 2005, only four people in the entire Opportunity International Network had taken the second exam—all of whom were women from OBM, and all of whom passed with flying colors. (Women have made up 55% of all applicants.)

The hope, of course, is that Opportunity's investment in training through CIOBS will result in more women qualified to serve in leadership positions. What else would help?

WAM's 2005 survey showed that, in addition to training, helpful practices include regular performance feedback, mentoring and flexible work hours, as well as clear human resources and gender policies. Those responding identified a number of challenges as well, including travel and re-location requirements and lack of networking opportunities. A number seemed to feel they are not given opportunities to live up to their potential, citing lack of opportunities for growth, lack of challenging assignments, and not being taken seriously.[29]

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[29] Lessons Learned & Practical Approaches to Strengthening Women's Leadership in the Microfinance Industry. Women Advancing Microfinance. Moderator Lisa Kuhn Fraioli. October 18, 2005. Powerpoint presentation to SEEP AGM October 28, 2005.

In the U.S., Catalyst is known for an annual survey of women in leadership in Fortune 500 companies that is widely reported in the Wall Street Journal, among many other publications. This survey has spurred many companies to healthy competition to increase the number of women in their leadership. WAM notably carried out its survey entirely on a volunteer basis. It would be helpful for those interested in promoting women in leadership to step up with funding so that WAM's survey can be continued with a broader range of participants and a more representative sample—and for the WAM survey to be analyzed in light of the social and financial performance of the reporting institutions. Catalyst has found that when organizations have done the hard work of building women in leadership, it's been good for business. It would be useful to determine if Catalyst's findings hold true for the global microfinance industry as well as the U.S. corporate world, i.e., if having women in leadership is indeed good for both the social bottom line and for the financial bottom line of a microfinance institution. Or, as Mr. Spock said, "My guess, Doctor, would be valueless. I suggest we refrain from guessing and find some facts."[30]

You Get What You Measure

The new focus on social performance management within the industry is promising for its potential to focus on gender issues as part of an organization's social bottom line. The social performance scorecard developed by Gary Woller includes percentage of female clients as one of the indicators of "depth of outreach" (along with breadth, length, scope, cost, and worth of outreach and outreach to the community). With only one indicator among many, it remains to be seen whether or not gender will get lost. Woller recommends using this social performance scorecard along with a social audit, which provides an independent assessment of an MFI's social performance information, as well as how consistent the MFI's internal processes are with their social mission. As such, the social audit can be used

[30] "Star Trek," episode #3.17, "That Which Survives," (1966).

to assess whether internal processes are likely to align outcomes and behaviour with gender oriented mission and goals.[31]

One tool for internal evaluation of gender issues that many MFIs as well as other organizations have found useful is a gender self-assessment. This is a guided questionnaire that staff and board members can review as a team, in the process identifying for themselves their strengths and weaknesses. (See Appendix C for one example of a Gender Self-Assessment from WAM.)

There are much more in-depth gender self-assessments as well, including a sophisticated Gender Audit with an accompanying instructional CD that was developed by InterAction. InterAction is the largest alliance of international development and humanitarian non-governmental organizations based in the U.S. Its Commission for the Advancement of Women (CAW) developed, tested and implemented its gender audit with an eye not only toward creating a user-friendly organizational self-assessment tool, but also an action planning process for gender integration. (The Gender Audit Facilitator's Guide CD is available at www.interaction.org.)

One promising attempt to integrate gender awareness into poverty assessment has been made by IRIS, the research center of the University of Maryland, which was contracted by the U.S. Agency for International Development (USAID) to develop and certify poverty measurement tools for microfinance programs. Kate McKee, director of USAID's office of Microenterprise Development, says that IRIS was the one organization bidding for the work that included a gender specialist on the team, and this awareness of the importance of integrating a gender perspective was one of a number of reasons IRIS won the bid.

[31] Gary Woller, Woller & Associates, "Proposal for A Social Performance Measurement Tool," USAID microNOTE #9, (20 November 2005).

Thierry van Bastelaer, Director of the Enterprise Development Group at IRIS, says, "There are huge benefits of integrating a gender focus. Where we work there are uneven distributions of power and assets in households between men, women, and children. There can be a household that is above average in poverty line but where women within the household are poorer."[32] Van Bastelaer suggests that one approach, though tricky, might be to develop a formula to weight women and men's poverty levels differently within a given household.

