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FINANCIAL SERVICES AND WOMEN IN AFRICA: CASE STUDIES FROM EGYPT, GHANA, AND UGANDA

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Executive Summary

This report presents information on three case studies of womens' use of financial services in three African countries: Egypt, Ghana, and Uganda. The primary objective was to examine how women are satisfying their demand for financial services. The strength of the studies is in documenting the types of financial services that women want as revealed by their actions. Because many women throughout Africa face the same problems as those encountered in our three case studies, it may be that many of them seek similar services to those used by the women in our study. Information used in the studies was collected in mid-1993 in Egypt, in late 1993 in Ghana, and in early 1993 and mid-1994 in Uganda. The research in Egypt focused on informal financial transactions among employees of a large agricultural development bank and among individuals living in one representative village. The study in Ghana concentrated on operators of small businesses and their use of formal and informal finance. The work in Uganda was done in two phases with the first phase concentrating on documenting the use of financial services by samples of adults living in two regions of the country. The second phase involved studying the use of finance by participants in two semi-formal credit programs located in the cities of Kampala and Mukono.

The study in Egypt showed that most of the employees of the bank participated in self-help financial groups called gam'iyas and that many of them also purchased items on credit from other employees. The village study also found extensive participation in gam'iyas, much use of merchant and trader credit, and depositing of money with informal moneykeepers. The amounts of money committed to gam'iyas, primarily because of savings motives, were particularly impressive.

Three interesting findings surfaced in our Ghana work: most operators of small businesses started their firms without the aid of credit, more people--especially women--interacted with financial markets as depositors than as borrowers, and many of the female entrepreneurs made extensive use of short-term supplier credits and bank overdrafts. The strong relationship between economic recovery and enhanced business opportunities for women was another interesting finding.

We encountered this same relationship in Uganda where low levels of income, relatively few commercial transactions, and a badly damaged financial market allowed few opportunities for most poor people, particularly women, to access any type of financial service. In an attempt to fill this void, several non-govern-mental organizations (NGOS) in the country are providing loans to women. Our study of a sample of participants in these programs showed that many of them had received their first loan from a NGO, and that they were also involved in saving. Loan recovery problems and substantial transaction costs threatened the sustainability of these programs without external assistance.

Overall, our studies showed that many women are finance literate: they know how to save, they know how to lend, they know how to repay loans, and they know how to use funds wisely. In addition to savings, it is also clear that women occasionally use loans that provide small amounts of money for relatively short periods of time. Because of their position in society women are also concerned about insuring against unforeseen occurrences. Thus they desire unutilized credit reserves that can be drawn upon in times of emergency, reserves that are often not provided through traditional formal credit. In part, women make relatively little use of formal finance because formal finance provides too few of the financial products and services that women find to be most valuable. There is often a mismatch between what the formal financial system offers and what women find to be most useful.

Looking across the three country case studies, we arrive at five additional, more specific observations:

1. a large number of women would benefit from a financial system that provides attractive deposit services;

2. deposit mobilization introduces additional discipline at the individual level, and the need for additional accountability at the institutional level;

3. semi-formal finance is one alternative for providing financial services to women since it combines characteristics of formal and informal finance markets;

4. a few NGOs providing financial services to small numbers of women are no substitute for financial market reforms which have the potential of servicing large numbers of women; and

5. the transitory nature of NGOs, given their lack of sustainability and accountability, makes them an unreliable long-term provider of financial services for women.

FINANCIAL SERVICES AND WOMEN IN AFRICA: CASE STUDIES FROM EGYPT, GHANA, AND UGANDA

by

Gayle A. Morris and Dale W Adams[1]

I. Introduction

Most low-income countries host credit programs for women built on similar assumptions: that many women are poor, that they lack access to loans, that credit will allow them to capitalize on investment opportunities, and that women are novice borrowers. Fulfilling supposed credit needs is the fuel that propels many of these efforts. Despite the popularity of these activities there has been scant testing of the assumptions that buttress these programs. As a step towards accomplishing this we present information from three case studies in Africa of women and their use of financial services. The results of the studies suggest that the use of financial services by women is more complex and diverse than has been generally thought. Given the information provided by these three case studies it may be appropriate to re-examine and modify traditional approaches aimed at enhancing women's access to financial services.

The growth in credit projects for women has been accompanied by a hefty increase in the number of publications on this topic (Morris and Meyer 1993). Much of this literature documents the poverty of many women and the disparity in use of formal loans in favor of men. Several overlapping explanations have been offered for this disparity. The first is that formal

[1] This research was supported by two A.I.D. offices in Washington, D.C.: The Office of Women in Development and The Office for Economic and Institutional Development. Edgar Ariza-Nino and Melissa Brinkerhoff helped design the project and Philip Boyle later served as project monitor. The USAID Missions in Egypt, Ghana, and Uganda facilitated our work.

finance discriminates against women because of their gender. Another explanation is that women make less use of formal finance than do men because females are involved in economic activities that are less suitable for formal finance (e.g., household activities, preparing and selling food products and handicrafts, and working as itinerant vendors). An additional explanation--the one we stress--is that formal financial systems often do not produce the types of financial products and services that women find most useful.

Numerous credit programs for women are operated by non-governmental organizations (NGOS), in part because sponsors are unable to prod formal financial intermediaries into providing these services. While there are some major exceptions, such as the Grameen Bank in Bangladesh, many of these programs reach a relatively small number of clients and the administrative costs are often high relative to volume of loans. Most of the programs are based on a credit-first, rather than on a savings-first approach to financial intermediation; only a small number of programs stress deposit mobilization. Groups and group lending are a prominent feature of many of these efforts.

With a few exceptions most of these programs were initiated in the absence of detailed information on the extent to which potential clients use financial services. Fragmentary information suggests, however, that women are more heavily involved in informal finance than some promoters of credit programs for women suppose. Assembling background information on women's use of financial services is a way of strengthening these efforts, and may also suggest alternative ways of expanding the availability of financial services for women.

The case studies presented here provide such background information. They are three snapshots of complex, intricate, and dynamic financial transactions that occur throughout

Africa. We have emphasized informal and semi-formal transactions since they are less well understood than is formal finance. We have included men in our study for comparative purposes. Our primary objective is to shed light on how a sample of women in three countries are satisfying their demand for financial services. We believe the results are indicative of conditions in other countries in Africa; we are confident the studies provide insights on ways to assist women to access additional financial services.

Our case studies represent three dissimilar countries: Egypt, Ghana, and Uganda. Egypt is a densely settled country that has recently begun to dismantle its centrally planned economy. Finance and women are importantly influenced by the Islamic culture. Ghana and Uganda are countries that have endured several decades of economic and political mismanagement. Women in both countries extensively participate in economic transactions.

The research in Egypt looked at women and finance in two segments of the economy during June-July, 1993. The first involved studying the use of financial services by employees of a large, government-owned agricultural bank. The second concentrated on financial activities among women in a village north of Cairo. In Ghana we studied similar activities in October-November 1993 among entrepreneurs who were operating small- and medium-sized businesses in Accra and Kumasi, many of whom were non-traditional exporters. The study in Uganda was done in April-May 1994 and built on earlier research completed during the first half of 1993. In Uganda we concentrated on the use of semi-formal financial markets by participants in several credit programs administered by NGOS located in urban areas. Participants operated small businesses, sold produce in central markets, or were small-scale farmers. In Egypt, our research focused on informal finance, in Ghana access to formal and informal finance was stressed, and in Uganda emphasis was given to studying the financial services provided by semi-formal financial institutions.[2]

II. Banks Within Banks in Egypt[3]

One would expect to find informal finance in remote regions or among unsophisticated people. In both cases observers might conclude that participants used informal finance because they lacked access to banks--informal finance being popular only by default. This line of reasoning lies behind many credit programs that target loans to poor- and medium-income people, including women.[4] The assumption behind these efforts is that the targeted groups do not have access to a supply of formal financial services, or do not understand formal finance. An alternative interpretation might focus on the demand for financial services and conclude that people use informal finance because it provides more attractive services than does formal finance--informal finance being the first choice. One method of separating the demand factors from other determinants of financial decisions is to study informal finance among individuals who are obviously knowledgeable about banking, and who have easy access to formal financial institutions: bank employees. It is for this reason we conducted a study of informal finance among employees of a formal financial institution in Egypt. Most of these employees were well educated and all of them had daily contact with formal finance through working in bank offices.

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[2] An institution providing formal finance is defined as being one that is regulated by some central monetary authority, a central bank for example. An organization providing semi-formal finance may have a government approved charter to operate, but is not regulated by a central monetary authority. Informal finance occurs without charters or regulation.

[3] Wilmot Averill, John Foti, and the leaders of the Principal Bank for Development and Agricultural Credit were gracious in encouraging and supporting the research in Egypt. Mayada Baydas and Zakaria Bahloul were the co-researchers.

[4] See Donald (1976) and also Webster (1989) for reviews of some of these programs.

If they opted to use informal finance it was not because they lacked either physical access to banks or lacked knowledge about banking.

A. Background

Our study concentrated on employees of the Principal Bank for Development and Agricultural Credit (PBDAC) and documented their use of formal and informal financial services.[5] We found a bazaar of informal financial arrangements among these employees--particularly the women. Before discussing our findings some background information on PBDAC and on informal finance in Egypt is provided.

