



ACCESSIBILITY OF MICROFINANCE INSTITUTION SERVICES FOR WOMEN: EXISTING BARRIERS AND OPPORTUNITIES



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UN Women supports UN Member States as they set global standards for achieving gender equality, and works with governments and civil society to design laws, policies, programmes and services needed to implement these standards. It stands behind women's equal participation in all aspects of life, focusing on five priority areas: increasing women's leadership and participation; ending violence against women; engaging women in all aspects of peace and security processes; enhancing women's economic empowerment; and making gender equality central to national development planning and budgeting. UN Women also coordinates and promotes the UN system's work in advancing gender equality.

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Research consultant: Nino Dadalauri

Consultant: Irakli Sakandelidze

Editor: Alexandra George

Design: Nata Kubaneishvili

Photo: Justyna Mielnikiewicz

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RESULTS OF TWO STUDIES CONDUCTED
in Georgia in 2012 and 2013

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1 INTRODUCTION

This study presents the results of the two studies conducted by UN Women in 2012 and 2013 –“Accessibility of Services of Microfinance Institutions for Displaced and Conflict-Affected Women” (2012) and “Barriers and Opportunities of Availability of Services of Microfinance Institutions for the Women Representatives of Ethnic Minorities in Kvemo Kartli” (2013)- implemented in partnership with the Association of Development and Support of Microfinance Institutions of Georgia.

The results of the study include key conclusions with regard to the economic empowerment of women and the sensitivity of microfinance institutions from the gender point of view. At the end of the study, recommendations are provided suggesting new types of services and activities that the microfinance institutions, which participated in this study, could provide in the future. Practical guidelines are also given on how these institutions can implement the seven principles of UN Women’s economic empowerment of women in their activities.

1.1 Economic Situation and General Social Background in Georgia

Following the disintegration of the Soviet Union, the economic transformation of Georgia proceeded under difficult conditions. The privatization of state-owned enterprises was implemented at a very slow pace, and in the nineties international trade and domestic production was catastrophically low.

From 2004 the Government of Georgia actively undertook reforms. A legal base was established and a privatization programme was launched. A new Tax Code was created, which reduced the total number of taxes, decreased the interest rates on taxes and simplified the administration of the taxation system.

The Russo-Georgian war of 2008 also negatively affected the economic situation in the country.

The new Tax Code of 2010 granted privileges to small and micro-businesses. The term “micro-business” was defined according to norms that complied with European standards, and micro-businesses were exempt from all taxes. As for small businesses, these were exempt from paying taxes if the annual income of an enterprise did not exceed 200,000 GEL.

Despite of the simplification of the business environment, the socio-economic situation in Georgia remains dire: it is characterized by high unemployment rate, increasing poverty and social problems that need to be addressed.

The share of Georgia’s population living below poverty line in 2011 reached 9.2%. In addition to having an extremely poor population, from 2007 to 2011 509,300 households were registered as vulnerable households. Moreover, only 26% of such households received assistance.

An increase in the unemployment rate contributed to the serious socio-economic situation in Georgia. According to data from 2011, the unemployment level reached 15.1% up from 13.6% in 2006. The increase in the unemployment rate was caused by three factors, the reorganization undertaken in government institutions, the reduction in investments and a lack of new jobs.

It should be noted that unemployment indicators vary significantly among the rural and urban population. The unemployment rate in cities is 26.5%, a figure that did not exceed 6.55% in villages, according

to data from 2011.¹ The majority of rural residents are self-employed and work in agriculture, although 63% are classified as vulnerable.²

The existence and development of the micro business sector should have contributed to overcoming poverty in the country. The existence and development of microfinance institutions should be considered against the background of Georgia's economic development and the current serious socio-economic situation.

1.2 Microfinance Institutions (MFI) in Georgia

Microfinance institutions (MFI) first emerged as a result of the joint efforts of humanitarian organizations and development-oriented financial institutions in Asia in 1970s. Consequently, the goal of microfinance institutions is not only to receive financial interest, one of their main functions is the resolution of social problems and the economic and social integration of the poor.

The activities of microfinance institutions in Georgia are regulated by the law #3482-RS dated 18 June 2006. The law describes in detail the obligations that govern the regulation of microfinance institutions' activities, the terms for issuing micro-loans and requires confidentiality of the borrower's information. The National Bank of Georgia is the government authority that regulates the work of microfinance institutions. It also registers microfinance institutions as legal entities, either as a joint stock company, or as a company with limited liability. According to the law, microfinance institutions must have a minimum start-up capital of 250, 000 GEL to be registered. Presently, 64 microfinance institutions are registered with the National Bank of Georgia³ and their number is increasing every year.