The IRIS approach resonates with Susan Johnson's focus on the need to understand clients more deeply and specifically to understand their gender differences. Johnson, a Lecturer in International Development at the University of Bath in the U.K., looks particularly at relationships within the household and how they affect and are affected by microfinance. She identifies such issues of intrahousehold relations as control of resources, division of labour, and patterns of income and expenditures. Johnson poses a question that she argues will yield vital information to anyone designing a microfinance product: "Who in the household is in need of which financial services to bridge which gap between sources of income and expenditure responsibilities?"[33] It's a bit of a mouthful, but if you read it slowly, it makes a lot of sense.

As an example, Johnson describes an impact assessment she was involved in for an MFI in Malawi in 2001. She tried to figure out why the client exit rate was so high—58%. The team concluded that intrahousehold dynamics were part of the reason. The women clients wanted to bring in a little extra income--but not so much that men would withdraw their contributions. They wanted extra cash to pay for food and personal expenses and to visit and

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[32] Phone conversation with Thierry van Bastalaer on 06/05/2006.

[33] Susan Johnson, Centre for Development Studies, University of Bath, U.K. "Making MFIs and financial markets work for poor women." Paper for the Consultation on 'Gender in Microfinance' held by FWWB, Ahmedabad, India (September 2005). E-mail: s.z.Johnson@bath.ac.uk

send money to their own relatives in the villages—but they didn't want to upset the existing financial arrangements within their households. Johnson believes we can learn a lot if we ask better questions about women's needs, goals and assets and then use what we know to make financial markets work better for women.[34]

Gender Equality Improves the Bottom Line of Development: At Last, the Happy Ending

Many MFI's would like to achieve gender equality but struggle with the many demands on their resources as they juggle goals of financial sustainability, client outreach, and client impact. Donor incentives often push other priorities ahead of gender issues. It's worth asking, therefore, whether a focus on gender detracts from the quality of microfinance programs and from financial efficiency.

InterAction's CAW carried out a groundbreaking case study on the impact of gender mainstreaming. InterAction's study asked: Does gender mainstreaming work? Does it make a difference for clients, their families, and their communities? Does it bring any benefits for men as well as for women? Does the effort of gender mainstreaming distract an organization from its mission or does it enhance the organization's performance?

After in-depth research on five international NGOs in four African countries and interviews with nearly 900 people in 16 communities, the InterAction study concluded that gender mainstreaming can "impact the bottom line of development by catalyzing profound changes in people's lives…."[35]

While InterAction did not focus on microfinance exclusively, the organizations they studied included multi-sectoral organizations with microfinance

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[34] ibid.

[35] Meryl James-Sebro, "Revealing the Power of Gender Mainstreaming: Enhancing Development Effectiveness of Non-governmental Organizations in Africa," (InterAction, 2005), viii.

programs. Their gender mainstreaming strategies all included linking gender equality directly to poverty alleviation; top leadership showing commitment to institutionalize gender throughout all aspects of the organization; assessing projects for gender equality and making changes where inequity was uncovered; and involving men as partners in the process.[36]

Just as microfinance organizations have known and acted on the link between women and poverty in the design of programs and targeting of clients, the InterAction study also pointed to the success of gender mainstreaming when it was linked to "the improvement of program quality and, specifically, to the eradication of poverty….Initial skeptics were won over by the visible, tangible benefits that accrued not only to women, but to men, their families and their communities."[37]

One specific case was that of CARE Niger, which implemented a women's savings and credit program called Mata Masu Dubara (MMD)—"Women on the Move." In addition to a gender audit, CARE Niger carried out a number of gender-related activities to ensure that it had the political will, technical capacity, accountability systems, and organizational culture necessary to bring about positive change related to gender. To pick just a few of many steps, CARE Niger increased women in its senior management, created a Young Professional Program to recruit and train young women and men, and enlisted support from women elders and religious leaders.[38]

Clients reported increases in personal and family income and gains in purchasing power and ownership. For instance, women were now able to pay for weddings, naming ceremonies, and funerals, giving them increased status in their communities. Their ability to contribute economically also gave them more input into such decisions as when and whom their children marry. Not only did women benefit, but the community benefited as well.

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[36] James-Sebro, xi.
[37] James-Sebro, xv.
[38] James-Sebro, 40-43.

