

Microfinance non-bank loans for Arab women A joint venture of KIEDF and the Government

Evaluation Summary – April - June 2017

Evaluation Team:

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Background

About the program: The project, partnering with the Government, started operating in February 2011 in the south and north of the country and gradually expanded to the entire country. The evaluation concentrated on clients from the South and North.

From the beginning in 2011 to May 2017, 3,550 women participated in the program.

In that period, 6,080 loans totaling at NIS 48.5 million were approved

Loan losses: 1.78% of the loans

In the evaluation, data from the program's Management Information System (MIS) of participants' characteristics when entering the program was compared with survey questionnaires, answered when clients completed repaying their loans. In addition, in depth interviews were conducted with two groups of women.

The evaluation included 4 parts:

1. Analysis of data from the database
2. Analysis of economic contribution – an appendix to the evaluation completed by Itzik Bechar of KIEDF
3. Conclusions from interviews conducted with successful business owners
4. Conclusions from interviews with women who closed their businesses.

Part One – analysis of data from the MIS:

Entry Questionnaires were answered by 3866 clients. 27% of them defined themselves when entering the program as “not working”. A majority of the others defined themselves as "self-employed" with the rest defined as "employed". The women are dispersed throughout the country and have varying levels of education (about 30% have primary education only and a small number have 20 years of education), with a varying number of children (between 0-15) and a broad range of business types.

In addition, 497 internal survey questionnaires from clients who had completed repaying their loan were analyzed.

The participant's profiles were similar between the two sample groups.

Business status:

61% existing businesses and the rest new businesses.

72% of the businesses in the south are new whereas 78% of businesses in the north are existing businesses.

Main findings:

1. **Satisfaction:** 98% of all women are satisfied or very satisfied with the service they received in the program. There are no differences between clients from the different regions in this respect. Women whose business continued to operate are, of course, more satisfied.

2. **Business survival:**

88% of the businesses were operating at the time of the evaluation (on average 3 years after joining the program).

3. **Changes in the business:**

- 19% registered their business or intend to do so in the near future.
- 15% of businesses relocated from their home.
- 14% hired an additional employee/s.

4. **Income from the business:**

Income from business increased on average by 88% between entering the program and the time of evaluation.

Improvement occurred in the north and south, while income levels reported by clients from the south were lower when they began the program.

During the time of the evaluation, 68% of the clients reported that their family's main source of income was their business.

Education level was the only variable that affected income from the business. Age, marital status and number of children did not comprise a pivotal variable.

- 5. Analysis of businesses that closed down:** Of the businesses that closed, more are from the south (in the south 17% closed down compared to 9% nationwide). Slightly more home based businesses closed down as compared to those operating outside of the home (10% of businesses that were home based closed down compared to 7% of businesses based outside of the home).

Food businesses tended to close down less in comparison to commerce businesses where as beauty and apparel businesses had a slightly higher rate of closing. Businesses in families in which the main income was based on the wife's profits from the business tended to close down significantly less. This may be because it constitutes the primary source of income for the family, and it may be due to the internal focus of control by the woman, whereby she has taken responsibility for the business and livelihood and thus she succeeds in retaining them more.

Part Two: Economic Contribution

A. Cost of support in a year of employment –

During 2011 to 2016, the project generated approximately 12,000 years of employment in a business. The total operation cost of the project in those years was NIS 20 million. Therefore, the cost of support of one year of employment stands at approximately NIS 1,671.

The cost of the project for the Government in those years was close to NIS 9 million. Therefore, the cost for the Government to support one year of employment was approximately NIS 781.

B. Additional income –

The average monthly income of a business when entering the program was approximately NIS 1,541. An 88% increase in income was reported at the time of the evaluation, with the annual additional income per business being approximately NIS 16,190.

Between 2011-2016, the program supported 10,657 years of activity of the business.

The additional income to national product that the program generated during these six years was NIS 172.5 million. In that period the government's expenses on the program was approximately NIS 9.3 million. This puts the ratio of income addition compared to the Government support at 19:1. For each shekel that the Government invested in the program, an additional income of NIS 19 was generated.