Since 1985 the Egyptian government, as part of a structural adjustment program, has increasingly exposed economic activities to market forces. These reforms included removing price controls on most farm products, eliminating subsidies on farm inputs, and allowing private firms to handle most product and input marketing. The structural adjustment program also included reforms in financial markets. By the early 1990s interest rate policies were generally liberalized, lending targets and loan quotas were mostly removed, and the banking system had withdrawn from many non-banking activities. These reforms had an important impact on PBDAC. They increasingly pushed the bank out of its comfort zone into terra incognita. Not only did it lose its input business, but it also lost part of the lending business that had been linked to input sales. As a result, the bank faced downsizing, seeking new clients, and also redefining its corporate mission.

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[5] The acronym PBDAC is shorthand for a financial system that includes a head office in Cairo, Governorate banks, branches of both the Cairo head office and Governorate banks, and village banks. Overall, the PBDAC system includes about a thousand banking offices located throughout the country. Prior to 1993 the system also included a large number of retail outlets and warehouses that handled farm inputs.

The concentration of economic activities in state-owned enterprises in the past likely stunted the informal finance that often accompanies private commerce. Religious beliefs about lending and borrowing may have further constrained informal finance and also dampened investigation of this topic. At the same time, the overall repression of formal financial markets, other distortions in the economy, and large inflows of remittances from workers overseas stimulated a hidden economy that fostered various forms of informal finance (Sadowski 1991). The rapid rise and fall of large, but largely unregulated, Islamic Money Management Companies during the early 1980s was a manifestation of these activities (Kazarian 1993).

Anecdotal information suggests that lending among friends and relatives, between landowners and tenants/workers, up-and-down marketing systems, and by moneylenders is common. Fragmentary information also shows that self-help financial groups with the generic name of rotating savings and credit associations (ROSCAS), called gam'iyas in Egypt, are common.[6] ROSCAS are typically organized in a place of work, around where people live, or within family or friendship circles. These groups are comprised of a small number of individuals who contribute periodically a given amount or share to a pot. The pot is then given in rotation at the time of collection to a member of the group. In its simplest form the frequency of contribution is linked to income flows and the order of rotation is determined by lot. Contributions may be made daily among merchants in central markets or bi-weekly or monthly among salaried workers. Informally, members may also renegotiate their position in the rotation to receive the pot if emergencies arise (Singerman 1989). After all members of the group have received a pot

[6] For further background on ROSCAS see Bouman 1978. Additional information on gam'iyas in Egypt is provided by Hajaj 1993, and Singerman 1989.

the group may disband, may add or delete members and then continue, or simply recycle with the original membership.

Several new credit programs in Egypt are expanding formal lending to women. The first is a microenterprise program, largely funded by the Agency for International Development (A.I.D.), that was providing loans to about 25 thousand microenterprises in mid-1993. Approximately ten percent of the borrowers under this program were women. Since 1991 PBDAC has also been involved with a credit program for rural women--again largely sponsored by A.I.D--that extended loans to about 26 thousand women in 1993 (Khalifa 1994).

B. Study Design

Information was collected in two phases in mid-1993. One phase involved studying gam'iyas in PBDAC. This included doing interviews in PBDAC's head office, one governorate bank, two branch banks and four village banks. A total of 51 gam'iyas were identified. The leader of each of these was interviewed along with two randomly selected members of each gam'iya, and a non-member in the office--if any person was a non-member. The other phase was a case study of informal finance in Tersa, a mid-sized rural community north of Cairo. The objective of the community study was to document the extent to which informal finance permeated village life, especially the activities of women. We identified and then interviewed about 20 gam'iya leaders, interviewed a few of the members of these gam'iyas, and then interviewed a sample of merchants operating in the central business district. Although we did not base our interviews on a random sample of merchants or households, we feel our information provides a representative picture of several major forms of informal finance in Tersa and is also illustrative of how rural people in Egypt deal with financial requirements through informal arrangements.

C. Informal Finance in PBDAC

The major objective of the bank portion of our study was to assess the importance of gam'iyas in PBDAC. Additional information was also collected on installment credit that was furnished employees by other moonlighting employees.

The 51 gam'iyas surveyed had an average membership of 35 with group size ranging from 10 to 150 (Table 1). Surprisingly, none of these groups engaged in activities outside of collecting and dispensing funds and most groups operated without meetings. Members simply met individually with the group leader to pay their share or to receive a pot on designated days. On average, women made up 55 percent of the membership. The majority of these groups were of mixed gender; only one gam'iya was an all-male group and a handful of others included only females.

On average each of the gam'iyas in PBDAC had operated for approximately four years and required 31 rotations to complete a cycle.[7] The average share paid at each rotation was about the equivalent of US$21. The rotations occurred on average 1.5 times per month with the most common timing being every two or four weeks. A handful of ROSCAS handling small shares rotated three times a month. The total amount of the funds pooled each rotation averaged $651 and ranged from about $45 to $2,700. The sequence for receiving payment was determined by lottery in 57 percent of the gam'iyas, 20 percent of the groups granted the leader the

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[7] The difference between average number of members (35) and the average number of rotations (31) is due to some members splitting shares.

first pot with the remaining rotations determined by lottery, and another 23 percent of the groups used ad hoc procedures to determine rotations, applying subjective judgements about need.

Among the most prominent features of the gam'iyas surveyed was the gender composition of leaders (Table 2). More than 80 percent of these groups were organized and managed by women. The average leader was middle-aged, married, had a college diploma, had been a member of the gam'iya they were managing for 5 years, and had worked in the bank for 18 years. Most leaders (90 percent) were members of gam'iyas before assuming leadership and, on average, leaders had managed gam'iyas for about 8 years. The average leader managed 1.2 gam'iyas, but about half of the leaders also participated concurrently in other gam'iyas as a member. More than a third of the leaders were members of other gam'iyas outside the bank.

There were only a few slight differences--aside from gender composition--between the characteristics of leaders, other members of gam'iyas, and non-members. Most members (68 percent) previously participated in other gam'iyas. The average member had been in ROSCAS for five years, was a member of one-and-a-half groups, and allocated 37 percent of their monthly salary to gam'iyas.[8] Some of the non-member employees were members in groups outside the bank. On average these non-members were allocating 12 percent of their salaries to "outside" gam'iyas.

The reasons given by members for participating in gam'iyas were similar to those given by leaders. The largest group of members (54 percent) said they joined gam'iyas because it enabled them to save more, 24 percent joined to access an immediate loan, and 9 percent joined

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[8] Unpublished PBDAC information showed that salaries comprised 31 percent of total employee compensation in 1992, with the remainder being made up of bonuses, incentive payments, and other benefits.

to access a future loan. Social reasons for joining--reinforcing group solidarity and helping someone--were the primary motives for joining for only about 10 percent of the members. Social reasons appeared to induce some members to join gam'iyas, but economic reasons dominated their motivations for participation after the initial cycle was completed.

Our interviews revealed that most PBDAC employees were members of gam'iyas inside or outside the bank at the time of our survey--we estimate that participation was 90 percent plus. If we had surveyed households, rather than individual PBDAC employees, and included households that occasionally participated in gam'iyas, we likely would have come up with participation rates close to 100 percent. Using conservative assumptions, if only 75 percent of PBDAC's 40 thousand employees regularly participated in gam'iyas and if they paid shares averaging only $15 each month, then the total cash float in PBDAC gam'iyas would amount to the equivalent of about a half million US dollars. Using less conservative assumptions and including all involvement of PBDAC employee households in gam'iyas might increase this amount to something in the neighborhood of a million dollars per month.

Another type of informal finance also existed in PBDAC. Dozens of PBDAC employees, especially in the Cairo office, were essentially part-time merchants selling goods on credit to other bank employees. The types of goods sold on credit included food products, gold and jewelry items, clothing, household appliances, and furniture. One women employee sold gold items to several hundred PBDAC employees on credit, for example. The repayment terms on these loans were flexible and ranged from two weeks to six months, with most payments due on pay days. It appeared that a relatively large proportion of PBDAC's employees purchased goods that way until the Chairman of the bank circulated a memorandum in mid-1993 prohibiting merchandizing among bank employees.

D. Informal Finance in Tersa

Tersa is a moderate-sized village located about 25 miles north of Cairo. Nearly 5,500 people live there in approximately 1,200 households. One of PBDAC's village banks is located on the edge of town in a new building, the only banking facility in the village. We identified at least three types of informal finance flourishing in Tersa: gam'iyas, merchant lending, and moneykeepers.

A substantial portion of the households regularly participated in a variety of gam'iyas whose leaders were mostly women. Interviews with a sample of village merchants showed that about three-quarters of their households participated in gam'iyas. Interviews with a number of public employees who worked in the village showed similar levels of participation. In a few cases both the husband and wife contributed to separate groups, even when only the husband received an income. More commonly, either the husband or wife contributed to a group, but not both. Gam'iya participation was particularly common among individuals who had steady sources of income; it was less common among people who primarily depended on farm income. A village leader estimated that at least 60 percent of the households in the village regularly participated in gam'iyas.

In addition, many of the 85-or-so business establishments in Tersa allowed some customers to buy goods on credit. Numerous merchants also obtained goods on credit from dealers or even farmers. Several butchers, for example, occasionally acquired animals from local farmers but did not pay for them until several weeks later. Another merchant who specialized in clothing for women and children had about 100 credit customers who typically bought items by paying several installments over a-month-to-six-week period. Several new fertilizer dealers in town also extended credit to a number of their customers.

Table 1. Selected characteristics of PBDAC gam'iyas.