For example, women used their earnings to buy a donkey, a cart, and large barrels to supply their drought-ridden village with water.[39]

Here are some examples of the economic and social impact reported by women and men based on participation in the program:

- Increased activity and leadership of women in the community.
- Girls' attendance at school.
- Women's contribution to community radio.
- Women's contribution to village sanitation.
- Strengthened ties among women.
- Women's increased assets.
- Income from animal fattening and breeding.
- Women's ownership of cows and oxen.
- Women's increased economic power from savings & credit program.
- Women's financial contribution to household.
- Women's ability to manage savings.
- Women's ability to buy own farm lands.
- Women's access to seeds for their own farms.
- Cereal surplus for consumption and trade.
- Knowledge for men from literacy programs.
- New awareness of household life, rights, relationships between women and their husbands.
- Women's involvement in all household decisions.
- Improved family and community lifestyles.
- Improved relationships with husbands.
- Increased respect from husbands.
- Women's improved status in household and community.
- Male/female collaboration in household chores.
- Men's positive change in behaviour and attitude.[40]

[39] James-Sebro, 79.
[40] James-Sebro, 66.

And so this paper comes back full circle to the original question raised by the Microcredit Summit Campaign. The CAW study shows some of the ways that microfinance contributes to gender equality—but even more compellingly that gender equality contributes to microfinance. In this, Wells Fargo, Catalyst, WAM and others agree: gender equality is good for business.

Postscript

This paper has a companion paper, "Microfinance and Gender Equality: Are We Getting There?" written by Irene Mutalima, the respected founder and CEO of the Christian Enterprise Trust of Zambia (CETZAM), a member of the Opportunity International Network. Mutalima's paper looks at the continued need to engage women's empowerment in microfinance both from the broad view of global microfinance industry trends and from the view of a leading practitioner who, while believing in the importance of a gender focus, wrestles with the practical realities of making it work. She discusses questions such as why the microfinance industry isn't doing better in gender equality and what needs to be done to improve this situation. In considering these questions, she examines implications for women's empowerment issues in microfinance, including the situation of the women clients, levels of entrepreneurship and ambition, and market conditions—all addressed in the context of the very pressing need to survive as an organization. Mutalima very transparently provides highlights from commissioned gender audits with two microfinance institutions in Zambia (one of which is her own) which support the claim that there is a need to refocus on gender equality issues. With this being said, we already know there are institutions that have successfully integrated gender in their work and are having institutional bottom line successes. Mutalima challenges these MFIs to provide learning lessons for those that are struggling in the evolving microfinance industry.

Appendix A

Excerpts from MBB Issue No. 11: The Scope of Funding Microfinance. August 2005. Peer Group Tables/2003 Benchmarks

Average							
	Number of MFIs	Total Assets	Number of Active Borrowers	Percent of Women Borrowers	Average Loan Balance per Borrower	Average Loan Balance per Borrower/ GNI per Capita	Financial Self-Sufficiency
Units		US$	nb	%	US$	%	%
Year:	2003	2003	2003	2003	2003	2003	2003
All MFIs	231	32,410,823	47,688	60.2	689	74.7	107.7
Age							
New	47	10,174,533	8,020	62.8	693	81.8	100
Young	88	9,318,299	21,676	63.3	717	75.1	102
Mature	96	64,465,487	92,068	55.5	661	70.7	117
Charter Type							
Bank	31	167,194,336	34,006	34.7	1,200	133.7	121
Credit Union	20	7,360,708	11,188	68.8	995	63.6	124
NBFI	72	14,363,825	26,927	57.2	749	98.4	100
NGO	95	11,241,362	80,474	68.5	467	43.1	105
Rural Bank	12	3,677,368	6,422	61.7	364	65.1	120
Financial Intermediation							
Non FI	121	7,487,042	18,928	64.6	675	47.0	103
Low FI	36	18,742,862	180,343	71.1	273	78.5	97
High FI	74	79,813,850	31,136	44.7	914	119.1	121
Methodology							
Individual	74	74,955,692	18,076	37.9	1,202	110.1	113
Individual/ Solidarity	96	16,824,648	84,438	63.2	645	74.9	113
Solidarity	35	4,170,344	21,528	79	123	41.0	90
Village Banking	26	6,886,560	32,038	73.5	189	21.6	99
Outreach							
Small (Outreach)	126	3,271,229	3,672	57.9	883	82.8	102
Medium (Outreach)	53	16,453,317	17,942	63.5	622	74.7	107
Large (Outreach)	52	119,282,682	192,439	62.5	389	54.1	122
Profit Status							
For Profit	84	70,231,814	31,517	47.9	789	118.7	106
Not for Profit	147	10,798,828	56,488	66.8	634	50.8	109

