



MICROFINANCE CENTRE

Research of Gender Issues in Microfinance in Bosnia and Herzegovina

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Summary

Institutional mechanisms to address gender issues in Bosnia and Herzegovina are in place on the state, entity, cantonal, and municipal levels thanks to the active approach taken by women's groups after the war that brought the issue to the attention of the government. Demands for gender equity placed before the country to satisfy membership requirements for the Council of Europe also helped in that regard. Bosnia and Herzegovina has had Gender Equity legislation since 2003. The law places emphasis on the public institutions to raise awareness and increase perception of gender imbalances, but does not provide enforcement mechanisms to promote gender awareness and empowerment of women. Plans to implement different aspects of the law are to be developed by various public bodies, while Gender Commission is charged with controlling the process, which is not yet happening. The most effective mechanism for the law enforcement will be the awareness of women in particular what their rights are and what they can legally request be observed. Only then will economic position of women, labor force participation, political participation, and consequently their ability to gain access to decision making bodies truly change.

Bosnian MFIs that participated in this research project do not differentiate between financial needs of men and women clients. Loan product features are flexible and individually adjusted to client's repayment capacity. Typically for credit-only institutions, MFIs do not offer any other types of products, financial or non-financial, or any specific women empowerment efforts are woven into the work of MFIs.

Microfinance industry in Bosnia and Herzegovina operates in a highly competitive environment. MFIs strive to design products that will keep the existing and attract new customers. In addition to business loans, they now offer consumer loans of various sorts (for household goods, for weddings, car registrations, educational loans, etc.) and housing loans. Availability of loans through MFIs makes it easier for clients, men and women alike, to get funding they need for various purposes. Client testimonies suggest that money is available, but not always in line with the business cycle needs. The key to business funding flows became availability of higher loan amounts that can be repaid over a longer period of time in smaller, manageable installments. On top of it, guarantees required to secure the loans from multiple MFIs are slowly becoming a more significant obstacle to access to loans.

Women entrepreneurs state that business engagement provided them with the increased sense of self-worth, pride and independence, in many cases it provided financial independence, and brought them recognition within their families and local communities. A woman having her own business also lacks time for herself, her children and the family in general, which is not widely recognized. No time for vacation, less attention paid to health and accumulating stress are downsides of running a business. Although some men interviewed recognize that women are working on at least two parallel jobs in case they run their own business, for many others this is self-understood and accepted under the banner of the role of women.

Introduction

The goal of the study conducted in Bosnia and Herzegovina was to deepen the understanding of gender issues across the microfinance sector, both on the MFI level and among microfinance clients. The results of the study will contribute to the design of the strategy for future projects on gender mainstreaming and women empowerment in the region of Eastern Europe and Central Asia.

The reason behind choosing Bosnia and Herzegovina was the fact that microfinance sector is most developed there, compared to other countries in Eastern Europe and Central Asia and follows international “best practice”. The other ECA countries fall in the footsteps of Bosnian MFIs and follow a similar development path with a delay of 3-5 years. It is assumed that the maturity of operations of Bosnian MFIs will present a good example of what is currently feasible in ECA.

Research structure

Three phases of the research were designed to assess the situation from different angles, starting from the insight into the issues on the state level and the government agenda, down to the institutions and their clients:

- General overview of gender issues in Bosnia and Herzegovina
- Focus on microfinance institutions
- Focus on microfinance clients

Research Findings

1. General overview of gender issues in Bosnia and Herzegovina

Bosnia and Herzegovina today has the population of approximately 3.8 million, roughly half of whom are women. Post war period has been marked by political and economic transition that is changing the traditional place of women in the Bosnian society in general. Compared to the pre-war period female-headed households have grown in number. *“Conflict led to a rise in the number of households headed by women, which currently represent a quarter of the total.”*¹ Such households are more vulnerable and more likely to be poor or become poor than an average family in Bosnia-Herzegovina where poverty is widespread. According to the UN statistics, 19.5% of the population in Bosnia Herzegovina lives below the national poverty line.² Economically, women are not in an enviable situation. Nowadays formal employment is less available to all, but when women are employed, they receive lower salary for the same job as compared to men. From the political standpoint, there is still the quota system through which political participation of women is secured. The participation mostly doesn't translate into an increased number of elected female officials. Currently, there are only 6 female parliamentary representatives (among 42 representatives) in the Bosnia and Herzegovina's Parliament.³ In the long run this is not going to produce any significant results, unless the economic position of women and their status change as well.