Characteristics	Sample	Range
No. of Gam'iyas identified in survey	51	NA
Avg. no. of members per group	35	10-150
Avg. % of females in group	55 %	0-100%
Avg. no. of rotations per cycle	31	10-150
Avg. size of contribution per share	$21	$1.50-$30
Avg. frequency of collection/month	1.5	1-3
Rotation determination:		
* Lottery	57%	NA
* Lottery except leader 1st	20%	NA
* Negotiation	23%	NA
Avg. age of group in years	4	1-15
Leader's major reason for initiating group:		
* Savings	10%	NA
* Loan	17%	NA
* Help someone	55%	NA
* Group Solidarity	18%	NA
Avg. change in membership over life of gam'iya	11%	0-50%
Percent of groups that had default or delinquency problems	17%	NA

NA = Not Applicable

Source: Interviews with PBDAC employees

Table 2. Characteristics of gam'iya leaders, members, and non-members.

Characteristics	Leaders	Members	Non-members
Women as % of total participants	83%	55%	50%
Avg. age	41	40	40
Married	93%	83%	87%
Avg. years of education	14	14	14
Avg. number of years in PBDAC	18	17	17
Previously member of gam'iya	90%	68%	NA
Avg. % of salary deposited in gam'iyas	42%	37%	12%
% of spouses also participating in gam'iyas	19%	17%	19%

NA = information not available

Source: Interviews with PBDAC employees.

We were surprised to find moneykeepers in Tersa where formal deposit facilities are relatively accessible. Many of the people using moneykeepers were women who received remittances from relatives working elsewhere. In some cases the women were uncomfortable using banks or were unwilling to expose their surpluses to strangers. In a few cases women avoided banks because of Islamic teachings against the receiving or paying of interest. Additionally numerous women in Tersa left funds with about a dozen informal moneykeepers instead of banks because of complex liquidity considerations. These women wanted access to funds at all times to deal with emergencies or to capitalize on opportunities, but also wished to keep funds out of reach to avoid impulse buying. Several of the women who were moneykeepers were also organizers of gam'iyas.

E. Informal Finance, PBDAC and Competition

We interpret the popularity of informal finance in Tersa and among PBDAC employees as an indication of a lack of competition between formal and informal finance. In large part banks in Egypt, and particularly PBDAC, have abdicated several major segments of financial activities to informal finance, namely deposit mobilization and small, short-term lending. PBDAC is not producing the types of financial services and products that many people in the country, particularly women, are demanding and creating for themselves. Comparing the characteristics of the financial services and products provided by gam'iyas with those provided by PBDAC illustrates this point.

Flexibility is the dominant characteristic of gam'iyas and members are particularly adroit in crafting these groups so they conform to social norms. Members, especially women, are able to tailor the types of financial services they receive from a group to meet their complex and varied individual requirements. This includes short-term loans with installment repayments and savings facilities. Members with modest means can split a share with another person or join a gam'iya that involves small payments. Gam'iyas are also synchronized with the income flows of participants; rotations range from daily collections to much longer time periods. If inflation becomes a problem the size of the group can be reduced so it takes less time to complete a cycle, or each member can split two pots: the two people who receive the first pot also split the last pot, the two individuals who receive the second pot split the next-to-last pot, and so on.

Inconsequential transaction costs are another attractive feature of gam'iyas. Because they function where people work, shop, or live the transaction costs of participation are low. Likewise, since most gam'iya pots are distributed immediately at time of collection, there are no storage costs--no need for a safe, a secure building, or guards. Likewise, the administrative costs of gam'iyas are low. In some cases individuals incur the costs of administering the gam'iya because they receive the first pot. In other cases individuals value the social capital they engender from being leaders. Most importantly, gam'iyas solve at modest cost fundamental problems in finance: agent incentives, mobilizing deposits, avoiding theft, screening and selecting borrowers, collecting loan repayments, and applying sanctions.[9] In large part, gam'iyas resolve these complex problems through the knowledge that members have about each other, and through their ability to exercise informal sanctions against those who fail to fulfill obligations (Besley and Coate 1991; Galanter 1981).

Mutual trust, insurance, credit reserves, good will, social capital, and reciprocity are all terms that describe another important feature of gam'iyas. Many people join these groups to form social reserves--a form of insurance--that can be called upon to cope with emergencies (Arnott and Stiglitz 1991). Complex liquidity motives are additional reasons for the popularity of gam'iyas and moneykeeping. A surprisingly large number of people in Egypt--particularly women--put themselves in positions where they are compelled to save.

Gam'iyas also provide financial services that are consistent with Islamic Laws on interest payments. The absence of interest is particularly attractive in rural areas where some people are more sensitive to this issue than are urban people. Although various banks in Egypt offer some financial services that conform to the Islamic Law on interest payments, these services are not readily available in rural areas.

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[9] Some of these problems have been discussed in the literature about information and in publications about the agency problem (e.g., Stiglitz and Weiss 1983; Jensen and Meckling 1976).

In contrast to informal finance, the services provided by PBDAC are inflexible, often impose relatively large transaction costs on clients, and have few of the attractive features that explain the popularity of informal saving. PBDAC's deposit services are not geared to the periodic flows of employee incomes, are not diversified and tailored to meet the various demands of people who wish to save, and being a depositor with PBDAC does not enhance the probability of obtaining loans. Another important difference is that major segments of informal finance are nurtured and managed by women while formal financial transactions in PBDAC are mostly the domain of men. Assuming revealed preferences in informal finance is a reliable proxy for demand, PBDAC is producing few of the financial products and services that women in Egypt demand.

Formal finance can not substitute for all of the services provided by informal sources. Even in countries with efficient formal financial systems informal finance fills important niches. Because of liquidity, efficiency, and security considerations, however, formal finance should be a more appropriate repository for deposits than are informal arrangements. A bank such as PBDAC should be able to provide more continuous intermediation, more access to liquidity, and also realize greater economies-of-scale and economies-of-scope than can informal finance.[10]

PBDAC might compete more effectively in this area, especially for the deposits of women, with adjustments in its practices. This includes assigning women to promote deposits by women, more female clerks to accept deposits, providing a wider variety of financial instru-

[10] Scale economies occur when an organization lowers its average cost of producing goods as its volume of production increases. Scope economies occur when a firm can use the same facilities more efficiently to produce two or more types of products than it can producing the products separately.

ments that emulate some of the advantages found in informal finance, and provision of contractual savings programs. Extending more loans to regular depositors and providing various forms of insurance would be additional ways of enhancing the perceived worth of being a depositor. Banks also may be able to expand indirectly the amount of lending to small businesses, to women, and to poor people in general by augmenting their lending to merchants, traders, and dealers. These firms, in turn, could then expand their volume of informal lending to clients.

F. Egypt Conclusions

We did not expect to find such dense participation in informal finance within PBDAC and in Tersa. Nor did we expect to find people allocating such large percentages of their incomes to gam'iyas. We were also impressed with the dominant role women played both in organizing the forms of informal finance that dealt with savings--gam'iyas and moneykeeping--and in the forms that provided so-called consumer credit. Clearly, many women in the country are finance literate. They have devised ways to process efficiently small amounts of savings, and also to grant small, short-term loans. These are services that the formal financial system is unwilling or unable to provide, and yet they are services that both men and women are demanding.

It is disturbing that PBDAC employees, when acting as private individuals, can design flexible financial instruments that satisfy the demands of such a large proportion of the Bank's staff, while at the same time they are unable to produce similar services in their official capacities as Bank employees. It is unconvincing to label PBDAC as being biased against women when individuals at all levels in the bank--both male and female--so readily turn to women for leadership in administering the bazaar of informal financial arrangements found in the Bank. An alternative explanation may be that, for systemic reasons, banks in Egypt have been unable to provide the types of financial services that women and other groups beyond the fringe of formal finance most demand, namely attractive deposit services and small, short-term loans.

What are some of these systemic problems? The most important is the way banks were used in the past to support development by reinforcing economic plans through loan targeting. Banks, including PBDAC, were part of a command economy that was largely unresponsive to demands for financial services; PBDAC was not established to mobilize voluntary deposits nor to issue small loans. The availability of subsidized funds from commercial banks, interest rate restrictions, and limitations on providing checking accounts dissuaded PBDAC from producing the financial services that many people, including most of its employees, wanted. Overall, there were few incentives for employees to create new financial services at PBDAC. Instead, employees demonstrated their creativity in forming popular informal financial services. The net result of these efforts was "banks" operating within the bank.

II. Microenterprises in Ghana[11]

The research in Ghana documented the use of formal, semi-formal, and informal finance by entrepreneurs operating small- to medium-sized firms in large cities.[12] While the majority of firms were located in the greater Accra area (capital of Ghana with 868,000 population), 40 percent of the furniture manufacturers interviewed were located in Kumasi (a city of 377,000

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[11] In Ghana, K.B. Amissah-Arthur, Sarah Ampah-Nunoo, the management of Citi Savings and Loan, and Elizabeth Ardayfio-Schandorf expedited our research.

[12] A small-size firm is defined as employing 1-10 people and a medium-size firm employs 11-30 people.

population in central Ghana). As was the case in Egypt, both male and female entrepreneurs were surveyed for comparative purposes.

A. Background

Since the mid-1980s Ghana has carried out various reforms that improved the economic environment for small businesses and for exports. The World Bank recently ranked Ghana first in Africa in terms of desirable macroeconomic changes during the 1980s and early 1990s. The Bank likewise ranked Ghana high in per capita GDP growth rates during the same period (World Bank 1994). With these reforms, inflation pressures lessened and financial markets revived.

Compared to many African countries, Ghana has substantial financial infrastructure, especially in urban areas. This includes a central bank, four commercial banks, three development banks, two merchant banks, several small banks that grew out of the postal savings system, some cooperatives that provide credit, and about 120 small rural banks. In addition, two foreign banks also provide financial services. Semi-formal finance is likewise emerging with examples being purchase-finance companies, several hundred credit unions, Women's World Banking, and the Citi Savings and Loan Company. A number of non-government organizations also provide semi-formal loans.