	Number of MFIs	Total Assets	Number of Active Borrowers	Percent of Women Borrowers	Average Loan Balance per Borrower	Average Loan Balance per Borrower/ GNI per Capita	Financial Self-Sufficiency
Units		US$	nb	%	US$	%	%
Region							
Africa	57	9,113,640	26,285	62.5	370	124.6	94
Asia	57	81,198,092	130,169	64.2	402	53.9	119
ECA	49	10,719,008	5,840	65.6	1,263	73.0	109
LAC	52	31,863,457	31,424	38.1	903	59.9	109
MENA	16	9,812,513	25,561	78.2	348	19.9	106
Scale							
Small (Scale)	112	1,730,482	4,756	61.1	552	71.5	98
Medium (Scale)	64	7,850,521	24,351	66.5	656	53	108
Large (Scale)	55	123,466,413	168,430	49.5	1,024	107.8	126
Sustainability							
FSS	139	50,063,372	69,034	55.2	771	86.5	130
Non-FSS	92	5,740,124	15,194	68.1	564	56.8	74
Target Market							
Low end	91	11,330,751	96,593	73.3	138	29.2	97
Broad	116	48,472,903	16,791	53.8	804	64.1	112
High end	12	29,312,612	16,007	41.3	2,035	188.8	131
Small Business	12	40,099,464	10,181	33	2,334	399.1	122

Appendix B

Women Advancing Microfinance (WAM)

Challenges and Opportunities of a Transforming Industry

WAM looked at both the challenges and opportunities related to Women in Leadership, particularly in the context of a "transforming" industry in which many microfinance institutions are converting to commercial banks and mainstream banks are entering the microfinance market. WAM presented its findings during a workshop at the SEEP Annual General Meeting on October 28, 2005

Challenges

1. Dependence on formal financial sector to provide "technical" experts for assistance to commercializing MFIs. Pool of women in formal financial sector is limited.
2. Dependence on local formal financial sector to provide technical leadership and management to formal MFIs. These financial sectors have even fewer women than do those in "Western" economies.
3. Few women currently in the microfinance sector have formal financial sector experience and therefore are being excluded from top positions in their organizations.
4. Technical assistance is increasingly being paid for and controlled by the receiving institution, leaving technical assistance providers with limited control over travel schedules and plans.
5. Emphasis on gaining experience "outside" the microfinance industry and bringing external expertise "in" to the industry rather than developing skills and knowledge base of those "inside". It is likely that this will require more movement from one company to another to see career progress. When these career growth opportunities require frequent geographic relocations, women are culturally at a

disadvantage as men are much less likely to move for their spouses than the other way around.

6. Rapid growth has placed increasing demands on recruitment teams to fill new vacancies rapidly. Planning has been inadequate to allow for time to develop the capabilities of current staff to assume leadership position, thus there is a tendency to look "outside" for talent in a talent pool that typically has few women.

Opportunities

1. If US-based PVO (Private Voluntary Organization) networks hire consultants with "technical" expertise in the formal financial sector to perform work with affiliate institutions, management positions could be reconfigured to involve less travel and more "strategic" work which could open up new possibilities for women.
2. New in-country microfinance training programs are being developed constantly. Many of these programs incorporate distance-learning and require students to spend a minimal amount of time away from home.
3. Commercialized and presumably larger and more profitable MFIs should have increased capacity to pay for in-house or local training programs for staff.

Appendix C

WOMEN ADVANCING MICROFINANCE

GENDER SELF-ASSESSMENT

PRACTICE	Y	N
Staffing		
Is the ratio of men and women consistent across management, program, and support positions?		
Is there gender balance among board members?		
Is there gender balance among senior management and any operational management committees?		
Recruitment		
Are there proactive strategies implemented to recruit or promote women into senior management positions if there is not gender balance in management?		
Is there a written equal opportunity policy?		
Are job opportunities advertised in a way to attract both women and men candidates?		
Are hiring decisions made in a way that gives equal opportunity to women and men?		
Policy		
Does your organization have a gender policy?		
Are all staff members and management aware of your gender policy?		
Is someone responsible for monitoring and overseeing the implementation of the gender policy?		
Are there flexible work arrangements in your organization?		
Are there maternity, paternity, and child care leave policies?		
Are there family-friendly policies?		
Are women of child-bearing age considered equally for job opportunities and promotions?		
Are management job responsibilities structured to be reasonable for a primary care-giver for dependents?		
Does your organization's travel policy and requirements allow staff members to have a balance between home time and travel time?		
Does your organization's travel policy support staff members' staying		