- ***Current government agenda for the gender equality in two entities***

Significance and recognition of the societal changes is evidenced by a number of initiatives of the international community in Bosnia and Herzegovina that are focused on addressing gender issues, as well as the initiatives of Bosnia and Herzegovina entities' and state-level governments. The country adopted Beijing Declaration and the Convention on Elimination of all forms of Discrimination against Women, and enacted the Equality Law. Under the Gender Equality Agency, Federation of Bosnia and Herzegovina established the Gender Center to promote equity and equality, and to implement principles contained in the international treaties and documents. A corresponding institution exists in Republika Srpska. These entities have been established as expert bodies to promote legal rights of women, equal rights of men and women, and to help by providing policy inputs for the development of relevant legislations. The centers also have a task of providing a linkage between governmental and non-government sector in gender related projects, are in charge of awareness raising, media analysis, education and promotion of gender strategy. This orientation is further supported by Bosnia-Herzegovina's joining the Stabilization and Accession Agreement talks, as EU requires legal and administrative reforms to support a country's access to the EU. An integral part of the EU Acquis Communautaire is the prohibition of gender-based discrimination. To that end Bosnia-Herzegovina developed a Gender Action Plan. With support from various international donors a project is now underway aiming at supporting government institutions and civil society organizations in its implementation. In addition to this, Bosnia and Herzegovina adopted a medium-term development strategy (2004 – 2007) that is focused on improving the situation of rural women through access to education, employment, loans, and representation in rural institutions.⁴

Despite these efforts, the effects of the policies adopted and recognition of the gender agenda in Bosnia and Herzegovina yet have to filter down to the level of ordinary people. The awareness of the women issues among general population will only then produce pressure to enact these policies and make government, business sector, and general public abide by the desired standards in tackling the position of women in the society. Presently, the existence of legislation that is not enforced is not resulting in the desired change promoted by the very high legal standard in place.

¹ <http://www.ifad.org/english/gender/cen/profiles/bih.htm>

² <http://millenniumindicators.un.org/unsd/mdg/Data.aspx?cr=70>

³ Ibid.

⁴ <http://www.ifad.org/english/gender/cen/profiles/bih.htm>

- ***Active women organizations***

Non-governmental sector in Bosnia and Herzegovina was virtually non-existent before the war. Women organizations emerged as a response to war-related realities to distribute humanitarian assistance and to address various needs of multiple vulnerable groups. In the aftermath of war many of such organizations further developed. Some continued operating to address a specific need (economic revitalization, micro-credit, legal assistance, psychosocial support, mental health), some remained operating as a spin-off of international NGOs with an already established agenda, but several were formed with the goal of improving the position of women in the society. As Walsh notes in her paper⁵ on Bosnian women NGOs, to this group primarily belong Women to Women (Zene zenama) and United Women (Udruzene zene). The work of this group ranges from income-generating activities to advocacy and lobbying for greater participation of women in political life of the country. According to Walsh, women NGOs in Bosnia-Herzegovina are mostly focused on democracy and human rights. Some women NGOs address the issue of domestic violence through the provision of support to the victims of violence. Women for Women International (Zene za Zene), an NGO affiliated to the international network, reaches women in 55 communities through job skills training, rights awareness training, has launched women's human rights and leadership training programs.

International community that is supporting the development of the Bosnia and Herzegovina NGO sector has put the gender issue on the agenda in both entities. Awareness of gender equality is slowly moving away from solely women's rights to encompass the rights of men too, which is the main idea behind gender mainstreaming. NGOs and governmental organizations are now cooperating on these issues, which was evident in the participation of NGOs in the process of changing the Law on Gender Equity. This should not suggest that the implementation of gender agenda in Bosnia and Herzegovina is not hindered by any obstacles. Bosnia and Herzegovina is still a rather strong patriarchal society, while war events resurfaced the idea of nation-based identity that views a woman primarily through the role of a "mother of the nation". Such ideas can be considered the main threat to the existing women-oriented and feminist actions.

- ***Female entrepreneurship***

Unemployment levels in Bosnia and Herzegovina are very high. Gender Audit report (2006) specifies that 42.9% of the population is unemployed, and the sub-groups of unemployed disproportionately affected are those younger than 24 and older than 45. Among them, women are in the majority. While they make up 60% of the working population, only 33% of them are employed. This finding is specifically supported by the fact that many traditional female industries (textile industry for example) ceased to exist in the transition period.