As a result of the post-conflict needs assessment made after the August 2008 conflict in Georgia, conducted by the World Bank and the United Nations, it

was established that the development of the microfinance sphere was important for Georgia's economic development and the resolution of social problems.⁴

In 2008-2009, the Organization for Security and Co-operation in Europe (OSCE) and the United Nations funded a EUR.4 4 million project, aimed at the economic empowerment of vulnerable social groups. The project was implemented in Georgia in cooperation with the Ministry of Economy and Sustainable Development (hereinafter – the Ministry of Economy). Out of the Eur 4.4 million, 2 million euros were allocated specifically to the microcredit programme. Six microcredit institutions and currently the Bank Constanta were pre-selected to take part in the microfinance programme. The project was evaluated as being successful.⁵

In August 2009 nine microfinance institutions established the Association of Development and Support of Microfinance Institutions of Georgia with the express aim of developing MFIs and protecting their interests. Today 10 microfinance institutions are members of the Association.⁶

According to the National Bank of Georgia's assessment, in recent years the assets of microfinance institutions significantly increased and their share of the market is quite large in Georgia. By the end of 2012 the total assets of microfinance institutions increased by 53% and earnings totalled 678.0 million GEL. In 2012 total capital increased by 33% and earnings totalled 170.6 million GEL, whereas total liabilities totalled 508.3 million GEL, exceeding the 2011 liabilities by 61%.⁷

The conclusions of the "Survey of the Microfinance Market",⁸ which are based on interviews made with 4.000 households throughout Georgia in 2010,

1 The figures are based on data from the National Statistics Office of Georgia of 2012 (<http://geostat.ge>).

2 European Training Foundation, 2012

3 National Bank of Georgia, 2013

4 Joint Needs Assessment, 2010

5 Dean Pallen, "Final Evaluation of the Inclusive Financial Systems in Georgia," Early Recovery Efforts in Georgia programme, funded by the European Union and implemented by the United Nations Development Programme (UNDP), 2010.

6 Alliance Group, Credo, Crystal, Finagro, Finca Georgia, Interexpress, Lazika Capital, MFI Internet Ltd., TAM Credit and Tbilmicro Credit Ltd.

7 Annual Report of the National Bank of Georgia, 2012.

8 ACT Research,(2010). "Survey of the Microfinance Market", Tbilisi, Georgia

clearly show that in Georgia the scope of activities of microfinance institutions is quite broad and the demand for their services is high. The following figures illustrate these points:

- 45.8% of the study's interviewees said they had applied for a business loan.
- About 22.7% said they wanted to obtain a consumer loan.
- Out of the different types of loans available, 93.9% preferred an individual loan.
- The average amount of a business loan, as per the respondents, is 7,053 GEL.
- The average amount of a consumer loan, as per the respondents, is 3,938 GEL.
- The average amount of start-up capital in Georgia is 4,623 GEL.
- The average turnover capital in Georgia is 3,492 GEL.

It should also be pointed out that approximately 39.8% of persons owning a household farm, who were interviewed during the survey, own immovable and movable property, such as a house, land, a commercial space, vehicle or an enterprise. Out of the 4,000 interviewees, 13.4% said that they did not use the above-mentioned types of property and were not involved in economic activities.

1.3 Gender Policy in Georgia

In 1994 Georgia became a party to the United Nations Convention on the Elimination of All Forms of Discrimination against Women (CEDAW). Thus Georgia is now obliged to implement a gender policy nationally and to submit periodical reports on results achieved. To date, including 2013, the government has submitted five reports to the United Nations regarding the implementation of gender-related activities. The economic empowerment of women, protection of their rights and the creation and further elaboration of the institutional and legal basis is ongoing.

Georgia also adopted a National Action Plan for 2012-2015 for implementation of United Nations Security Council resolutions 1325 (2000), 1820 (2008), 1888 (2009), 1889 (2009) and 1960 (2010) on Women, Peace and Security.⁹

The Law on Gender Equality (№ 2844-Is) exists in Georgia since 2010. It guarantees basic rights, freedoms and opportunities granted to women and men by the Constitution of Georgia, as well as the mechanisms and terms for their implementation. The main goal of the law is "to ensure inadmissibility of discrimination in all spheres of public life, the creation of relevant conditions for the realization of equal rights, freedoms and opportunities for women and men and to facilitate the prevention and elimination of discrimination."

In accordance with the law, the Gender Equality Council was established in the Parliament with the mandate of coordinating the implementation of the Gender Policy and Action Plan of Georgia.¹⁰

The Action Plan for Ensuring of Gender Equality for 2011-2013 (№4672-Is) was created with the direct involvement of the Council and with the cooperation of non-governmental organizations, public institutions and international organizations. The relevant paragraphs in the plan deal with significant aspects of social, political and economic life and relate to the realization of the full and equal participation of women and men in various activities. It shows that the political will exists for realizing activities that result in the economic empowerment of women.

Nevertheless, according to the Global Gender Gap Report¹¹ issued by the World Economic Forum the process in Georgia has regressed. According to the index, in 2010 Georgia held 88th place among 134 countries, whereas in 2012 it held 85th place, making Georgia stand at a similar place on the list as countries like Indonesia (index 87), Cyprus (index 86), Tajikistan (index 89) and El-salvador (index 90).

