



Financial inclusion of women micro-entrepreneurs: Bridging the gender gap

Micro-, small- and medium-sized enterprises (MSMEs) make up over 90% of all firms and count on average for 70% of employment globally. CARE's global efforts highlight that financial inclusion of women-led MSMEs is one of the best ways to promote inclusive sustainable growth, to enhance food security, and overcome the cycle of poverty for women in developing countries. This factsheet highlights how financial institutions and policy makers can fulfill their key role in recognizing women's economic contributions through developing innovative and bespoke financial products and services.

About 37% of all MSMEs in developing countries are led by women. The COVID-19 pandemic has exacerbated poverty among women, has increased the burden of unpaid care work and poses unprecedented challenges to the operations of the hardest-hit sectors where a significant proportion of women-led businesses operate, such as the food, tourism, agrobusiness and hospitality industries. Despite the disruptive impact of the pandemic, women-led MSMEs still plan to maintain or expand their businesses. In the Sahel region, about 90% of MSMEs expressed the need for financial support during the recovery.¹ Yet about 80% of women-owned businesses with credit needs are being either unserved or underserved.²

In many developing countries women running micro- and small enterprises still encounter significant barriers, including lack of control over assets and resources, low financial and digital literacy, and limited mobility. This is particularly the case for women in poor communities and women working in the informal sector. Women-led MSMEs are likely to be smaller, homebased and operate within the informal sector. Consequently, they experience more barriers in accessing finance and are excluded from social protection schemes. There are few financial institutions that provide this group of women with products or support services designed to equitably include women entrepreneurs from low-income communities.

¹ COVID-19 AND WOMEN-LED MSMEs IN SUB-SAHARAN AFRICA: Examining the Impact, Responses, and Solutions

² <https://www.careneland.org/careexpertise/publication/access-to-finance-and-capital/>

Transformative Solutions

CARE has worked together with a range of financial service providers to explore models and develop financial products and services designed for women entrepreneurs as well as savings groups. The approaches that financial service providers adopted were based on the needs of women from local communities and fragile contexts. Developing successful interventions to respond to the needs of women led MSMEs requires a multifaceted approach. CARE has identified essential factors for designing financial products that align with women's needs and priorities:

- Put women at the center of product development by including women's voices and roles in designing, implementing, and evaluating policies.
- Create an enabling regulatory environment where financial regulators and central banks commit to playing a key role in designing innovative financial services and products.
- Offer gender-sensitization training to financial service providers' staff and equip them with necessary skills to understand the needs of marginalized groups.
- Improve the business climate and reduce red tape bureaucracy by enhancing women's access to digital technology. Internet connectivity and digital technology are now considered common goods.
- Transform gender norms through approaches such as household dialogues, as a complement to financial literacy and business training to achieve more sustainable results.³
- Develop training programs that combine hard and soft skills training. Including the development of an entrepreneurial mindset is a significant boost to women-led businesses.^{4 5}
- Commit to gathering and reporting sex- and age-disaggregated data on the profiles and financial decisions of women-led MSMEs to better serve their financial needs and interests.

Further reading

- [Women Mean Business](#) highlights CARE's expertise in working with women entrepreneurs from low-income communities.
- [Building Forward](#) proposes a holistic approach to economic, climate and humanitarian recovery from the impact of COVID-19.

CARE

CARE works to overcome poverty by achieving social justice. Through CARE's Women in Enterprise programme, funded by the H&M Foundation, almost 270.000 women have been supported since 2014. CARE works with governments, the private sector and financial service providers to create enabling conditions for women from low-income groups to overcome poverty.

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³ What works to increase financial inclusion and women's financial autonomy? Intentional designs showing promise.

⁴ Teaching personal initiative beats traditional training in boosting small business in West Africa. September 2017; Science 357(6357):1287-1290.

⁵ Women Mean Business Global Report. A Global Report on Women's Entrepreneurship. CARE Netherlands.