Post-war realities made it necessary for women to initiate economic activities to secure the well-being of their families in case they became sole breadwinners, or to complement unstable or insufficient family income. Many women who were employees in state-owned companies in the period before the war either turned their hobbies into small businesses or utilized their skills to begin an economic activity. The activities they are engaged in are very diverse, ranging from most simple animal husbandry and agriculture to activities that require specific knowledge and skills. Although poverty is more wide-spread in urban than in rural areas, employment possibilities and economic opportunities are still less available to rural women.

- ***Access to financial services for women***

The development of female entrepreneurship in Bosnia and Herzegovina was further supported by the availability of micro-loans to invest in their small business activities. World Bank initiated the development of the microfinance sector through two linked activities. One was the creation of the favorable legal environment

⁵ Walsh, M., *Aftermath: The Role of Women's Organizations in Postconflict Bosnia and Herzegovina*, Center for Development Information and Evaluation, Working Paper No. 308, July 2000

for the development of the microfinance sector, and the other was the provision of funding to NGOs to start micro lending. This engagement of technical assistance and capital resulted in the development of the microfinance sector unparalleled to other countries of the region. Some microfinance organizations work with women only. Overall, women are considered more responsible as clients and wiser in the business and loan decision-making, which translates into better security for MFIs. By targeting women MFIs can claim that they are encompassing a number of other issues indirectly – poverty reduction, household well-being improvements and women empowerment⁶.

In Bosnia-Herzegovina the interviews with the MFIs management and MFI clients revealed that focus on women clients is not supported by specific types of loan and financial products, delivery channels or some features of the MFI organization itself that would be crucial for meeting the specific needs of women, as opposed to men.

Due to a recent change in the legal framework, microfinance sector in Bosnia-Herzegovina is undergoing transformation. It is evident that micro entrepreneurs who are using MFI services are not loyal to one, but use services of several MFIs. MFIs compete to keep the clients, which forces them to look for a competitive advantage and further develop a distinguishing feature to secure their position on the market. It is interesting that only two of the interviewed MFIs intend to maintain focus on women only and to deepen their outreach to poor women in particular.

What is currently missing from the agenda of MFIs in Bosnia-Herzegovina is the specific focus on the needs of women clients, their usage of the loans, and the impact of financial services available. Even MFIs that focus on women clients know little about the impact of loans on their clients' lives beyond the impact on the client's business. With the consensus that availability of loans does not automatically mean the empowerment, there is apparently space for the improvement of services and products that would indeed support women empowerment and gender mainstreaming agendas.

2. Focus on microfinance institutions

In Bosnia-Herzegovina women have access to microfinance services – they constitute 54% of active clients of the 9 largest MFIs. Such high percentage is due to the fact that 3 of these MFIs serve only women and one other had only recently started providing loans to male clients. In generalist MFIs that serve both men and women, female clients remain the minority.

MFIs do not adapt their product offers to gender-specific needs. Micro loans available are flexible in terms of the loan size and repayment period and the focus is on determining the appropriate size of the installment to ensure that the client does not default on repayment, rather than the financial flows and needs of any particular business.

Outside of their main scope of work, women-only MFIs are more prone to support causes and institutions that deal with issues specific to women: some donated vehicles to women associations, others support homes for children without parents, some financially support breast cancer awareness drives etc. Generalist MFIs look to support various activities in local communities they are active in, not solely those that may be more oriented towards women.

- ***Organizational vision***

⁶ Mayoux, L., Not only reaching, but also empowering women: ways forward for The Micro-Credit Summit's second goal, *December 2006*

Across the board MFIs participating in this research do not have gender policies that would guide their work with women clients. Internally, they rely on state laws that mandate non-discrimination, but do not actively engage in promoting women's rights or empowerment. Rather, they stay gender-neutral, so as to not become discriminatory towards men.

Individual positions on gender-related differences in the needs for and the usage of financial services in Bosnia and Herzegovina differ between MFIs interviewed.

In the group of those that provide services to both men and women there is no awareness of potentially different needs of women clients as opposed to men. This encompasses the product attributes as well as collateral requirements, delivery channels, organization of repayment meetings, etc.

The orientation to provide loans to women only originates from the requirements of founding organizations of these. There are only two among the organizations interviewed that still stick to their initial orientation to continue working with women clients only.