Informal financial markets are also well developed in Ghana. Steel and Aryeetey (1994), for example, describe a well organized system of susu collectors who operate largely in major cities. In greater Accra more than 500 of these collectors have organized a cooperative to represent their interests. In many cases collectors deposit funds in banks that they mobilize; these funds amount to 40 percent of the total deposits in certain banks. Typically only 10 percent of the collectors are female, but the majority of clients are women. Moneylenders, trader credits, moneykeepers, non-rotating group savings associations, and ubiquitous lending among friends and relatives are other major segments of informal finance. With reform of the economy there has been an expansion in activities among small- and medium-sized firms. Many of these firms have similar characteristics: they are single proprietorships, they often employ apprentices, and they produce a variety of consumer goods (Dawson 1988, Epstein 1990, and Steel and Webster 1991). Women play an important role in some types of small businesses, especially those dealing with consumer products, food, agro-processing, and personal services. The recent economic reforms have been beneficial for women in allowing them more opportunities for business activities, including non-traditional exports.

With the enhanced opportunities for women there has also been an increase in the number of organizations that provide technical training and financial services to female entrepreneurs. One of the most prominent of these is the National Council for Women in Development (NCWD) which was established by the government in the mid-1970s. Another organization is Women's World Banking Ghana Ltd. (WWBG) which was started in 1982. WWBG offers loans to women through guarantee schemes backed by an international fund and locally mobilized monies. Banks are able to use these guarantee funds to cover most of the risk of lending to females with little or no previous formal financial history. The Association for The Advancement of African Women also provides training and helps women to gain access to bank loans. A handful of donors also has special training and/or credit programs for women. These donors include CIDA, World Vision, YWCA, UNDP, and UNICEF. The World Bank has also explored providing funding for microentrepreneurs through a $25 million dollar loan fund, part of which would be available for women.

Despite the disadvantages of small businesses--long hours, income insecurity, no benefits--small firms are an important source of income for many women in Ghana. Small-scale entrepreneurs in developing countries have historically used both informal and formal financial systems (Morris and Meyer 1993). While women who work for wages have some access to financial services from formal institutions in Ghana (Sengupta 1990), many women prefer informal finance because of its flexibility (Baydas 1991). Low-income women often do not have access to financial services because the types of financial products they demand are not provided by the formal financial system (Buvinic 1986). Access to appropriate financial services are an important factor in stimulating the growth of women-owned firms. Our research in Ghana provides insights on the types of services that may be appropriate.

B. Study Objectives and Procedures

The objectives of our Ghana research were: (1) To document the extent to which small firms in urban areas of Ghana used various forms of finance; (2) to determine the types of financial services that are most popular among small- and medium-sized business owners; (3) to compare the use of formal and informal financial markets by gender and by type of business; and (4) to identify any new developments in financial markets that might be important for female owners of small firms. In this study small-size firms are defined as firms employing 1-10 people and medium-size firms employ 11-30 people.

The research was done in the fall of 1993. A sample of 191 respondents (91 women and 100 men) was drawn. They were owners of one of four types of enterprises: bakery, garment, furniture, or food processing. Bakeries were mostly operated by women and furniture production was dominated by men, while operators of food processing and garment manufacturing were of mixed gender.

The sample was drawn from membership lists assembled by various organizations that represented these firms or which had loan programs for small- and medium-sized firms (e.g., WWBG). In addition, a random sample was selected within geographic areas where selected enterprises were concentrated. As there were no discernible differences in response patterns between furniture makers in Kumasi and the Greater Accra area, information from these two groups was combined.

C. Characteristics of Firms

The number of years a firm had been in existence varied across type of enterprise, firm size, and gender. For bakeries the majority of firms were owned by women who had been in business for more than 10 years (27 of 50 firms). In the furniture sector 19 of 45 male respondents owned firms that had been in existence for more than 10 years. Of the remaining 26 respondents, 17 owned firms for less than 6 years. In the garment businesses slightly less than 50 percent of the producers (24 of 50) had been in existence longer than 10 years. Women were more likely than men (16 of 24) to own these businesses. In contrast, the processed-food firms had only 11 of their 51 respondents owning businesses for more than 10 years. The majority of food processors (36 of 51) owned firms that had been in business less than 6 years.

It is noteworthy that most firms surveyed used their own funds as the main source of start-up capital. This finding is similar to the results of a 1991-1992 study in Ghana which analyzed reforms in the formal financial market (Aryeetey et al., 1993). In terms of working capital both male and female owners in processed food, furniture, and garment firms used business profits as their main source of working capital. The main exception was female owners of bakeries who used credit from input suppliers, principally flour millers, as their main source of operating funds.

The majority of firms in all four industries studied had expanded. This was true for both female and male owners. Expansion was overwhelmingly due to an increase in domestic demand. In addition, numerous food processors indicated they expanded because of an increase in export demand, and furniture and garment producers listed additional product lines as important secondary reasons for expansion. The firm expansion occurred after 1988 for the majority of furniture makers, garment producers, and food processors. Bakery expansion was more evenly divided before 1983 (22 of 48 respondents), and after 1988 (18 respondents).

Business expansion resulted in the majority of firms hiring more workers, using additional materials and equipment, and expanding output. Twice as many furniture producers as other producers expanded their work-sites. One explanation for this is the relatively low overhead costs incurred by most furniture producers. They were typically housed in open-air sheds under corrugated tin roofs; conditions that made work-site expansion inexpensive.

Respondents were asked to specify what could be done to improve their business conditions. The response listed most frequently across all four industries was improved access to financing. It is not clear, however, if these responses indicated an effective demand for loans based on creditworthiness, or if it represented a lack of funds caused by management or marketing problems. Garment manufacturers and food processors listed increasing accessibility of export markets as their second area of concern. Bakery and furniture respondents listed improved conditions in domestic markets as their secondary problem. The secondary concern of furniture producers was increasing the availability of equipment.

Only the garment and processed food firms had more than two respondent firms exporting. Among the garment firms there were 15 firms exporting of which 2 had male owners and 13 had female owners. Of these 15 firms, 13 were small firms and 2 were medium-sized. For food processors there were 30 firms exporting of which 24 had male owners and 6 had female owners. Similar to garments, there were more small-sized firms (22) exporting than medium-sized firms (8).

The majority of the exporting firms in garments and food processing (35 of 45) had been exporting for less than 6 years. In processed foods 20 of 29 respondents exported 100 percent of their production and 7 exported over half. Garment manufacturers relied less on exports with 7 of 16 respondents exporting over half of their production and 7 exporting less than a quarter. Most food processors (24 of 28 respondents) had experienced no change in the percentage of production exported over the last five years. In contrast 10 of 14 garment producers had experienced an increase in the percentage of production exported. Of these 10 owners 7 were women, the majority of whom indicated that an increase in marketing opportunities was the main reason for the increase in exports.

D. Use of Formal Finance

There was a great deal of variation across industries and gender in the extent to which firms applied for formal loans (Table 3). Among bakeries few owners applied for a bank loan, only 7 of 49. Among garment respondents more female owners applied for bank loans than did male owners--13 of the 15 applicants were female. Overall, about 25 percent of the female entrepreneurs interviewed had requested a formal loan in the previous 5 years while about 38 percent of men had done so. In part, this gender difference in loan application was due to the paucity of women in furniture manufacturing where use of formal and informal finance was relatively common.

Of the more than 13 formal financial institutions that extended loans to respondents, the following 4 banks were the most frequent lenders: the Social Security Bank with 11 loans; the Agriculture Development Bank with 10 loans; Barclay's Bank with 8 loans; and the Ghana Commercial Bank with 7 loans. Neither cooperatives nor credit unions were cited as frequent sources of loans. The mention of cooperatives often evoked negative comments from respondents who said cooperatives were poorly organized and frequently had corrupt managers.

The firms surveyed had much more contact with formal finance through deposits than through loans. Savings accounts were used by 41 percent of the bakeries, 50 percent of the furniture producers, 80 percent of the garment manufacturers, and 71 percent of the food processors (Table 3). Checking accounts were used almost as much as savings accounts by the firms interviewed with 100 of 191 using a checking account. Nearly a quarter of the firms interviewed used bank overdrafts to manage their liquidity problems, reflecting the short-term nature of many of their financial needs.

Six financial institutions separately held over 12 savings accounts of the firms interviewed: Ghana Commercial Bank (44 accounts), Barclay's Bank (31 accounts), the Social Security Bank (26 accounts), Agriculture Development Bank (15 accounts), the National Investment Bank (14 accounts), and Standard Charter Ghana Limited (13 accounts).

As was expected, most checking accounts were used for business purposes. Several business owners mentioned their primary reason for having a checking account was their ability to use the overdraft mechanism to satisfy short-term credit demands. Garment manufacturers used the overdraft mechanism more frequently (18 of 22 respondents held checking accounts) than food processors (23 of 49 owners had checking accounts). Only 7 of 24 furniture producers used checking accounts. Women owners were more likely to use overdrafts than were male owners among garment firms. The reverse was true in the furniture and processed food firms. Only two bakery owners had checking accounts.

Table 3. Use of Formal and Informal Finance in Ghana

Industries/gender	**No. firms**	**Formal finance**				**Informal finance**			
		Loan Applications past 5 years	Bank Accounts			Loans from past 5 years			Save in Susu
			Savings	Current	Overdraft	Relatives	Friends	Susu	
Bakeries									
Male	4	2	3	2	1	1	1	0	1
Female	45	5	17	8	1	1	3	0	5
Furniture									
Male	45	20	23	23	7	6	1	3	0
Female	1	0	0	1	0	4	10	0	0
Garments									
Male	16	2	11	5	2	1	3	0	1
Female	34	13	29	17	16	2	0	1	13
Processed Food									
Male	35	14	25	34	17	7	4	2	3
Female	11	5	7	10	2	0	0	0	1
Total	191	61	115	100	46	22	22	6	24

Source: Firm interviews in 1993.

