Empowering female health entrepreneurs with digital loan products

SUMMARY

Sub-Saharan Africa is the only region in the world counting more women than man entrepreneurs. However, many women-led businesses are unable to access finance because women are less likely than men to own assets – this also holds in the healthcare sector.

A digital loan product by Medical Credit Fund could help to lower the 12% gender-gap in access to finance in the region. These loans are quick and accessible for everyone, and no traditional collateral requirements apply.

To assess any remainder gender disparities, we examined the loans disbursed between 2009 and 2021 by Medical Credit Fund (MCF) in Kenya. For the traditional loans, a statistically significant difference in first loan amount was found between firms owned by women and those by men: women entrepreneurs access less capital than their male counterparts. For the digital loans however, no difference in the first loan amount was found between male and female owned firms.

Insights from ten interviews with Kenyan women health entrepreneurs point to three general barriers and five gender specific barriers related to financial capital accessing in the healthcare sector.

MCF's digital loan product has the potential to reduce the gender-gap as it addresses multiple gender specific barriers mentioned by women entrepreneurs.

A gender-gap in access to finance

In sub-Saharan Africa (SSA), around 50% of all health services are delivered by the private healthcare sector. Within this sector, most firms are small or medium-sized enterprises (SME). These SMEs often rely on loans to invest in their infrastructure, equipment, and staff. However, they face challenges to access finance because of a lack of banking history, limited collateral, and perceived high risk of the sector.

Female entrepreneurs, however, face additional challenges to obtain loans as women in Africa are less likely than men to own assets[1]. This lack of access to finance has been identified as a major barrier for development and growth for female-run SMEs, especially in sub-Saharan Africa. The region holds according to the Global Findex of 2021, a 12% financial gender-gap.

While the existence of the gender-gap in access to capital in SSA is confirmed in research and widely acknowledged, the determinants remain understudied. This information is crucial to develop evidence-based interventions to reduce the gap.

> About Medical Credit Fund (MCF)
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> Medical Credit Fund (MCF) is dedicated to providing loans to micro, small and medium sized enterprises (SMEs) in the health sector in Africa. MCF combines loans with technical assistance to support healthcare providers to improve their quality of services.
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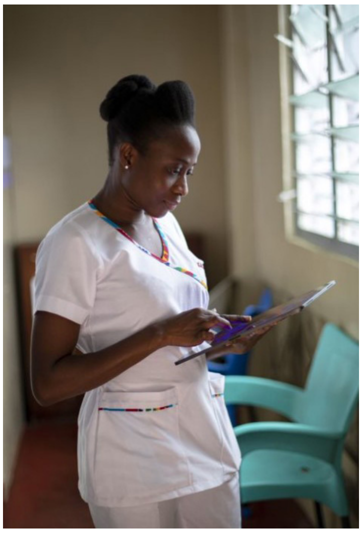
> Since its inception in 2009, MCF has provided over 8,000 loans worth EUR 150 million to more than 2,000 SMEs in Ghana, Kenya, Liberia, Nigeria, Tanzania and Uganda.

1 https://www.imf.org/en/Publications/fandd/issues/2020/03/africa-gender-gap-access-to-finance-morsy

Empowering women with digital loans?

The rise in mobile money use creates opportunities for digital loans. In Kenya, Medical Credit Fund (MCF) developed a digital loan product that uses the healthcare provider's history of mobile money receipts as the basis for the loan. The product is used to finance working capital or equipment. The loan does not imply any barrier regarding collateral as mobile money, instead of assets, are used as the basis of the loan.



Studying traditional versus digital loans

This study covers accepted loan applications by MCF from SMEs in Kenya between 2009 – the launch of MCF – and 2021. The period of 12 years held 2,981 approved loans by 549 SMEs. Many clients obtain digital loans multiple times, but women do come back more often than men (9.7 versus 8.3 times). Almost a quarter (23%) of the loans was disbursed to female-owned SMEs. The average provided loan amount was $14,693, while the average total received loan per client was $77,205 (spread over five loans on average).