MFIs themselves expressed the view that women are wiser in entering the loan agreements, more prudent loan users and more reliable as clients in general in comparison to men. They indicate that their past experience testifies to the fact that women are better clients and they see that by providing loans to women they are positively influencing women's positions in the family and their communities.

Among the group of organizations that provide services to women only, there is an explicit recognition that although they provide loans solely to women, they finance family businesses and businesses owned by clients' husbands as well, together with the businesses owned and operated by women.

In another MFI that has recently decided to open doors for men too, they find that market conditions and competition are forcing them to extend their outreach to men too.

Many people interviewed also believe that immediately after the war women were in a worse position than now. Widowed, displaced or in refuge, victims of violence of various kinds, women at that time needed additional assistance to organize their lives and provide for the families for whom they suddenly became sole providers. Now, 10 years after the conflict, poverty among men in Bosnia and Herzegovina is such that, in the eyes of these MFIs, men also deserve an opportunity to have access to micro loans.

MFIs do not engaged in advocacy or lobbying beyond the legislative framework adequate for their own work. AMFI, the apex institution of MFIs in Bosnia-Herzegovina, is not active in any gender-related sphere.

- ***Gender impact***

In generalist MFIs it is true across the board that men are the majority of clients and that greater proportion of the loan portfolio is in the hands of men. In a women-only MFI that recently started extending loans to men, the decision was made to increase the loan size available to men, under the assumption that men engage in businesses which require greater capital investments. Although men make only 18% of the active clients, the average loan size extended to men is 6% higher than for women. A closer look at the portfolio composition reveals that men are taking larger loans for the same type of activity for which women receive smaller loans (i.e. an agricultural loan disbursed to a man is higher than the same type of loan disbursed to a woman).

In only one organization the average loan size of women clients is higher than for men, but that is only for active loans. In the generalist MFIs the average loan size is larger, while women-only MFIs populate the bottom half of this list.

Access to micro finance in view of all interviewed definitely improved the position of women in the economic sense. Not only are women seen as more prudent investment decision makers, they are recognized as the ones whose business profits directly influence the household well-being. Women are less likely to spend the increased income on anything outside their families and households, so the stable and increased income situation is obvious on observation. Field staff testified that women clients first stabilize their businesses, then improve the housing conditions and then afford continued education for their children (beyond the schools available in the immediate area, i.e. high school, university).

- ***Poverty inclusion***

All MFIs interviewed reported not having designed specific products for lower income level population group or poorer populations. Loan amounts available to their clients begin rather low, so the MFIs feel their existing products are not prohibitive for the very poor entrepreneurs. Collateral or guarantee requirements are also viewed as not prohibitive for any client group.

Among the organizations interviewed two distinct trends were observed: some require guarantees even for the smallest loans (especially evident in individual lending methodology) while others go out of their way to ensure their field staff is not overburdening clients with requests for guarantors or collateral (evidence: in one MFI LOs request a larger number of guarantors than mandated by the internal regulations to be on the safe side, but management is actively discouraging such practice through internal audits, supervisors' unannounced visits, comparison of the loan size and the mandated number of guarantors with the actual number of guarantees taken before loan disbursement). In group lending methodology this is less evident, as group members can determine a very low loan amount for any member based on their capacity to repay.

- ***Economic empowerment***

It is felt across the board that women are in the majority the decision-makers when it comes to the usage of income in the family. This turned out to be the case in more industrialized parts of Bosnia-Herzegovina where men traditionally work outside the house and deliver their paycheck to a woman who is distributing the income to cover various family needs. As many such men moved to work outside Bosnia and Herzegovina before and after the war alike, this remains a fact in such parts of the country. In Eastern and Southeastern parts of Bosnia and Herzegovina where population is predominantly rural and where there are no employment opportunities outside the house, patriarchal ways prevail. Women in such areas, even though they may be taking loans for farming activities, are less likely to be decision-makers when it comes to the usage of the loan or income.

An interesting outcome for rural women from such areas is observed for women from Srebrenica and Bratunac. Mostly widowed after the war they had to assume the head of household role. Many of them were never prepared for independent decision-making, responsibilities of running a household beyond catering to the children and the house, and they were faced with the necessity to take charge of themselves and their children. Access to micro loans provided the opportunity to start economic activities that in turn resulted in a greater change than economic. These women are now independently running businesses and making decisions that were never envisioned as regular part of their daily activities and lives.