Loan size was the most frequent reason given for using formal financial institutions. It was difficult for these firms to find relatively large loans in informal markets. Female and male owners of garment and food processing firms were more likely to cite this reason than respondents in the other two industries. The second most frequent reason given was familiarity with lending procedures; this was particularly true for female owners of garment firms. Other reasons cited included previous experience with the formal financial institution and having other accounts with the institution.

In response to questions about reasons why formal financial institutions were not used for loans, the majority of respondents cited insufficient collateral. This was mentioned most frequently by female bakers and male food processors. These managers ranked high interest rates as the second most important reason for not using formal institutions. Other reasons mentioned included unfamiliarity with banking procedures, no previous experience with the institution, and they were against using debt to finance business expenses.

D. Semi-formal Finance

For small- and medium-sized firms, semi-formal financial institutions such as savings and loans appear to be well-positioned to deliver financial services to these firms and simultaneously facilitate financial intermediation between informal and formal financial markets. The ability of private savings and loan companies (e.g., Citi Savings and Loan Company, and Central Savings and Investment Company) and non-government organizations such as Women's World Banking Ghana to provide effective links between the informal and formal financial markets depends on the ability of these semi-formal financial institutions to efficiently incorporate characteristics of both markets. For example semi-formal financial institutions can provide the deposit security of a bank, and the client-oriented provision of financial services that characterize the indigenous ROSCAS, which are called susus in Ghana.[13]

Commercial banks are notorious in Ghana for their inefficient delivery of financial services: long lines at cashier windows, abbreviated work hours during the week and no Saturday hours, and lack of response to loan requests. In contrast, employees of semi-formal financial institutions frequently travel to their clients' work places to accept savings deposits or to receive loan repayments. They have extended hours during the week--opening at least 1 hour before the banks, and closing at least 3 hours after the banks--and are frequently open on Saturdays. All three semi-formal institutions mentioned in the previous paragraph are located in urban market areas in Greater Accra which reduces client transaction costs.

While commercial banks emphasize collateral in lending, non-bank financial institutions often rely on character-based lending. The transaction costs incurred by the lender of providing character-based loans are high, but semi-formal institutions may off-set these costs with high loan recovery rates. Semi-formal institutions in Ghana are expanding the ability of the financial system to mobilize deposits assembled by informal finance, savings that banks are often unable to mobilize due to high transaction costs. All three semi-formal institutions listed previously have accounts with banks in which they periodically deposit the funds they have mobilized from their clients.

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[13] Susus come in two forms in Ghana. One form is a rotating savings and credit association that mobilizes funds from members on a regular basis and then distributes the funds collected to one member of the group in rotation. The other form simply collects funds from a group and then uses the funds for a variety of purposes, including lending to members of the group as well as to non-members. The rotating form is the most common in urban areas.

To date two non-bank financial institutions have qualified for licensing by the Bank of Ghana (Women's World Banking Ghana and Citi Savings and Loan), and 15 additional institutions have applied. The Citi Savings and Loan Company has been particularly successful. From August to November, 1993 it opened 576 new savings accounts, 247 new current accounts, and mobilized the equivalent of over $US100 thousand at its Padama branch. It has plans for expanding into at least two additional market areas in the near future. Women's World Banking Ghana has also planned to open a branch in another Greater Accra market area in 1994. These types of semi-formal finance are positioned to service female and male owners of small businesses and microentrepreneurs better than banks, if they can control their costs and sustain high loan recovery rates.

E. Informal Finance

Reliable information on use of informal finance is more difficult to collect than is data on formal and semi-formal finance. Informal transactions tend to be small, may be imbedded in other exchanges, might be associated with illegal activities, and may not be recognized as a financial transaction by respondents. The information collected in Ghana, therefore, likely underestimates the extent of informal financial transactions among the firms interviewed.

Across all industries the majority of female and male owners did not report requesting a loan from a family member, relative or other informal financial source in the last five years (Table 3). As expected from the sample drawn more female than male owners requested informal loans in the bakery firms, and more males than females did so in the furniture businesses. Among the garment firms, more females than males requested informal loans; a situation that was reversed among food processing firms.

Relatives, friends, and susus were the informal sources that extended loans to respondents most frequently. Relatives and susus extended more loans to male respondents, and friends extended more loans to female respondents. The majority of respondents using informal finance were involved in processed foods or furniture making..

Of special interest in informal financing was a male furniture producer and a woman baker who had organized separate susus in their neighborhoods in which men and women were contributing. Two women bakers also had savings accounts with a licensed susu subsidiary (MASU) of Women's World Banking Ghana. In both of these examples financial intermediation was occurring; informal savings were being mobilized and subsequently were deposited in formal financial institutions.

The most frequently cited reason for using informal financial sources across all four industries was ease of access. Of particular interest was the response of male garment owners and food processors who listed ease of access more frequently than did women owners. Other responses included ease of application and modest collateral requirements.

Reasons for not using informal finance centered on the susu. Respondents across all four types of firms felt that informal financial sources were sometimes untrustworthy. Many indicated personal or family experience with susus where a member or leader absconded with funds. Respondents in furniture, processed food, and garment firms were the most likely to directly respond that they were not interested in susus. Operators of bakery firms, most of whom were women, were less critical of susus. The importance of these reservations about informal finance was belied by the continued extensive participation in these activities.

F. Ghana Conclusions

Improvements in Ghana's economy since 1983 have provided women major opportunities for initiating or expanding small businesses. For many women these small businesses have been the primary way of enhancing their economic well-being. It is important to note that female entrepreneurs are often concentrated in activities that are an extension of women's traditional roles. Of the four types of firms included in our study, women were concentrated in food processing and baking. As is the case in most economies, macroeconomic policies and financial market policies (e.g., licensing of non-bank financial institutions) have been critical in providing these enhanced opportunities for women along with other marginal economic groups.

At least three interesting findings emerged from the research in Ghana. The first is the importance of self-finance, especially in the start-up of firms--few firms used formal or informal loans to initiate their activities. In part, this is the result of firms starting small and then growing; self-financing was adequate to initiate the enterprise. The discipline needed to save enough to start a business effectively screened out aspiring entrepreneurs who lacked the discipline to save. Formal, semi-formal, and informal finance appeared to play a more important role later in the life cycle of the firms. This pattern was similar for both men and women. In this study credit, when it was used, was reaching mature firms, rather than new start-up firms.

Second, a larger proportion of the entrepreneurs interviewed--especially females--interacted with financial markets through deposit activities rather than through lending activities. Most women had deposit accounts although few of them had much experience with formal loans. Womens' interest in saving was also manifest through their participation in susus. This leads us to conclude that enhancing the quality of deposit services and offering a wider variety of deposit instruments would have a positive differential effect on women. It is also interesting to note the participation of men in susus in this study. As this study illustrated, low-income women and men often face the same economic problems and are frequently not serviced by formal financial institutions.

Third, at least among the bakery firms, women make extensive use of informal supplier credits, an indication that their loan requirements are relatively short term and for relatively small amounts. In some cases, women may benefit indirectly from programs that expand the access to formal finance for firms that provide supplier credits. This may be a more efficient way of augmenting the volume of loans available to operators of certain small businesses such as bakeries, than are attempts to target formal loans directly to these small businesses.

Because of the way our sample was drawn the operators of firms interviewed probably had more contact with formal finance than a national random sample of microentrepreneurs would have had. Operators of small firms in smaller cities and in rural areas likely had less access to semi-formal and formal finance than our study indicated. As Ghana's economy improves, and as financial markets are strengthened, operators of small- and medium-sized firms in other parts of the country will likely increasingly have access to various forms of finance that are similar to that found by our study.

IV. Semi-formal Finance in Uganda[14]

Research in Uganda was carried out in two stages. In the first half of 1993 interviews were done with 527 adults living in two regions of the country about their use of financial services (Fendru in progress). The second round was completed in May 1994 and focused on borrowers from two semi-formal financial institutions. The objectives of the research were (1) to document the use of formal and informal finance among women and men in Uganda, (2) to document the types of financial services most used and clients' attitudes about these services, and (3) to access the strengths and weaknesses of providing financial services through semi-formal organizations.

A. Background

As in Egypt and Ghana, the Ugandan economy has been reformed recently with assistance from the International Monetary Fund, the World Bank, and other donors. Per capita income in Uganda is less than half that in Ghana, and only about one-quarter of that in Egypt. Large segments of the rural population produce most of their consumption and buy only a few items. It is not unusual, for example, to find farmers in areas that have ample rainfall cultivating a dozen or more crops, mainly to meet household consumption requirements. Aside from a few trunk roads, commercial exchange in rural areas is constrained by transportation problems. Although the country has ample land, some of it substantially underutilized, it lacks

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[14] Ijoyi Fendru, Linda Lobao, and Clare Wavamunno were our co-researchers in Uganda. W.S.K. Makumbi and his staff at the Uganda Co-operative Savings and Credit Union, and Sarah Mangall and Rebecca Nsimbi of the Uganda Women's Finance and Credit Trust also assisted our work. Minister Victoria Sekitoleko and Fortunate Sewankambo of the Ministry of Agriculture, Animal Industry and Fisheries likewise provide valuable information. Support for the first phase of our research in Uganda was provided by the African Economic Research Consortium.

oil and inexpensive access to most international markets. AIDS haunts the country and is killing many people in all economic classes, often those in their most productive years.