Part Three – Interviews with successful women business owners

Most women felt the encounter with the program, the consultation aspect and the financial aspect, were meaningful and contributed greatly to their ability to establish, develop and realize a business. They feel that their situation today is better than previously, with financial improvement through the loan for the business (with regard to number of customers, monthly turnover, etc.), but also improvements in their private and family life (self-confidence, contribution to children). Most of them want to continue to grow and develop personally and business wise.

The encounter with the program constituted a key element for future chain of successes. The evaluation indicates that most women understand the importance of management and organizational aspects of the business, and their understanding that these are areas that need continued improvement for the strengthening of their businesses.

*“Before receiving loans, I worked on a small scale at home. I was unable to bring in many materials and **the variety of jewels that I could design was really small.** In fact, I was missing out on a greater income, and had the feeling that I could advance and express my ideas. Today, after I received the loan, it is easier, and I can afford to bring in more materials and new products.” (north)*

“My situation was very bad, and today, there is no comparison. Everything has improved and the business is stable and good. I appreciate particularly the manner of payment to Sawa being convenient and they are flexible, and there is no interest like with banks”. (south)

“Of course, I feel more independent, I can buy things for myself and my family with my money. And I feel that my mood has improved since I opened the grocery store, I feel that I have something to do, my time is full, my time has a purpose and I work on managing my time instead of being bored” (north)

Part Four – Interviews with women who closed their businesses

Most of the businesses were not well established financially but following the loan the business clientele increased. They did not have employees in the business and the number of customers was tiny (usually 4-10 customers a week). Still, the loan had a contribution to the business: most women stated that receiving the loan contributed to opening, establishing and developing the business. In some cases, they stated that the loan had no major contribution because of its small sum.

Despite closing the business, most women do consider the experience as having a positive effect. Half of the women stated an improvement in their personal life – confidence, personal relations, independence and focus on important things:

“On the personal plane it contributed to me greatly, my personal relations improved enormously, and I feel stronger and braver today than before. And the success in this encouraged me to do more things and not be afraid.”

“I am more confident, independent. And I don’t feel that I am restricted by or dependent on my husband. On the contrary, I feel that I have authority and control.”

They also stated: ability, awareness and a wish to invest more in children:

“A working mother gives her children more than a non-working mother, because time becomes important and meaningful for her. And she invests more in them. And the time she has with them becomes better in quality.”

Many of the women want to open a business again and understand that they must learn more to reach this goal. The key reason for closing the business is failure to form an infrastructure that can support the business.

Recommendations:

- Sorting women into groups for assistance according to their conceptual stage. For most successful women, the support that has been given in the program is suitable, but this is not the case for the women who have not succeeded.
- Training of the field staff to provide support in the areas raised in the evaluation

Support and consultation – the interviews show that women who were unable to maintain their business feel that they lack tools for running a business. This issue may be addressed in two ways:

- A. As the women requested: more focused consultation and business direction, more support after loan distribution. We should state that most of them (clients whose businesses closed) did not take advantage of the group support, despite it being made available to them, while the women who were successful reported its importance.
 - B. Analyzing in advance which of the women could benefit from which type of service, which of the women were less suitable for running a business (some declared their suitability for being employees, but most are considering opening businesses again), and accordingly the service type and extent should be adjusted.
- Developing among women, who lack it, the aspect of passion and interest in the field in which they work, besides the success of the business in terms of effectiveness. These aspects are important for the continued ability to sustain and develop a business and some women lack this. This also includes continuing professional development in their fields. Alongside this, the personal attributes that led the women to success should be recognized, unlike the thought that some entertain that “it is not right to boast”. This recognition is the basis for their ability to act and succeed and it is important to legitimize it.
 - Teaching the women to develop future plans that are based not only on financial aspects but also on their vision, experience and training. Some women, but not all, do this.
 - Loan amount – consider adapting the loan amount to the needs and/or type of business, and if the amount that can be given is unsuitable, not give a loan at all.
 - Examining whether the idea that one of the women suggested is feasible: **assigning a number of women together to set up a joint business with a bigger loan.**