9 <http://www2.ohchr.org/english/bodies/cedaw/docs/AdvanceVersions/GeorgiaAnnexVII.pdf>.

10 <http://sgdatabse.unwomen.org/searchDetail.action?measureId=54983&baseHREF=country&baseHREFId=542>

11 The Global Gender Gap Report covers four spheres: men's and women's economic activities and opportunities, education, health and viability and participation in the political sphere. (http://www3.weforum.org/docs/WEF_GenderGap_Report_2012.pdf)

1.4 Women's Economic Empowerment principles of UN Women

In addition to the social and economic problems, many developing countries also have to confront social inequality, where women's importance as economic capital is disregarded and women do not participate in economic activities. This fact negatively impinges both on the lives of women and their families, as well as on the fabric and welfare of society in general.

International organizations have given priority to placing the economic empowerment of women on the development agenda and to creating the international principles required for the economic empowerment of women. In 2008 UN Women, together with the UN Global Compact,¹² with the involvement of various stakeholders, held consultative meetings for understanding of the reality of the business sector. As a result, seven principles for the economic empowerment of women were developed in 2010, entitled the Principles of Women's Empowerment: Equality Means Business.¹³

These principles help private companies to create the policies and practices required for the economic empowerment of women, a term that implies their active participation in all aspects of economic life. The principles are as follows:

1. Support of gender equality by the management.
2. Equal opportunities, involvement of women in all aspects of socio-economic life and inadmissibility of discrimination.
3. Health, security and freedom from violence.
4. Education and training.
5. Development of enterprise, supply and marketing.
6. Community leadership and involvement.
7. Transparency, creation of indicators and reporting.

International organizations, private companies, many governments and non-governmental organizations have adopted the seven principles outlined above.

12 The United Nations Global Compact was established in 2000 at the initiative of the United Nations. Its mandate is the adoption and implementation of policies and practices created on the basis of social responsibility and sustainable development by companies throughout the world. (<http://www.unglobalcompact.org>)

13 Please see the details on the seven principles of the economic empowerment of women on the website of the United Nations Global Compact at <http://tinyurl.com/9w686uq>.

2 The Purpose and the Methodology of the Study

2.1 Purpose of the Survey

The purpose of the Survey was twofold; firstly, to analyze the practical implementation and the extent of UN Women's gender economic empowerment principles by microfinance institutions; and, secondly, to study the availability of MFI services for displaced and conflict-affected women (in the 2012 Survey) and the women-representatives of ethnic minorities living in Kvemo Kartli (in the 2013 Survey).

To achieve the above goal, two basic questions had to be answered, on the basis of the information obtained:

- What are the specifics of development-oriented microfinance institutions, how gender-sensitive are they and to what extent do they use the seven basic principles of gender economic empowerment in their activities?
- Regarding displaced, conflict-affected women and female representatives of ethnic minorities, what barriers and what opportunities exist in terms of available services among development-oriented microfinance institutions and how can these groups best use these services?

For the Survey's final outcome, recommendations had to be developed for development-oriented MFIs for the following purposes: firstly to support the seven basic principles of women's economic empowerment and to promote gender sensitivity; secondly, to ensure the availability of services of the MFIs that were studied and to improve the use of these services for displaced, conflict-affected women and female representatives of ethnic minorities.

2.2 Methodology of the Survey

Given the aims of the Survey, a qualitative methodology was used in both Surveys. It included a "desk review" that analyzed secondary sources and also obtained information through focus group discussions and in-depth interviews.

As for the geographic area of the Survey, the 2012 Survey covered the following pre-selected geographical areas – Tbilisi, Shida Kartli, Samegrelo and Imereti, while the 2013 Survey was limited to the Kvemo Kartli region only.

The following materials were obtained, studied and analyzed in the course of the desk review:

- Legislation related to the survey's topic.
- Researches conducted by international, local organizations and institutes, as well as their reports.
- Internal regulations of microfinance institutions and the information posted on their websites.
- Information obtained through printed and electronic media.
- Statistical data.

Focus group discussions and in-depth interviews covered pre-selected persons/organizations, and were divided into several categories:

- Displaced and conflict-affected women (in the 2012 Survey) and females from ethnic minorities (in the 2013 Survey), who had not taken microloans.
- Displaced and conflict-affected women (in the 2012 Survey) and females from ethnic minorities (in the 2013 Survey), who were clients of the microfinance institutions, included in the study, and who had taken some type of loan from an MFI.
- MFI representatives; 6 MFIs participated in the 2012 Survey and 3 in the 2013 Survey.

- Experts and representatives of non-governmental organizations, and international and local organizations,¹⁴ working on women's issues.
- Public institutions.¹⁵

During focus group discussions the following themes were discussed; firstly, social and economic problems; secondly, the current and desired activities of the population; thirdly, the participants' level of

awareness concerning the activities of financial institutions, in particular, MFIs, was clarified, and the sources for obtaining information were identified.