The low level of economic activity also limits the volume of financial transactions in the society, especially the types of credit that often accompanies trade and merchandizing, and the group savings and credit that occurs when people have significant cash income. By most measures, the formal and informal financial markets are both atrophied. The Bank of Uganda, the Uganda Commercial Bank, The Cooperative Bank, a handful of private commercial banks, several other government development banks, a few non-governmental organizations, and the remnants of a credit union movement comprise most of the formal financial system. The amount of formal lending in rural areas is severely restricted and loan recovery problems are endemic. Formal loans as a percentage of total loans in the country and as a percentage of gross domestic product from agriculture are small numbers compared to most other developing countries.

Because formal finance has a high degree of complementarity with informal finance, the shrunken formal financial system does not nourish informal finance; a merchant, for example, who is short of liquidity is less able to sell goods on credit than is a merchant who can borrow steadily from a bank. Likewise, employees who receive only token incomes are unlikely to participate in group savings and credit activities. As might be expected, our research showed people had much less contact with formal and informal finance--especially women--than was the case in Egypt and Ghana.

B. Scope of Studies

In the initial phase of our study, during the first half of 1993, a sample of 527 adults living in two regions were interviewed: Aura, near the boarders of Zaire and Sudan, and

Mukono which is located northeast of the capital city of Kampala. Farming is the primary occupation in both regions and only a small proportion of the population lives in town. The sample included urban and rural households. The adult interviewed in each household was determined by lot so that heads of household, their mates, and any other adults living in the household had an equal chance of being included in the sample. In Aura women comprised 42 percent of those interviewed while in Mukono they made up 51 percent. Of the total interviews, 247 were with women. The main purpose of these interviews was to document the extent to which a cross section of the population used various types of finance.

The second phase in the research was done during April-May 1994. In it we examined the use of semi-formal finance by entrepreneurs with small- to medium-sized firms, both male and female, in the cities of Mukono and Kampala.[15] Borrowers from two semi-formal organizations were the population from which we sampled. The Uganda Cooperative Savings and Credit Union (UCSCU) in Mukono was one of the two organizations selected. Within the UCSCU interviews were conducted with 31 borrowers--23 men and 8 women--from a program managed by the UCSCU. Most of these 31 borrowers were members of UCSCU affiliates. In addition we conducted similar interviews with 23 borrowers--all women--from the Uganda Women's Finance and Credit Trust (UWFCT) located in Kampala. All of the borrowers interviewed were operating small businesses and or farms.

In the early 1990s the World Bank provided funds to a non-governmental organization called World Learning Inc. via the Programme for the Alleviation of Poverty and Structural Adjustments (PAPSCA). Of the $US1.1 million allocated to PAPSCA, $US602 thousand was

[15] Small-size firms employ 1-10 people and medium-size firms employ 11-30 people.

on-lent through four semi-formal financial intermediaries. The Uganda Cooperative Savings and Credit Union (UCSCU) was one of these. The UCSCU had the highest loan recovery repayment rate of the four intermediaries involved. In late 1993 all of the credit unions in the UCSCU Federation had about 200 thousand male members and 112 thousand female members. About one-third of the total deposits in the credit unions were owned by women. At the same time, women borrowed about the same total amount from the credit unions as did men, reflecting the influence of several womens' credit programs administered by UCSCU.[16]

The Uganda Women's Finance and Credit Trust was begun in 1984 as an affiliate of Women's World Banking. It provides deposit facilities, training, and loans to its members. It is a non-government organization (NGO) whose basic objective is "to economically empower low-income women entrepreneurs" (UWFCT Status Report, 1993). The Trust mobilizes deposits from members but did not commingle these funds in loan accounts--instead depositing monies mobilized in banks. The managers of the Trust felt it was too risky to lend deposits and therefore relied on funds from donors for lending. In mid-1993 UWFCT had a loan recovery rate of only 43 percent and a default rate of 10 percent on its loan portfolio of about $US400 thousand. Deposits mobilized from about 4 thousand members amounted to $US122 thousand. A variety of donors provide financial support to the Trust and its 51 employees.

In our interviews with borrowers we focused on the characteristics of the entrepreneurs and their use of semi-formal as well as formal and informal finance. Borrower perceptions about borrowing, savings, and the general quality and accessibility of financial services were

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[16] Information was drawn from unpublished UCSCU reports.

also assessed. Gender differences in patterns of use of financial services, perceptions, and entrepreneurial characteristics were given specific attention.

C. Financial Markets in Uganda

In 1994 there were 10 indigenous banks and 5 foreign banks operating in Uganda. There were also 6 other credit institutions, one active building society, 19 insurance companies, 1 postal savings bank, and 2 development banks. The Uganda Commercial Bank is the largest bank. Recently, private banks have increased competition and improved services, particularly in Kampala. Greenland Bank, for example, is open on Saturdays and Sundays and it recently began sending people to collect deposits from businesses with high volumes of cash transactions. Nile Bank is implementing a rural savings scheme whereby bank personnel will travel on a weekly basis from a branch bank to collect deposits from potential clients in villages (Techno-Serv, 1994). Most commercial banks do not operate branches outside of Kampala. Only the Uganda Commercial Bank (81 branches), the Centenary Rural Development Trust (8 branches), and the Uganda Cooperative Bank (23 branches) have a national branch network.

A measure of relative size of banking in Uganda is the financial deepening ratio (M2/GDP). Uganda's ratio of .073 shows a low degree of monetization in the economy. As a result, most people, especially women, have little access to formal financial services (Mugyenyi, 1992; Duval, 1991). This has led to recent attempts to develop credit programs for women entrepreneurs. The Rural Farmers Scheme administered by the Uganda Commercial Bank was supposed to target women borrowers for 60 percent of its loans, for example, but instead allocated only 35 percent of its credit to women. This program also experienced serious loan recovery problems.

Given the difficulties in Uganda since the early 1960s, informal finance has often been the only source of financial services available to many people. Prominent forms include moneylenders, pawnbrokers, relatives, friends, and informal savings groups. Unlike Egypt and Ghana, only a few ROSCAs operate among traders. some business owners, and in major central markets. In Kampala central markets ROSCAS are known as kibiinas (Meyer and Nagarajan, 1994). It is much more common for Ugandans to participate in non-rotating savings groups that collect funds for a variety of purposes including celebrations and funerals. The death of a friend or relative commonly leads to the organization of an ad hoc group where a volunteer collects money from others to help with funeral expenses.

In addition to formal and informal financial arrangements, an increasing number of semi-formal organizations provide financial services. These organizations are quite small, and virtually all of them are heavily dependent on donor funding. These organizations offer character-based lending, have humanitarian objectives, and suffer loan collection problems. Some of them also accept deposits.

There is little evidence of competition or complementarity between formal and semi-formal finance in Uganda (World Bank, 1993; Mugyenyi, 1992). Greenland Bank, however, has discussed with the management of the Uganda Women's Finance and Credit Trust (UWFCT) the idea of extending credit to UWFCT clients who are eligible to "graduate" to commercial bank client status. The UWFCT and other semi-formal organizations also make regular use of commercial bank deposit facilities as a place to store the deposits they mobilize.

D. Overall Use of Finance

As might be expected, a large percentage of the adults interviewed in the first phase of our research stated that farming was one of their major occupations. This was the case for 90 percent of the men and for 85 percent of the women. Non-farm occupations, however, were relatively important for women with nearly half of them saying that trading, handicrafts, or cottage work was a significant source of income. Only 27 percent of the men stated they were involved in non-farm activities. The average formal education for women interviewed was only 1 year of primary schooling and for men only two years.

As can be noted in Table 4, men participated in financial transactions more often than did women, and urban people were more involved in these transactions than were rural residents. Relatively low levels of participation carried through into both formal and informal finance. Only 50 to 60 percent of those interviewed remembered ever borrowing from an informal source and only about one-quarter of them were members of informal financial groups, mostly of the non-rotating type. Those individuals who used informal finance only borrowed one or two loans per year from these sources. The size of informal loans was also small, ranging mainly between $US5 and $US30.

The use of formal and semi-formal forms of finance was much more limited, especially in rural areas (Table 4). None of the rural or urban women had ever received a loan from either a bank or a credit union. Only one of the women interviewed had sought a loan from a bank and she was unsuccessful in the effort. Three percent of the rural men and 13 percent of the urban males interviewed had received at least one bank loan. The contact with formal finance was more extensive through deposits. About half of the urban men and more than a quarter of the urban women had a deposit account with a bank at the time of the interview. Only 10 percent of the rural men and 7 percent of the rural women had deposit accounts in banks.

Compared to Egypt and Ghana the average person in Uganda made less use of both formal and informal finance, partly reflecting their lower incomes, the lower level of commercialization in Uganda, and the atrophied state of both formal and informal finance.

E. Semi-formal Finance in Mukono and Kampala

Because of the way the samples were drawn, all of the individuals interviewed in the second round of research in Mukono and Kampala were farmers or operators of businesses, sometimes combined. All of them were also borrowers from one of two semi-formal credit organizations. Most of these businesses employed 10 people or less; only three of the firms had 11 to 30 employees and one firm had more than 30 employees. About one-third of the borrowers were involved in the production of vegetables and fruits, about one-fifth were raising pigs, and about 13 percent had dairy cows. Poultry production, brick making, retail stores, garment manufacturing, and health clinics were other major activities of borrowers.

Most respondents were married and were paying school fees for all children under 14 years of age. Besides caring for their nuclear family, many were also caring for elderly people and/or children, including a number of orphans. The median age in the sample was mid-30s.