Of all loans, almost half were traditional 'term' loans (typically larger loans, repaid over a longer timespan), the others were digital loans. For the traditional term loans, a gender-gap is found in the first loan amount provided to the clients (see Figure 1A); the loan size of men is on average $27,731 higher compared to the loan of women. Figure 1B shows that for the digital loans there is no statistical difference in the loan take up between men and women, meaning that there is no difference in loan amount between men and women and thus no significant gender-gap.

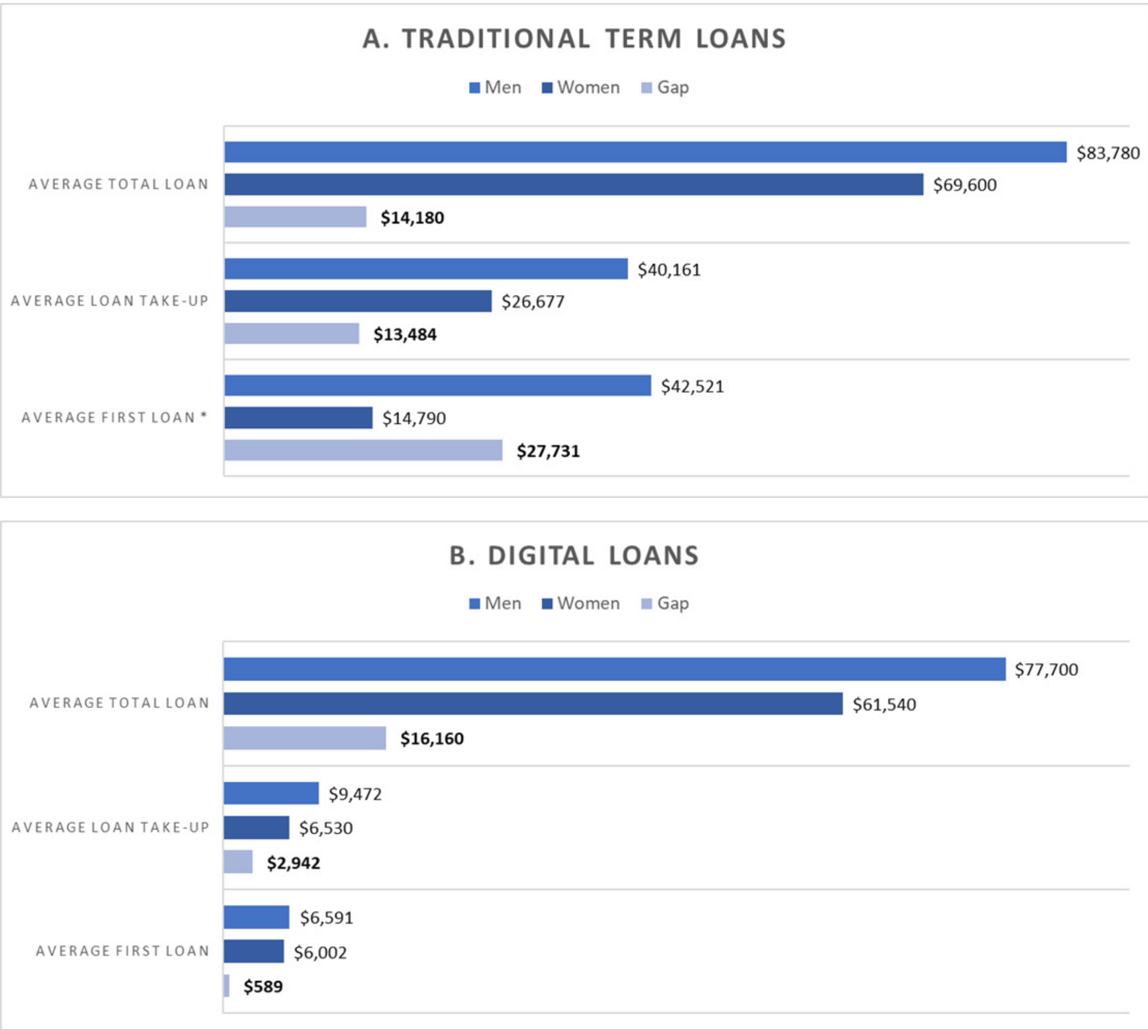


Figure 1. Difference in loan-take up between men and women

Perceived barriers for female health entrepreneurs to access loans

Ten Kenyan female health entrepreneurs with an MCF loan were interviewed. In these interviews, general barriers and gender specific barriers for financial capital accessing were identified (see Textbox 1).