Special questionnaires were developed for in-depth interviews with respondents from different categories and for discussions with focus groups. For each interview and discussion, questionnaires were tailored to a specific respondent.

14 Association for Development and Support of Microfinance Institutions of Georgia; Taso Foundation: United Nations Development Programme; Amagdari organization; Ketik Makharashvili, expert; Association of Young Economists of Georgia; Association, Dea; Association of Azeri Women in Georgia; Association of Civil Society Development in Georgia; Civil Education and Integration Centre; Georgian Language Teaching Centre; IIP Bolnisi Language Centre; European Centre of Ethnic Minorities in the Caucasus; Women's International Business Association; and the directors of two Azeri schools.

15 The Ministry of Internally-Displaced Persons from the Occupied Territories, Accommodation and Refugees of Georgia; the Ministry of Economy and Sustainable Development of Georgia, Office of the State Minister for Reintegration and the Ombudsman's Office.

3 Results of the Survey

3.1 Development-oriented Microfinance Institutions and their Services

Six microfinance institutions were selected for participation in the Survey: Alliance Group, Credo, Crystal, Finagro, Finca Georgia and Lazika Capital¹⁶. It should be noted that all of the 6 MFIs participated in the study conducted in 2012, while only 3 MFIs participated in the study of 2013 due to the geographic specificity of the study. The institutions are development-oriented entities with most having their origins in the non-governmental sector during the mid-nineties.

The institutions have been registered in accordance with the Law on Microfinance Institutions, and they have a license from the National Bank of Georgia permitting them to administer all financial operations, not forbidden by the law, within the scope of their activities. Their activities cover almost all the regions where Georgian laws apply.

Loans comprise MFI's main product although MFIs also provide consultations, mainly in business plan development. All the six MFIs included in the study issue business, agricultural and consumer loans both in national and foreign currency (USD). Individual and group loans are available. The volume, interest rate, concession period and loan period is determined by the institutions and varies according to the loan type.

The loan period varies from 3 to 5 years. For loans intended for seasonal activities, MFIs provide a 3-6 months concession period. As for the loan amount, it ranges from a minimum of 200 GEL to a maximum of 50,000 GEL. The annual interest rate on loans varies from 17% to 38%.¹⁷ There are fixed and declining interest rates. In the case of payment of a fixed interest rate, the basic amount does not decrease. In

the case of payment of a declining interest rate, the paid amount is deducted from the basic amount and interest rate at the same time and the further interest rate is calculated from the remaining amount.

The institutions issue loans to legal entities and individuals. To be eligible for a loan, a person must be at least 18 years old, a citizen of Georgia and meet the loan requirements. When issuing a loan, the institutions require security: collateral, a bank guarantee or a surety commitment. Mainly immovable and movable property is required as collateral. A salary, an amount received as a result of economic activities, a transfer from a family member living abroad and a government cash allowance are regarded as income.

A group loan is based on the principle of joint liability and, consequently, each group member is responsible for the loan taken by other group members. Collateral is not required in the case of such loans.

Obtaining a loan from MFIs is a four-step process and the process is almost identical for all MFIs. The loan amount is received in 3-4 business days from the date of submission of the application. The application can be submitted both through an MFI office and through "village consuls".¹⁸

One should point out that none of the 6 MFIs have a special product for women, nor a separate product for displaced and conflict-affected women or female representatives of ethnic minorities.

According to 2012-2013 data, the percentage share of women among the total number of clients from microfinance institutions varies from 16.3% (Finagro) to 48.7% (Crystal), but the figure does not exceed 50% in any of the MFIs.

16 A brief description of organizations is given in the annex.

17 It is noteworthy that the indicated percentage is nominal and not effective.

18 A local person, who is informed about the products of the microfinance institution and provides information to interested persons on site and helps them prepare the loan application.

Moreover, women account for only a small percentage of problem loans. Thus during interviews the institutions cited women as having a good credit record and referred to the fact that their loans were smaller, have a practical purpose and are less risky. As for the loans, taken by women according to sectors, the survey data showed a completely different picture. According to the 2012 survey conducted among displaced and conflict-affected women, the majority of women work in trade and services, with fewer of them taking loans for agriculture and production. In contrast, according to the 2013 survey, the majority of females from ethnic minorities take out agricultural loans.

The different types of loans used by the two groups of women can be explained by the different geographic scope of the two surveys and by the different needs and status of the target groups interviewed. In 2012 the survey was conducted among a displaced and conflict-affected population living in cities and in rural areas – in Tbilisi, Shida Kartli, Samegrelo and Imereti, whereas the 2013 survey only covered females from ethnic minorities living in the Kvemo Kartli region (although the survey was also conducted in towns of Kvemo Kartli).

The majority of MFIs promote their products and attract potential clients through direct marketing. Field information tours are used in villages and towns where brochures are distributed and posters are stuck to village council buildings. Social programmes and prizes for concerts are financed. Three MFIs also use the “village consul” institution.