connected to family such as a phone allowance or other measures?		
Environment		
Do women have equal opportunity to participate in decision-making and in meetings?		
Are the perspectives of men and women employees equally valued by the institution?		
Are women and men treated with respect by members of the opposite sex?		
Does your organization offer training to staff to increase gender awareness and sensitivity? Is such training included in new staff orientation?		
Do people in your organization ever have discussions about gender issues or the gender implications of your programs? If so, are these discussions a routine part of program analysis and planning? Are both women and men involved? Management, program, and support staff?		
Does your institution reward employees for living a balanced life while performing their jobs? (Or does it reward excessive hours and exhausting travel schedules?)		
Does your organization have enough flexibility to adapt its structures and operations to meet the changing or new-found situations of women?		
Do women have equal opportunity to participate in decision-making and in meetings?		
Career Development		
Do women and men have equal opportunity to participate in training opportunities or other career development opportunities such as rotational programs, mentoring, and on-the-job training?		
Is there a policy or practice to distribute training opportunities evenly or fairly among staff?		
Are learning, training, and career development opportunities available at the home office or home city as well as "in the field" or off-site courses of study?		
Score		

Resources of Interest

Center for Women's Business Research

The Center for Women's Business Research is the premier source of knowledge about women business owners and their enterprises worldwide. The Center's mission is to unleash the economic potential of women entrepreneurs by conducting research, sharing information and increasing knowledge about this fast-growing sector of the economy.

Since 1989, the Center has generated research-based intelligence that has helped public and private sector leaders, advocates, and individual women business owners make informed strategic decisions for generating greater business opportunities.

The Center shares its knowledge of the economic and social aspects of women's entrepreneurship with policymakers, financial institutions, corporate leaders, government agencies, academia, and the media through research reports, press releases, newsletter publications, seminars, speaking engagements, and worldwide on the Internet at http://www.womensbusinessresearch.org/.

Below are a few of the many publications available from the Center for Women's Business Research at: http://www.womensbusinessresearch.org/.

Capital Choices: Volume One, What Matters and What Works (September 2005)

Despite women's progress over the past few decades, a significant disparity exists between men and women business owners' access to capital and commercial funding sources. The first in-depth survey of its kind, the study explores women business owners' knowledge, perceptions, and attitudes about financing practices. *Underwritten by Wells Fargo & Company*

Capital Choices Volume Two: Value of Knowledge
(March 2006)

Value of Knowledge is the second volume in the Center for Women's Business Research's in depth look at women business owners' choices regarding capital. This volume compares the practices of women business owners who have and have not obtained all forms of credit including business credit, business bank loans, and equity. (23 page report with 30 charts) *Underwritten by Wells Fargo & Company*

Women Entrepreneurs Savvy About Risk (July 2005)
This report explores in detail the relationship between women entrepreneurs' willingness to take financial risks and their personal and business characteristics. Based on an online survey of women business owners who were seeking or had sought capital to grow their business, the study finds that, contrary to common belief, many women business owners are willing to take substantial financial risks to ensure the success of their business, and that women business owners looking to expand their businesses are even more willing to take risks in their business financing decisions. *Underwritten by Wells Fargo & Company*

Access to Capital: Where We've Been, Where We're Going (2005)
This report summarizes the major trends in business financing, capital availability, and equity capital for women over the past 16 years based on existing research. It synthesizes the views of leading experts on the current and future landscape of women business owners' access to capital. *Underwritten by Wells Fargo & Company*

Women Entrepreneurs in the Equity Capital Markets (2000)
Provides new insights into how women are faring in the equity markets, the barriers they encounter, the factors that lead to success, and the perceptions of equity investors. *Underwritten by Wells Fargo & Company*

InterAction's CAW

InterAction is the largest alliance of U.S.-based international development and humanitarian non-governmental organizations. Its Commission on the Advancement of Women (CAW) published the study on "Revealing the Power of Gender Mainstreaming," which is available for purchase on its web site. A brochure of highlights is also available electronically. CAW also created an excellent gender audit, and its Gender Audit Facilitator's Guide CD is available for purchase. For these and other resources, click on "Gender and Diversity" at www.interaction.org.

Wells Fargo Bank

Information on Wells Fargo bank can be found at www.wellsfargo.com. Information on Women's Business Services can be found at www.Wellsfargo.com/biz/women.

Women Advancing Microfinance

Women Advancing Microfinance (WAM) was established in 2003 as an organization for women professionals in microfinance. Its mission is "To advance the microfinance industry by supporting women in the industry in their professional development, promoting leadership opportunities, and increasing the visibility of their participation and talent while maintaining a work/life balance." Chapters are currently found in the United States in Washington, DC; New York; and California; and outside the U.S. in Central and Eastern Europe (CEE) and the Newly Independent States (NIS); Kenya; and Uganda. www.wam-international.org