Similar outcome related to access to finance for an independent business is observed for the group of women who were housewives before the war and had to turn to finding an additional source of income in a difficult economic situation. These women are reported to express the feelings of independence, self-confidence and satisfaction from the fact that they are sovereign in operating their economic activity, no matter how small. The fact that they have something of their own and the resulting financial independence is stated as the primary contributing factor to this change.

MFIs report that attitude to children varies. In some parts of the country male children are seen as a workforce that does not need higher education, while girls should go to school to escape rural life. In other parts, it is exactly the opposite. Male children are encouraged to go to school, while girls will presumably marry anyways and should stay at home. In urban parts children are encouraged to continue education in line with their abilities, regardless of gender. MFIs see that sending children to school (beyond the mandatory elementary school) is one of the first priorities for investment after business stabilizes.

- ***Social and political empowerment***

MFIs that use group lending methodology report that women are gaining a platform for social engagement through organizing and running client groups. Presidents of solidarity groups are then recognized in other forums in their local communities as important, which leads to their increased self-confidence and greater involvement in other community activities. MFIs admit that such women may be “born leaders” who are more prone to be socially engaged anyways, so the greater visibility of women and their level of activity cannot be assigned solely to the availability of loans. It is true that some of the clients would never become socially active without the opportunity for engagement provided by the MFIs, while for others participation in loan programs is not the trigger for social activism.

There are examples of women clients organizing client clubs, fairs at which they display their products, monthly meetings of various cities in which a particular MFI has offices for the purpose of experience exchange, there are some ad hoc volunteer activities of women clients. These activities are organized by both types of MFIs.

Women clients are not organized in order to lobby for any particular issue, including the non-gender specific business environment improvements.

3. Focus on microfinance clients

Summary of findings from focus group discussions with microentrepreneurs

In order to learn more about attitudes of microentrepreneurs, both men and women, towards female entrepreneurship, their needs and the impact on their lives, discussions in focus groups were carried out by MFI staff.

The following types of clients were invited to take part in these meetings:

- active male clients in urban location
- active male clients in rural location
- active female clients in urban location
- active female clients in rural location
- dropout female clients in urban location
- dropout female clients in rural location

- ***Urban male active clients***

Perception of a woman as a business person

Men see women as emotional, but more determined than men in business, more goal-oriented, more realistic in business decisions, and more ready to sacrifice for the business success. Women in business are also seen as wiser planners of the financials, especially keeping an eye on the expenses. At the same time men indicated that they would not see a woman operating the same type of businesses as they did.

The opinions varied from group to group - some viewed women entrepreneurs as having an easier time, since they could use feminine charm. Comments ranged from „all women are successful if they are good wives and good mothers” to “my daughter will take over my business and become successful”.

Loan product attributes

Men saw no difference between financial needs of female and male entrepreneurs, but some noted that the existence of women-only MFIs was discriminatory for men.

Men would like to get larger loans, with a grace period and a longer repayment period. Specifically they requested loans that can be repaid over 7 to 8 years. Men care about the speed of disbursement and guarantees and would like the loan approval procedures to be simpler.

In the other group they would like more tolerance for late repayments and the possibility of having parallel loans. Some noted that more courteous staff is needed.

- ***Rural male active clients***

Perception of a woman as a business person

Men considered women better business persons as they were more rational, hard-working, and focused on family. Women crave recognition and they would work harder to achieve results. These men make financial decisions alone or in coordination with their wives. However, they noted that women lack ideas and have a hard time figuring out what to do when competition is strong.

In the other group men saw women in business as overwhelmed. They work and have to take care of the family, they constantly do two jobs. This group considered women to be equally capable of doing everything men do.

Loan product attributes

Men thought that loans for women should be different and should have a lower interest rate. Also, MFIs should help women to find customers for their business. Loans for women should be accompanied by loan officer visits to clients after loan disbursement.

The respondents knew about the existence of women-only MFIs, but believed that women spend money on other things, not on business. Some men in this group believed that women-only MFIs would fail, as women had a lesser chance of running a successful business.

MFI should develop new loan products for agriculture and crafts, should extend the loan repayment period and provide the option of having a grace period on non-agriculture loans, give lower interest rate to clients in higher loan cycles, and generally implement changes that would make it easier for clients to repay loans.

They could not identify any differences between men and women in business or their needs in the financial sense. For them it was important what kind of a business someone had and how the loan could be repaid, it was not important whether a loan was given to a man or a woman.