At the same time, very few women interviewees mentioned direct marketing (advertising and promotion through MFI representatives) as their source of information for loan products and the reason why they chose a specific organization. Rather the majority of the women interviewees cited a person (neighbour, friend, or sometimes a relative) as the source of a loan product information.

Almost all respondents stated that requesting and taking out loan was a simple and rapid process, involving minimum obligations, consequently, no one raised any objections to the process.

3.2 Microfinance institutions and UN Women’s Economic Empowerment principles of Women

Out of the six MFIs interviewed, each institution and their management supported the principle of equality in recruitment, promotion, setting salary levels or in distributing monetary incentives. They also supported the principle of equality by ensuring an increase in the level of skills of their personnel based on their internal resources and creating proper working conditions. The representatives of all institutions, without exception, defined the principle of equality as the common denominator of their activities. In practice, this means that privileges and benefits are not awarded to employees based on gender, but according to their qualifications and the successful outcome of their activities.

The following section provides information corresponding to each principle of women’s economic empowerment for MFIs:

Principle 1: Realization of gender equality by management

The establishment of gender balance among clients has not been officially declared (e.g. in statutes, company strategies, action plans or annual reports). Instead of an artificial establishment of gender balance, the MFIs prefer the gender parity of their clients to reflect demographics and the percentage share of women in Georgia. As for the principle of equality, the majority of MFIs mention this principle in their HR management document.

Principle 2: Equal Opportunities, Involvement of Women and Inadmissibility of Discrimination

As already mentioned, all six MFIs observe the principle of equality which is expressed in salaries and benefits being based not on gender, but on a staff’s qualifications and the quality of performance. At the same time, women and men enjoy equal salaries for performing the same work. Promotion and benefits are granted to personnel on the basis of procedures established by internal regulations, based on periodic (often biannual) assessments of their activities. The institutions do not have any incentives or quotas for appointing a woman to a senior position.

In the majority of cases the microfinance institutions do not offer flexible work schedules and conditions, because of the type of work involved. To illustrate the case in point, if there is a meeting in the office, a client visit is needed, or bank issues need resolving – an employee needs to be at the workplace and he/she will not be able to work from home. However, MFIs pointed out that in individual cases exceptions can be made, based on the director's decision. As for the duration of the work or maternity leave for female workers, the Labour Code of Georgia regulates such issues.

According to the principle of women's economic empowerment, at least 30% of decision-makers and managers should be female. Only three of the MFIs studied meet this criterion: Alliance Group – 37.5%, Crystal – 44% and Lazika Capital – 32.5%. In other institutions the share of women in leading positions varies between 10% to 28%. Moreover, there is no internal mechanism that would enable MFIs to analyze a company's progress in gender advancement.

Principle 3: Health, Security and Freedom from Violence

All the six MFIs studied guarantee health insurance for all employees regardless of gender.

Established office hours are the same for women and men. Women and men have the same number of annual leave days which also are in line with the annual leave provided by Georgian Labour Code. In the case of field visits to clients, the gender of credit officers does not determine which employees receive such assignments.

Principle 4: Education and Training

All the six MFIs facilitate and, in some cases even consider it obligatory, for both staff at headquarters and in regional offices to attend trainings for enhancing skills. Every employee undergoes training to raise his/her professional profile and the quality of services.

In accordance with the principle of equality, funding for training workshops is available equally for both female and male staff.

Principle 5: Company Development, Supply and Marketing

None of the MFIs have services specially designed for women or offered to this group separately, although all women and men have the right (not limited by procedures or tied to credit terms) to request and receive funding from the MFIs that were studied for the Survey. However, certain types and amounts of credits are not issued without collateral, which, given the actual state of affairs in Georgia, may hamper women from taking such loans as frequently they do not own immovable property.

As for the percentage share of women among MFI clients, the figure is less than half the total number of clients, although it should be taken into consideration that clients also include legal entities.

Principle 6: Community Leadership and Involvement

All six MFIs studied in the survey participated in the project, entitled "Building Inclusive Financial Sectors for Development in Georgia" implemented by the United Nations Development Programme (UNDP) and the European Union (EU). One of the goals of the project was the economic strengthening of vulnerable groups and overcoming poverty. According to a 2010 assessment, 56% of loans issued by partner MFIs were given to women.¹⁹ Notwithstanding the successful attempt to allocate the majority of credits to women, MFIs did not continue this trend after the project was completed.

Principle 7: Transparency, Creation of Indicators and Reporting

The companies interviewed have not officially stated in their goals or future plans that they want to establish, or observe, gender equality in their organization. Consequently, no indicator to measure gender-related changes is used in the MFIs. Moreover, when mentioning the total increase in their staff, no gender-disaggregated information is provided.

The above information leads to the conclusion that most of the MFIs studied have only partially implemented the seven principles of female economic

19 Pallen, op.cit. 'Final Evaluation of the Inclusive Financial Systems in Georgia', Early Recovery Efforts in Georgia, funded by the European Union and implemented by the United Nations Development Programme (UNDP).

empowerment in their institutions. This is the case regarding HR management in regard to equality and education and health. In point of fact, however, much remains to be done for progress to be made in implementing gender economic empowerment principles in MFI institutions.