General barriers

Being a starting entrepreneur was considered as a hindering factor because of a lack of capital in the start-up phase. Additionally, respondents mention that medical professionals are not perceived as business minded people and are also not trained in this.

"Then I realized I was not very good in business when I just came in. And you know, the health workers are not really businesspeople. We just want to help, so it took a while for me to know that I'm actually in business like any other business and therefore I needed to treat it like any other business."

Finally, respondents also refer to the risk perception towards the healthcare sector by bankers. Respondents noted this specifically during the loan application process via the local bank.

"You know, I'll tell you, a lot of banking institutions in Kenya will not lend to hospitals" ... "They say it is high risk" ... "They just don't understand how and what goes on in the hospital."

Gender-specific barriers

Female entrepreneurs also perceive stereotypes towards their role as an entrepreneur. The societal expectation is that women should take care of the children. This dual role hinders the capacity to grow or run a business.

General barriers
- Entrepreneurs lack capital when starting a business.
- Medical professionals often lack business knowledge and entrepreneurial experience.
- Bankers consider healthcare as a high-risk sector.

Gender-specific barriers
- Societal expectation: women experience pressure of the dual role of motherhood and being an entrepreneur.
- Taste-based discrimination: the societal norm is that most entrepreneurs are men.
- Men invite men at entrepreneur network events.
- Risk averse behavior in applying for loans.
- Collateral requirements are more challenging for women.

Textbox 1. Perceived barriers during loan application process

"I think they thought we can't do it. We are too preoccupied with the children, with the husbands, with the social issues and we have no time to take care of our business. You know, women still needed to take care of children, needed to take care of families."

In addition, bankers hold the attitude that women are not supposed to run a business. This is also referred to as taste-based discrimination: a societal norm.

"It's like they never trusted women business ladies. I don't know why. Men would get loans faster from the banks than us." ... "I think it was not really informed on anything, just thinking men are better than women because nobody had tried it. There was no research. I think it was just an attitude."

Moreover, women may be more risk averse to apply for loans because of a fear of being unable to repay. Repeatedly, they mention that men are riskier in taking on loans and that women frequently fear they may not be able to repay. As they (and their children) fully depend on their business, they do not want to take this risk.

"Our risk appetite has been not as high as has been demonstrated for the male counterparts in the field. Because us knowing, while we're single, all of us had kids. So having children, of course grounded us. And that meant that every decision that I make it's to make sure that I'm not auctioned one day, and my daughter doesn't have, you know, a roof over her head. So, in terms of us being careful, we have been extremely careful."

Collateral requirements were also raised as a major constraint. In the past, women were not allowed to own property, and it is still less common for women to have collateral in their name[2]. Consequently, women needed a male's relative to guarantee the loans.

"We women were never known to own properties like land and have titles." ...

"Although I'd been a doctor and worked all these years, I didn't have land where I had titled my name."

Finally, two interviewees mentioned that it was harder for women to join entrepreneur network events because invitations are mainly circulated within male networks.

2 https://deeply.thenewhumanitarian.org/womensadvancement/articles/2018/02/23/despite-new-laws-women-in-kenya-still-fight-for-land-rights

Conclusions and next steps

This study confirms that MCF's digital loan product addresses some of the gender-specific barriers. Most prominently, the loan product addresses the issue of collateral requirements. Second, it dissolves the banker bias' against women-led entrepreneurs. There is no difference in the first loan size – which is often seen as the hardest hurdle to overcome. Expanding the digital loan product is therefore expected to contribute to reducing the gender-gap in access to finance for female health entrepreneurs.

MCF will look at ways to include the entrepreneurs' vision and past loan repayment rates of previous loans in the loan application process. Based on the repayment rates, loan amounts may increase, and interest rates reduce, enabling female entrepreneurs to invest more in expanding and growing their businesses.

Finally, other barriers that were raised by the interviewees point to the value of MCF's training and (business) education as it is perceived as a useful tool to reduce the gender-gap. To stimulate female empowerment, it is strongly advised to include female health entrepreneurs at network events.

Medical Credit Fund