Respondents were aware of the various financial services offered by informal and formal financial markets; 41% had savings accounts with a commercial bank. They had sought out financial services from non-bank financial institutions because these institutions were more likely to extend credit to businesspersons like themselves. Respondents were aware of market services and constraints, kept rudimentary accounts, and many intended to expand their businesses in the future. Although the sample possessed characteristics similar to other Ugandans (e.g., age, household dependency ratio, lack of access to formal financial services, low income), they also had an entrepreneurial response to their economic situation which differentiated them from others living in similar circumstances.

Table 4. Use of Financial Markets in Arua and Mukono, UGANDA, 1993.

	URBAN		RURAL	
USE OF LOANS	**Men N=39**	**Women N=40**	**Men N=241**	**Women N=207**
% ever borrowed from an informal source, including moneylender, relative, merchant	62	53	56	52
% who ever asked for a bank loan	23	3	4	1
% who ever received a bank loan	13	0	3	0
% never borrowed from bank or informal source	31	48	42	48
Frequency of borrowing from informal source (for those who utilized informal sources, total number of loans in the past year, median response)	2	1	2	2
Total amount borrowed from all informal sources in past year (for those who utilized informal sources, median response)	30,000 (shill)	15,000 (shill)	10,000 (shill)	5,000 (shill)
SAVINGS				
Has account with bank	51	28	10	7
Places deposits with semi-formal institution	3	0	1	0
Presently belongs to an informal financial group	26	28	24	15
Places deposits in banks and informal financial groups	13	13	3	4
No deposits in either bank or informal group	36	58	69	82

Source: Field Surveys, 1993

F. Use of Deposit Services

Both the UWFCT and the UCSCU required members to have savings accounts before they were eligible to borrow. The UCSCU administration mentioned that one of their reasons for requiring a savings account was their ability to deduct late loan payments from the account. Over 80 percent of respondents had a savings account with UCSCU, UWFCT, or a commercial bank (Table 5). These savings are typically deposited by the UWFCT and the UCSCU as fixed term deposits in commercial banks. In addition to UWFCT or UCSCU accounts some respondents also had savings accounts in banks--particularly the Uganda Commercial Bank. Over 50 percent of these commercial bank accounts were moribund, however. In contrast, all savings accounts with UCSCU and UWFCT were still active with the majority of respondents making monthly deposits. The average deposit-account balance for women and men was less than $US6, however.

Of the people who indicated they saved with an informal source, 1 respondent listed a relative, 3 respondents a friend, and 10 respondents mentioned saving with a group or ROSCA (Table 3). More women (8 respondents) than men (2 respondents) were likely to have saved with a group. Women's multiple roles and greater likelihood of working with informal associations may explain their greater participation in group savings. The majority of these informal savings accounts were still active with most respondents contributing at least monthly. All respondents contributed less than $US7. Those who did not save with an informal source indicated there was "no reliable person with whom to save" (15 respondents) as the most frequent specific reason for not using informal sources.

G. Use of Loans

Due to the sampling technique used in the study, all respondents had either received a loan from UCSCU or from UWFCT, or had applied to one of these institutions for a loan (Table 5). None of the women and only 2 male interviewees had received loans from a commercial bank. Loan sizes, including loans to groups, ranged from about $US10 to about $US6,000. Real estate was the most common form of collateral offered by male borrowers (16 of 35 loans received by male respondents). Female borrowers often provided other forms of collateral: 14 used character references and 9 used guarantors. Only 8 women provided real estate as collateral. Prior to 1994, UWFCT had used character references rather than real estate as collateral, but loan recovery problems have forced UWFCT management to reevaluate this policy at the time of the study. Although most respondents had repaid, or were in the process of repaying their loans, 4 respondents reported they were delinquent in their loan payments.

Fewer respondents had borrowed from friends or relatives than had borrowed from semi-formal financial sources (Table 5). Of the 14 informal loans recorded, 7 were from relatives and another 7 from friends. Women were more likely than men to borrow informally. Surprisingly, the most frequent form of collateral offered on these informal loans was real estate. The majority of informal loans had been repaid in full. The sizes on these informal loans ranged from about $US5 to about $US 1000. The most frequently listed explanation for why people had not borrowed informally was that "nobody was willing to lend or no one had the money to lend" (12 respondents).

Table 5: Use of Financial Markets by Uganda Respondents

FINANCIAL SOURCE/GENDER	FINANCIAL TRANSACTION	
	LOANS	SAVINGS
BANK		
Female Accounts	0	10
Male Accounts	2	12
UCSCU		
Female Accounts	11	9
Male Accounts	33	16
UWFCT		
Female Accounts	27	23
Male Accounts	0	0
RELATIVE		
Female Accounts	6	1
Male Accounts	1	0
FRIEND		
Female Accounts	4	3
Male Accounts	3	0
GROUP/ROSCA		
Female Accounts	0	8
Male Accounts	0	2
TOTAL	87	84

Source: Field Surveys, 1994.

The majority of respondents said they wanted a loan to expand their business (36 respondents). Slightly more women (53%) than men (47%) selected this response. Other frequently listed reasons for borrowing included buying equipment (17 respondents), buying inputs (19 respondents), and paying workers (10 respondents). More women (63%) than men (37%) would use their loan money to buy inputs, and more women (60%) than men (40%)

would use credit to pay their workers. In contrast, more men (59%) than women (41%) applied for a loan to buy equipment.

Neither of the two lending programs examined used their savings deposits to finance lending activities. Donor-provided funds formed the lending base for UWFCT borrowers while the UCSCU lending base was funds provided by the PAPSCA Program. Information about the PAPSCA program was disseminated by the resistance coordinators (the local political arm of the NRM government in each area), many of whom took advantage of the credit opportunity and applied for a PAPSCA loan through the UCSCU.

H. Attitudes about Financial Markets

Respondents were asked questions about financial decision-making attitudes. These included questions about credit use, savings behavior, and perceptions of costs and benefits of the programs in which they participated. Questions were included to assess the extent to which respondents, particularly women, felt they had control over their finances.

Women tended to report greater sole decision-making as indicated by their frequent selection of "myself" as the person who usually makes decisions about borrowing and savings activities (Table 6). Men were more likely to report joint decision-making with spouses. Male respondents appeared to have been gender sensitized during their training sessions at the UCSCU which may explain their tendency to select "myself and spouse" as a response.

When asked general perception questions about borrowing from commercial banks, the majority of women (63%) and men (86%) agreed that people like them had little chance of borrowing from a bank. Respondents were also asked a series of questions about their perceptions of men's and women's opportunities to access financial services (Table 7). In general, respondents (both men and women) perceived relatively similar gender opportunities, as indicated by the majority responding "about the same for men and women." This was correct for statements concerning government business loans, joining a savings/credit group, and/or opening a bank savings account. As expected, the majority of women responded that it was easier for a man than a woman to obtain a business loan from a bank (52%) or male moneylender (54%).

Respondents were asked their perceptions about using borrowed funds from a commercial bank or an informal source to meet business or consumption expenses. The majority of male and female respondents thought it was a "good idea" to use bank credit for production (70%) and marketing (61%) expenses. Respondents (61%) thought it was a "bad idea" to use bank loans to obtain consumer goods (87%) or for entertainment expenditures (96%). Interviewees frequently commented that it was not wise to use borrowed funds for consumer goods and feast expenditures because there was no income generated in these activities with which to repay the loans.

Table 6. Person(s) Involved in Decision-Making Related to Financial Issues by Gender of Business Owner.

EXAMPLES OF DECISION STATEMENTS	RESPONSES[2]				
	Myself		Myself and Spouse		Total Responses
	F	M[1]	F	M	
Whether to get a loan for your business?	9	6	11	12	38
The amount of business loan you request?	10	7	10	15	42
Whether to get a business loan from a bank?	12	8	7	11	38
Whether to get a business loan from an informal source (merchant, group)?	8	3	3	9	23
Whether to save?	14	6	7	16	43
Where to save?	17	6	5	16	44
The amount to save?	15	5	6	17	43
If you have a bank account, who made the decision to open the account?	14	9	1	12	36

Table 7. Respondent Perceptions on Financial and Business Opportunities by Gender of Business Owner

SELECTED STATEMENTS	RESPONSES						
	Easier for Women		Easier for Men		About Same for Women and Men		Total Responses
	F	M[1]	F	M	F	M	
To get a business loan from a bank?	7	4	15	10	7	10	53
To get a business loan from a moneykeeper who is a man.	5	6	13	11	6	3	44
To get a business loan from a moneykeeper who is a woman.	8	8	10	8	7	4	45
To get a business loan from Ugandan government programs.	8	4	7	3	10	17	49
To join a group savings/credit association.	13	2	3	8	13	12	51
To open a bank savings account.	2	1	3	6	26	15	53

[1] F is a female business owner and M is a male business owner.
[2] Other possible responses were "spouse" and "myself and other." Fewer than 4 people selected this response on any statement.

Source: Field Surveys, 1994.

Borrowers who had received credit from the UCSCU spoke in a unified voice of their dislike for Uganda Commercial Bank and its problems. These included slow decisions about loan requests and solicitation of bribes for various financial transactions, including withdrawals from savings accounts.

Given that the focus of our study in Uganda was on the use of financial services provided by semi-formal financial institutions, respondent perceptions of advantages and disadvantages of the semi-formal financial market were of particular interest. Both women and men indicated increased accessibility to credit as the main advantage of semi-formal finance (22 women and

14 men). For most respondents the loan they received from either UCSCU or UWFCT was the first formal or semi-formal loan they had ever received. Other advantages listed by 8 or more women were ease of savings and socialization characteristics (e.g., caring people). Advantages listed by at least 5 men were easier borrowing terms, and the provision of general training.