3.3 Accessibility of MFI Products for Women

The survey revealed that the products and services of the MFIs studied are available for displaced women, conflict-affected women and female representatives of ethnic minorities living in Kvemo Kartli to the same extent as for any other social groups, if they meet the conditions for existing products.

As for women's accessibility to microfinance institutions from a geographic standpoint, the survey results showed that all six MFIs cover quite a large geographic area through their manifold offices and branch-offices. As these offices expand, this provides more vulnerable groups greater physical proximity and accessibility to MFIs.

As for the procedures for obtaining a loan, in the case of all the six MFIs the process is quite simple and rapid. It lasts a maximum of one week but often takes only 3-4 days, starting with submission of the application and ending with the loan approval.

Starting private activities also became easier against the background of the simplification of the business environment in Georgia. The simplification of the Tax Code in 2004 and 2011 were contributory factors. According to the 2011 Tax Code, a micro business is exempted from taxes. In practice, this means that displaced women, conflict-affected women and female representatives from ethnic minorities living in Kvemo Kartli can start and manage their own businesses thanks to advantageous tax conditions.

For loan products offered by MFIs collateral is required as security. The fact that immovable property is required for collateral is often problematic for women in Georgia. As a rule, the owners of residences or household farms are men. In Georgia women are more often co-owners of property (for example, as shareholders of parents' property or in case of divorce) than owners. This may hamper women from obtaining a loan that requires immovable property as a guarantee.

During discussions with focus groups that did not have loans it was found a lack of information existed about financial institutions. Respondents often found it difficult to name a microfinance institution, or often named banks instead of MFIs. In many cases, the majority of people who were not eligible to take out a bank loan due to low salaries or absence of collateral, had not heard about MFIs at all. Those who had heard about some MFIs, thought MFIs were identical organizations or related to banks and could not point to any differentiating factors. This in turn means public awareness of economically passive population on MFIs is quite low. Moreover, given stiff competition among MFIs, the enlargement of the market for MFIs and the diversification of products means MFIs will need to be able to promote their products, for example, by creating a strong institutional brand if they want to stand out in this new market sector.

As for economically-inactive women one should point out that it will be very difficult for them to obtain a micro-business loan as presently MFIs generally refuse to fund start-up businesses. The condition set for a loan takes into account the applicant's economic activity over the last 3-6 months.

At the same time, one trend became clear: only a very small share of respondents were ready to take a loan to start a business. The rest said they were afraid that they would not be able to repay the credit thereby creating serious problems for their family should their businesses be unsuccessful.

In the case of an economic need to take out a loan, most of the women interviewees prefer to take a loan from a financial institution (bank or microfinance institution), and not from private persons.

Displaced and conflict-affected women had their own line of reasoning. Since microfinance institutions were a legal entity, their relations with clients were regulated by the law. This meant the borrower was protected from risks associated with borrowing money from a private person (e.g. daily interest rate, unexpected change in the loan's conditions, a demand to return all the money or a repayment involving only paying the interest).

Females from ethnic minorities think that the interest rates on credit borrowed from private persons is higher than in a bank or microfinance institution.

Meanwhile, data show the different approaches taken, and different problems existing, among target groups of displaced women, conflict-affected women and female representatives from ethnic minorities living in Kvemo Kartli.

3.3.1 Particularities of the Representatives of Displaced and Conflict-Affected Populations

The Surveys show that the socio-economic situation and the level of employment of displaced persons is not much lower than of the rest of the population.

Almost two-thirds of the MFIs studied do not even mention the status “displaced” in their clients’ profile. This fact is explained as follows: the status of displaced does not involve privileges or benefits therefore it needs not be mentioned. During the survey some institutions were found to introduce their products to compact settlements of displaced persons at least partially and to include the status of displaced in their database. But the majority of MFIs do not organize information campaigns targeted at displaced persons. No MFI had separate products intended for displaced and conflict-affected persons, or for women from these groups.

A monthly cash allowance for displacement or social assistance received by displaced or conflict-affected persons is considered as an income by MFIs, just like other cash income of the family. Consequently, being a member of these groups is not a disqualifying factor for obtaining loans from MFIs. Moreover, allowances have the same equivalence as other income sources.

No specific limit for loan terms or for issuing loans exists for displaced women or conflict-affected women. However, MFIs, like other financial institutions, are profit-oriented institutions, trying to reduce risks and to ensure maximum recovery of the issued loans. Credit officers assess risks individually prior to issuing a loan by studying the economic situation of potential clients. Consequently, while one can assume that no specific limits exist for displaced or conflict-affected women, they might however, face some barriers in obtaining loans.