- ***Urban female active clients***

Reasons for starting own business, perception of a woman as a business person

Women indicated that they started individual businesses as they had to find a way for surviving. Some utilized the knowledge gained in previous jobs to begin their own activity, while others were looking for anything that could be started without major difficulties. All said they were forced to find a source of income. Many started with businesses once they had to become breadwinners for the family. The lack of time was the consequence

of their work involvement, but in the situation of high unemployment their only choice was to start own businesses.

Women saw themselves in business as self-sufficient - they thought about where to invest, looked at rational options, were willing to take risk, but also had to have faith in their ability to succeed. Women thought of women entrepreneurs as more persistent, brave and able to organize work. At the same time, these women acknowledged that the support from a man was very valuable for business development.

They saw no difference between men and women in business, but regarded men as more passive. Men were seen as less organized and less responsible but they were more often risk-takers. (*"Men are more open to risk taking, my husband failed twice."*)

Influence of running a business on a woman's life

Women with their businesses were successful and business brought significant positive changes to their lives. As women, they saw that their contribution to the family was not valued as it should be, since the role of a woman as a housekeeper and a mother was self-understood and expected, regardless of their business obligations. Being in business gave them a sense of self-worth, better reputation in the family and the community, together with the ability to feel more financially secure and independent.

They believed it was important that a woman was able to earn her own money. Although women in business have less time for family and friends, they have their financial security. Women who have their own source of income are better respected in their family. Several women said they had no support from families to start a business, but they have their respect now when the business is operational.

As business owners, women thought of themselves as better members of the community too.

The consequence is a lack of time. Stress that comes with constant worry about the business, lack of time for themselves and their families, and limited time available for rest and vacation are all downsides of running a business. They have no free time and often feel as being "hostages" of their own business. As business owners they feel great to be their own bosses, but the work is tiring and leaves very little time for themselves (no time for friends, family, children, haircuts, vacation, ...).

(*"Constant stress related to business worries is not the better side of having an own business, but one has to cope."*)

Loan product attributes

Most important loan features for women are the availability of parallel (seasonal) loans, simple loan approval procedures, benefits for long-term clients, simpler guarantees, repayment period, interest rate, grace period and MFI staff.

Some complained about the other loan features – the need for guarantors, the lack of tolerance for delays with repayment, the fact that the MFI charges them interest on installments repaid early and small size of loans. They would also like to get business advice, help with starting up a business, business plan development and investment advice from the MFI.

Although they knew of women-only MFIs, they did not place any importance to them. Some mentioned that such MFIs should provide training or educational support to women clients.

Another group thought that micro loans were better suited for women, as men did not know how to fund small activities, as they were working mainly in large businesses. Most important features of the loan were loan officer's attitude to clients, amount available, guarantees, simplicity of procedures, disbursement time and interest rate.

Some women stressed the importance of the courtesy of the LO was the most important one. Solidarity group was seen as a good way of guaranteeing for the loan as it provided access to those without experience or assets. At first they did not think about the interest rate, but that slowly started taking priority.

Men would, in their mind, think about the loan amount and interest rate the most, not about the loan officers' courtesy.

- ***Rural female active clients***

Reasons for starting own business, perception of a women as a business person

Women believed that women who were in business had more options for everything and could get a loan to invest in the business expansion. It is important that women provide for their families in a material way. All of the respondents identified they relied a lot on their families in business. Decisions on expenses were made jointly or by men only, but women participated.

Women saw themselves as successful business women who were able to provide for their families. They believed men had easier time in business, as they usually did not have to take care of the family and house work, which was a given for any woman.

They considered themselves happy and had a can-do attitude, but also testified they had no time for themselves.

They were not aware of men-only MFIs, but believed that women were a better credit risk. They believed that men-only MFI would not be successful. Even though men were seen as stronger, they were irresponsible. Women could get a loan even if they were unemployed, while this was not an option for men.

Influence of running a business on a woman's life

Increase in income has a positive effect on the entire family.

Women talked about the new beginning with the loans. Many in this group came from other parts of Bosnia and Herzegovina to that area during the war and were forced to start with something to be able to provide for their families. Some women were only housewives before the war, but as widows had to take care of underage children and the elderly.

This group talked about the sense of pride and self-esteem that operating a small business gave them, the feeling of freedom and independence, but also testified that they relied on their kids who started earning money themselves in the recent years. They were slowly building their new houses in the area they currently lived.

Another group were married women, some of whom were taking loans for their husbands' businesses where they only made coffee for customers who come to business premises. Disadvantages of running a business were the same as for other groups of clients, but they also mentioned that not having work is something that „kills a person“.