Although Uganda has been regarded as a country in which basic social institutions have changed dramatically because of war and AIDS, we saw no evidence of a decline in the norms and values of community caring and responsibility. Many households were caring for orphaned children whose parents had died of AIDS or who had been killed in warfare. Respondents expressed a high degree of social ethics and a respect for attractive financial contracts. Despite their hardships, most recognized that they had a contractual obligation to repay loans.

Respondents were asked if they thought people in Uganda were more or less likely to repay their loans now than 5 years ago. Female and male respondents from both the UWFCT (14 women) and the UCSCU (7 women and 19 men) overwhelmingly indicated that they thought people were "more likely" to repay their loans. The most frequently selected reasons for why people were more likely to repay were "people understood the necessity of repaying," and there were more "work opportunities so people had the income to repay."

Respondents were also asked if they thought people who borrowed from their respective institutions (UWFCT or UCSCU) were more likely to repay their loans now than 5 years ago. Again the overwhelming response was "more likely" to repay their loans (11 UWFCT members, 8 female UCSCU members and 22 male UCSCU members). Similar explanations were offered to explain why people were more likely to repay now.

G. Uganda Conclusions

While a significant number of people in Uganda, particularly in urban areas, are connected to banks through deposit accounts, many of these accounts are moribund and few of the depositors use bank loans. This illustrates the complementarity between the level of economic activity and financial markets; constricted economic activity results in few financial transactions, especially by women--both in formal and informal finance. To partially fill this void, governments and donors increasingly have channeled funds through non-government organizations--NGOS--in attempts to expand the supply of financial services. This has resulted in additional people obtaining access to deposit or loan services in Uganda. Our study interviewed women and men who were part of a growing entrepreneurial class that was emerging in urban and peri-urban areas. All of the study participants were receiving financial services from either UCSCU or UWFCT, semi-formal financial institutions operated as NGOS.

Three conclusions arose from the Uganda study: (1) the important role of semi-formal finance in delivering financial services to an emerging entrepreneurial class; (2) the safeguarding of savings mobilized by semi-formal financial institutions such as UCSCU and UWFCT; and (3) the sustainability of non-government organizations. The first conclusion is related to the role that the semi-formal finance market occupies in providing financial services to small firms, especially those owned by women. The semi-formal finance market frequently possesses characteristics of both the informal and formal finance markets. Operating in the semi-formal finance market, non-bank financial institutions such as UCSCU and UWFCT provide training and technical services for businesses, facilitate and encourage savings, and extend credit. Both female and male respondents indicated increased accessibility to credit as the main advantage of these institutions.

The second conclusion is related to the ability of both UCSCU and UWFCT to mobilize savings from their members. Semi-formal financial institutions such as UCSCU and UWFCT expand the ability of the financial system as a whole to capture savings heretofore unaccessible to banks. Concerns have been voiced about the safeguarding of these savings since semi-formal financial institutions are not regulated by a central monetary authority. Judicious licensing and regulation of the institutions participating in the semi-formal finance market would provide safeguards for depositors, encourage financial intermediation between the informal and formal finance markets, and encourage the continued provision of financial services to small businesses run by women.

The third conclusion refers to the sustainability of NGOS. Despite the ability of some NGOS to function as non-bank financial institutions and deliver financial products to small groups of low-income women, we wonder if NGOS are a generalized and long-run solution for the problem of providing sustained financial services to poor people in general, and to women in particular in countries such as Uganda. Although NGOS may allow donors and government officials to dispense loans to some poor people through transitory credit programs, these efforts will not stimulate development unless they enhance the ability of the financial system to provide sustained financial services to a gradually expanding number of people.

IV. Overall Conclusions

Financial activities in Africa are as complex and varied as are the economies and cultures on this diverse continent; our snapshots in three countries should not be taken as the definitive statement on how women in Africa deal with finance. The strength of the studies is in documenting the types of financial services that women want as revealed by their actions. Because many women throughout Africa face the same problems as those encountered in our three case studies, we conclude that many African women are seeking financial services similar to those used by the women we studied.

Our studies showed that many women are finance literate: they know how to save, they know how to lend, they know how to repay loans, and they know how to use funds wisely. In addition to savings, it is also clear that women occasionally use loans that provide small amounts of money for relatively short periods of time. Because of their positions in society women are also concerned about insuring against unforeseen happenings; they desire unutilized credit reserves that can be drawn upon in times of emergency, something that is often not provided through traditional formal credit. For some women the flexibility to borrow sometime in the future may be worth a good deal more than a less flexible arrangement that provides loans in lump payments at discrete times. In part, women make relatively little use of formal finance because formal finance provides too few of the financial products and services that women find to be most valuable. There is often a mismatch between what the formal financial system offers and what women find to be most useful.

Looking across the three country case studies, we arrive at four additional, more specific observations. (1) We feel that a much larger number of women would benefit from a financial system that provided attractive deposit alternatives than through expanded lending. (2) We further feel that deposit mobilization would introduce additional discipline into financial transactions involving women. (3) We are uneasy about the extensive use of NGOS to provide financial services to women and wonder about the survivability of these organizations. And, (4) we feel that macroeconomic and macrofinance policies are more powerful determinants of womens' participation in financial transactions than are programs that target them as loan beneficiaries.

A. Stress Deposit Mobilization

The main financial service women demand is a secure, safe place in which to deposit savings. There are many women who wish to increase and protect their savings, probably many more than who are creditworthy. Because of their status and multiple responsibilities in many societies, women have a stronger proclivity to save than do men. In all three countries studied women were aggressively seeking both formal and informal ways to marshall savings. Closely tied to this, women also sought financial arrangements that included implicit forms of insurance: the ability to draw on unutilized credit reserves in times of emergency and personal relationships that enhanced chances for reciprocity. In informal finance women were using their saving performance as a way of enhancing their creditworthiness in the eyes of other participants. Semi-formal institutions also stress the establishment of a savings history before a depositor is eligible for credit. Because of this, we feel that savings-first strategies may be more appropriate for women than are credit-first approaches.

B. Fostering Discipline Through Deposits

Funding credit programs largely through voluntary deposits leads to enhanced discipline at several levels. Demonstrating the ability and willingness to save is the most common way of enhancing one's creditworthiness. The discipline needed to defer consumption and to save is the same discipline needed to postpone consumption in order to repay a loan; these are two sides of the same coin. Providing deposit opportunities allows individuals to exercise this discipline before possibly borrowing and, at the same time, allows the potential lender to screen efficiently people who are creditworthy based on the discipline revealed through deposit performance. The credit-first approach short-circuits this.

Organizations that mobilize a large proportion of the funds they lend are generally more prudent in making lending decisions than are those that lend donor or government funds. The UWFCT in Uganda is a dramatic demonstration of this. The managers of the Trust use less prudence in lending donor money than they do in managing members deposits--most of the deposits are transferred to banks for safekeeping.

Lenders who must rely largely on voluntary deposits for lending are also subject to the discipline exercised by depositors who withdraw their funds from institutions that are not managed efficiently. Efficiency includes the upkeep of banking facilities, quality of service provided, the transaction costs imposed on clients, and loan recovery performance. Donors should be wary of infusing large sums of money into institutions providing financial services, lest they sever this vital connection between deposit mobilization and the extension of credit.

C. Sustainability of NGOs

There are over 400 NGOS operating in Uganda. Egypt and Ghana likewise have a proliferation of NGOS. Several of these NGOS operate as non-bank financial institutions. They accept savings, extend credit, and often provide training to borrowers. Increasingly, NGOS have become the channel used to provide financial services to women and low-income men. Although we did not directly study this issue, we are concerned about the sustainability of these efforts. Since womens' credit programs are increasingly administered by NGOS, these organizations need to be critically assessed using equity and efficiency criteria. In this assessment attention should be directed to answering the following questions:

Will growth in NGOS lead to a permanent expansion in financial infrastructure, or will they disappear once donor and government support evaporates? Can organizations that are often established for philanthropic purposes evolve into institutions that are financial intermediaries able to screen individuals for creditworthiness, protect depositors' savings, and cover most of their costs without perpetual subsidies? Can these organizations expand activities and lower their average transaction costs to reasonable levels? Is it appropriate to encourage NGOS to mobilize substantial amounts of voluntary deposits without also requiring more prudential regulation and supervision of these new organizations? Can efficient regulation be employed that doesn't strangle these small organizations? If these organizations cannot become safe places to store ones savings, how will they ever break their dependence on external funding? Finally, can an effective financial system be erected when there is a disjunction between deposits and lending--savings being done in one place while lending is done in another?

D. Macroeconomic and Macrofinance Environment

Opportunities for women to use both formal and informal finance expand with economic development, especially when that development involves widespread participation of private enterprises. Financial markets in a relatively high-income country such as Egypt do a much better job of providing financial services to women--particularly through deposits--than does an atrophied financial system such as that found in Uganda. Even in countries such as Egypt, however, informal finance continues to offer financial products that are more attractive to women than those offered by the formal finance market. Since the relationship between formal and informal finance is strongly complementary, a healthy and expanding formal financial system allows a parallel expansion in informal finance where many women do their "banking." If private sector development is encouraged women further benefit through more opportunities to start small businesses that, in turn, enhance their access to formal and informal finance as is occurring in Ghana.

We conclude that a thriving economy and an evolving system of financial markets that is competing for deposits and creditworthy borrowers will do more for women than will targeted credit programs. The development of the semi-formal financial market as an alternative provider of financial services to small businesses, particularly those owned and run by women, is one example. Therefore, advocates for women should strongly support macroeconomic reforms and financial market reforms that will provide sustainable economic and financial opportunities for large numbers of women.

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