Factors that displaced and conflict-affected persons may face in obtaining MFI financial resources are listed below:

- Often conflict-affected and displaced persons do not own property, or often their assets, which could be used as collateral for the loan, are inconsiderable. The unfinished resettlement programme to settle Internally-Displaced Persons compactly adds to their predicament. It can increase risks when taking loans. For the reasons already stated such persons might be regarded as clients of greater financial risk for MFIs.
- Due to the resettlement of displaced persons and conflict-affected persons, they often lose contacts with the social circles they had before displacement or resettlement. Lack of social networks might make it difficult to find a guarantor for a loan and thus hinder access to loans.
- For Internally-Displaced Persons with the status of displaced person, or registered in the database of vulnerable persons, their social allowance is not stable as they may lose this income as stipulated in the law. Consequently, persons with such an income might be considered a high-risk client by MFIs.

3.3.2 Particularities of Representatives of Ethnic Minorities Living in Kvemo Kartli

The majority of ethnic minorities work in agriculture or trade which means they comprise one group receiving agricultural and business loans issued by MFIs.

The lack of information on existing MFI products and services and their future was revealed.

Since MFIs are increasing the availability of their products in villages through “village consults,” villagers do not have to travel to an MFI office in a city to submit an application, which saves them transport expenses and they can easily familiarize themselves with the loan terms.

The language barrier is one problem that worries national minorities in Georgia, including those residing in Kvemo Kartli. This is mostly due to the lack of contact of compactly settled ethnic minorities with the outside world.

Some MFIs distribute their information and promotional materials in Kvemo Kartli in Russian, Armenian

and Azeri which are easily understandable for ethnic minorities or constitutes their native language. Such an approach reduces the language barrier and makes products and services available to one group of potential clients.

The problem of early marriage of under-age girls also emerged, especially in Azeri settlements. This phenomenon causes exclusion of girls from the education process, with many not even receiving a secondary education. Moreover, social norms prevailing among such groups limit girls' participation in social life and force them to stay at home. Despite such norms, the men do not prevent women from taking part in economic activities as women thereby contribute some income to the family.

Thus women often obtain information or exchange information in their own or their relative's homes, while men, especially in cities, often meet at tea-houses and get their news there. Women's participation and involvement in local community issues is quite limited, men go out whilst women stay home where they are busy with domestic work or agriculture. Given these circumstances women have limited access to external information sources.

4 Recommendations

The following recommendations were elaborated based on the information obtained from the surveys:

4.1 Recommendations to microfinance institutions for improving the policies and practices of UN WOMEN'S economic empowerment principles of women

In compliance with the seven principles of economic empowerment of women MFIs should consider taking the following steps:

- The management's statement asserting that gender equality has a significant place in the company's activities and that the management has set specific goals that are being achieved should be included in annual reports.
- Management representatives should regularly coordinate and oversee the implementation of a gender equality policy and include their provisions in company plans and programmes. An internal incentive system should be established. The management should declare its support and actively encourage female workers to develop their managerial skills.
- Women in senior positions should help other female employees in their career planning and advancement.
- A working culture encouraging and supporting female workers in their career advancement should be established in MFIs.
- Training workshops and development of managerial skills should be planned and conducted for both women and men.
- A working environment should be created and technical support ensured to allow employees, especially women, to work from home, should they need to.
- Indicators should be created for each MFI to help the company in recording and monitoring progress in achieving the stated gender equality plans and goals. Indicators will also make it possible to record, through measuring progress, the results of the energy and resources spent.

4.2 Recommendations for improving the Accessibility to services of microfinance institutions

- MFIs need to differentiate between economically-active and inactive persons and take into account the fact that in order to encourage business activity of economically-inactive persons MFIs need to fund start-up businesses.
- In an environment of high unemployment and lack of financial resources, the services of microfinance institutions can help persons without an income to find a source of income in lieu of a regular salary. In that regard, MFIs can offer an alternative to economically-inactive persons who are used to receiving a regular salary.
- In addition to issuing loans and providing consulting services in business plan development, MFIs can consider providing new and other types of services. In the framework of a new service, an in-depth study of economic trends in specific regions of Georgia needs to be conducted, with economic opportunities identified in each geographic area. The emphasis should focus on starting up a new type of activity. Such a study could serve as a guide for the economic aspirations of potential MFI clients. It will not only provide a real picture for starting a business, but will reduce the fear of taking out an MFI loan. On the other hand, on the basis of such research, a business started with an MFI loan will have less risk of becoming a non-performing loan.
- MFIs should establish a partnership with private and government institutions for vocational training and retraining. Some economically-inactive women are ready to borrow credit and start a small business if they receive training in a respective sphere beforehand. Some women would be interested if MFIs offered them training/ retraining with their partner institutions. This could either form a part of their product, or be a separate service offered at a discount price.
- While tailoring MFI products for women, more information on issues such as women's inheritance rights pertaining to division of property and their property rights in case of divorce, as well as other issues specific to women should be provided.