Loan product attributes

Most important loan features were the interest rate and guarantees required. The group emphasized that it would be good if some level of tolerance existed for late repayments. Loan repayment period was as important as the speed of loan disbursement. Grace period was also required.

The group believed that men would rank product attributes in the same way. They could swap places of the grace period and the speed of loan disbursement.

Women-only MFIs were not looked at favorably by this group. They identified the solidarity group as the main obstacle in women-only organizations. Other obstacles were the low loan amount in the initial cycles and a high interest rate. However, they believed they were not treated differently than men by the MFI, in the positive or negative sense.

In the loans that were available they valued most the loan amount and the repayment period, then interest rate and the disbursement period, guarantees required and the simple procedures. They emphasized the need for the possibility of early repayment of a loan with a new larger loan and saw no difference between financial needs of men and women clients.

In the MFI they mostly valued the attitude of staff towards them, and cared less about the interest rate. The only matter that could be modified was the need for guarantors that were hard to find.

This group could not identify features of women-only MFI or a specific women-only loan. They said that they associated the MFI with the loan officer they came in contact with and decided on taking a loan based on the personal contact with the loan officer.

- ***Urban female drop-out clients***

Influence of running a business on a woman's life

This group viewed women in business as more self-sufficient and successful, believed that such women were able to improve their living standard and provide for their families. At the same time, they regarded business as stressful and taking away time from children and family.

As women in business they viewed themselves as useful, but also stated that they lacked time for everything else outside business.

Reasons for dropping out

The majority dropped out as the loan available was too small or because they could not find adequate guarantors for the loan. Some clients confirmed they were taking loans from women-only MFI, where lower amounts were available through group guarantee mechanism.

In another group there were mainly those who took loans to fund their regular living expenses. They were all overindebted and took loans wherever they could to repay other existing loans, but found MFI loans expensive. All said they currently needed no loan, and that was why they were not active clients.

The others were not taking loans any more as their business either failed, or loans they could get at the MFI were not suited for their needs (too small loan amount, inability to provide requested guarantees, no capacity to earn enough money to cover the monthly installment).

In another group, clients left the MFI as available loan products no longer met their needs. After an initial reluctance to talk about this, it turned out most of them had loans in other MFIs and banks, since these creditors were able to provide more money with fewer obstacles (group, guarantees). The proximity of the office became an issue once other organizations opened offices in the town and they no longer needed to travel to Sarajevo to sign loan contracts.

Loan product attributes

They found no difference in financial needs of men and women, but noted that men relied on women in the matter of loans. They believed that the attitude of a loan officer was the most important feature of the loan, followed by guarantees, disbursement time, loan amount, repayment period and interest rate.

The others saw solidarity group loans as a typical female loan product.

- ***Rural female drop-out clients***

Reasons for starting own business, perception of a women as a business person

Women in business were seen as different from men, as they were more creative, tidy and organized and took better care of repayments. This group highlighted the issue of expensive business registration and high taxes as an obstacle for women to register their business activities. When taking a loan they were concerned mostly with their ability to repay it.

Another group noted that women in Bosnia-Herzegovina were less successful in business than men, as they had to take care of the family. Men were seen as an obstacle to women in business as they liked to be asked for an approval on everything. At the same time they stressed that it was better if a woman and man in one family worked and took decisions together.

The other group concluded that women in business were independent, but they mostly saw themselves as operating a family business. Businesses registered in the name of a woman were operated by husbands and wives together, as it was better if people in a family agreed on things and did everything jointly.

Influence of running a business on a woman's life

The group testified as fulfilled by being in business. They were mainly in agriculture businesses and it was difficult to find a stable market for their products. If the possibility existed, they would all be doing something else.

They said they expanded a circle of people they met and knew through operating a business, they felt independent and worthy. At first they said there were no disadvantages of operating a business, but then complained about a situation in which women were – no help in housework or care of children from the family.

The other group indicated that women in business were self-confident and independent, and created a better atmosphere in the house, as there was more money in the household. They contributed to family happiness and men treated them as equals as they were also bringing in income. This had the opposite effect too, as family might suffer due to business demands. They indicated that business decisions were mostly made in coordination with husbands or other family members.

Reasons for dropping out

Women in that group left the MFI because they wanted a higher loan amount, a lower interest rate or different type of a guarantee than requested or because their business was not generating sufficient income to cover the monthly repayment installment.

In the second group the main concern was the MFI policy of only 2-3 days of tolerance of arrears. The request was to have at least 10 days repayment delay tolerance, as banks did. Also, they stressed the importance of having courteous loan officers. Some left for other organizations, because LOs were not treating them appropriately.

Loan product attributes

The group was not sure about differences in financial needs of men and women entrepreneurs, so they could not imagine what different financial products these two groups would need. Availability of specific programs for further or additional education of women could be a feature that MFIs should employ.

They believed that men were more prone to risk than women and stressed that it should be taken into account. In their opinion women cared more about the treatment they got in the MFI than men. Simple procedures, adequate loan repayment period and guarantees topped the list of loan features for women after the staff attitude. They believed men would care more about the guarantees required, repayment period, disbursement time of a loan than anything else. It is interesting that loan amount did not make it to the list of important loan features for this group. They could not imagine men taking loans in solidarity groups but also said that for women it was hard to find other participants for the solidarity group, as women-only MFIs required.

Clients of one women-only MFI acknowledged that the MFI helped women without husbands. Also, they believed that this MFI was the only organization where they, as women, could get loans.

Most important product attributes were MFI staff courtesy, loan amount, interest rate, ability of the MFI to tolerate a few days of repayment in arrears, guarantees required, disbursement time, loan repayment period, and grace period.

For women the relationship with the LO was key. The respect they got from staff kept them coming back to the MFI.

Recommendations

There is significant outreach of Bosnian MFIs to women, but gender mainstreaming is not actively implemented although the attention has been paid towards non-discrimination, since the adoption of international conventions against discrimination.

The pressure of donors and international PVOs that established most of the MFIs in Bosnia-Herzegovina had been put on serving women, however, unequal attention was given to securing greater empowerment. The minimalist approach of the MFIs made them focus on financial services only leaving the vacuum in terms of non-financial services. However, the examples are seen of MFIs that coordinate their activities with non-financial service providers (NGOs, associations) to fulfill other, non-financial business needs.

Additionally, the pressure towards maximising financial sustainability motivates MFIs to concentrate on client cash flows (secure loan repayment) but not client business growth.

We therefore propose the following model for further work on gender mainstreaming and women empowerment in Bosnia-Herzegovina that combines activities with providers of financial and non-financial services:

- work with MFIs on securing growth of outreach to women (scale and quality) by adjusting product development processes as well as marketing tools to gender perspective (gender mainstreaming)
- work with providers of non-financial services to low-income people on introducing/enhancing services towards greater women empowerment
- work with both types of institutions to create linkages that will help maximize the impact

The first type of activities will aim at mainstreaming gender in MFIs and will concentrate on showing the advantages using gender sensitive market research tools that allow for segmentation of clients not only by type of business and location but also by gender and household type (one-person households, single-parent households, full families) and developing marketing strategies for selected segments.

The idea of doing market research with a gender perspective by organizing separate focus groups with male and female clients was new to the MFIs but well taken and the results of such research were much appreciated.

MicroSave tools for market research are extensively utilized in Bosnia and, if adjusted to take into account the gender perspective, they represent a very good tool for furthering gender mainstreaming.

In order to ensure that the activities do not lead to discrimination of any of genders, special attention will be put on a balanced approach and equal attention to both male and female segments of clients.

The second track of activities will concentrate on empowerment of women – current and potential clients of microfinance institutions.

For this, institutions (NGOs, unions, associations) working with low-income people, current entrepreneurs, potential entrepreneurs will be included in the activities. During this study, several such institutions were identified (and some of them already work on women empowerment and/or have links with MFIs) but a separate research is needed to map the players across the country, understand their involvement in gender issues and learn about their interest in working towards women empowerment on economic, social and political level.

GALS tools (Gender and Livelihood Action Learning System) present the most suitable choice of methodology as they can be easily combined with literacy components, small business training and more in-depth women's rights training.

GALS methodology brings together participatory tools and experiences into a comprehensive methodology which can be used to help women and men understand and define for themselves short and long-term goals of gender equality, equity and empowerment, enable women to plan their livelihoods and business, promote

collective discussion and action to improve women's livelihoods in the context of value chains and markets, form the basis for gender advocacy process.

Finally, both types of activities should be run in parallel for maximum leverage to the clients. Special effort should be made to ensure that clients receiving assistance from non-financial service providers have then access to financial services taking into account their needs.