- People often cannot start economic activities or cease activities they have started, for example due to health problems of the family members leading to the family's resources being used to cover treatment costs. This fact represents a risk for MFIs. Thus when a member of a vulnerable group starts a business he/she and their family need to be provided with health insurance through private insurance companies. The health insurance can either be a separate product, or be an additional service offered by MFI to its clients. Such a service would distinguish them from other MFIs and the product would help the MFI to maintain its clients' solvency thereby reducing risk.

4.2.1 Recommendations for Improving the Accessibility to Services and Products of Microfinance Institutions for Displaced and Conflict-Affected Women:

- MFIs should take into account the problems that exist among displaced and conflict-affected women, which may prevent the latter from obtaining financial resources. These include unemployment, poverty, housing-related problems, lack of ownership rights on their houses etc.
- When MFIs record a family's income, they need to take into account the fact that an Internally-Displaced Persons' current allowance and poverty allowance are not a source of permanent income. Losing the social status causes loss of allowance (the reasons to the status loss are defined by respective legislative acts). Moreover, an allowance for displaced under-age children is given to a displaced parent. In the case of a mixed family, where only one person in a marriage has the status of "displaced," he/she has the legal right to receive the allowance for under-age persons in the family. If the family member with the status of Internally-Displaced Person, who is receiving a government allowance for displaced persons, leaves the family, the family often loses the allowance, until the child's allowance is transferred to the non-Internally-Displaced Person parent through a legal proceeding. However, legal proceedings involve expenses and also a measure of risk for such families due to shortcomings in the law.
- Taking into consideration the background of problems typical for Internally-Displaced Persons and conflict-affected women, and since a group loan is often more suitable for them as no collateral is required for such types of loan, MFIs can target this product to potential clients among Internally-Displaced Persons and conflict-affected women.

4.2.2 Recommendations for Improving the Availability of Services and Products of Microfinance Institutions for Females Representatives of Ethnic Minorities:

- From the viewpoint of providing information through TV channels, it should be taken into consideration that only a very small share of ethnic minorities watch Georgian channels. They often prefer to watch Russian, Turkish, Azeri or other non-Georgian channels. In Kvemo Kartli newspapers are published in languages spoken/understandable to ethnic minorities (Russian, Azeri and Armenian), although the majority do not buy or read them. When working in municipalities with ethnic minorities, MFIs need to present their services and products in different ways:

Information should be communicated with the help of local women's organizations and active women in a village.

In addition to using indirect marketing, information should be shared at places where women gather: at schools, grocery stores, shops; in villages-near springs since generally women fetch water.

Cooperation with such women and their non-governmental organizations is a potential business opportunity for MFIs. Such cooperation provides opportunities to disseminate information on MFIs more effectively and to contact potential clients.

- For dissemination of information among women representatives of ethnic minorities (especially those living in villages) an optimal time is a period of seasonal works and daytime hours, when women are at home.

Annex – Brief Description of Microfinance Institutions Participating in the Survey

Lazika Capital	Lazika Capita was registered as a joint stock company in 2007, but started operating as a credit project supported by the non-governmental organizations Oxfam and Novib back in 2000. In 2003 the project separated from Oxfam and registered itself as a small business development fund. (http://www.mixmarket.org/mfi/lazika-capital)
Crystal	Initially in 1995, Crystal was established as a non-governmental organization “Abkhazia” by local persons with their own financial resources. Crystal only received international financial support in 1998 to improve its micro-loan programme. In 2004-2007 the institution operated as a microfinance fund. Since August 2007 Crystal is a microfinance institution registered as a joint stock company. (www.crystal.ge)
Credo	In 1997 the American Microfinance Corporation World Vision, (WV) established a fund in Georgia, the Georgia’s Entrepreneurs Fund (GEF), which provided financial resources for micro- and small businesses for vulnerable persons in Georgia. In 2005 WV/GEF was registered in Georgia as a local legal entity under the name Vision Fund CREDO Foundation. The owner was the World Vision Foundation International. In 2007, on the basis of the new legislation, the institution was registered as a new company called Microfinance Institution Credo Ltd. (www.credo.ge)
Finagro	Finagro is a joint stock company founded in 2007 and fully owned by the Georgian Agricultural Development Fund. The head office is located in Gori. (http://www.finagro.ge)
Alliance Group	The Alliance Group Ltd. was established in November 2005 and is fully owned by the Alliance Group Holding. (http://www.mixmarket.org/mfi/alliance-group)
Finca Georgia²⁰	Finca Georgia was established in 1997 as a branch-office of the Foundation for International Community Assistance (FINCA International Inc.), with support from the U.S. Department of Agriculture and U.S. Agency for International Development (USAID). Since 2011 the JSC Microfinance Institution, Finca Georgia, became part of Finca Microfinance Holding. (http://www.FINCA.ge)

20 In August 2013 Finca Georgia was granted a license for banking activities



UN Women Georgia Country Office
#3 Kavsadze street,
office suite #11, 0179
Tbilisi, Georgia
Tel: (995 32) 222 06 04;
(995 32) 222 08 70

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