



WOMEN BUSINESS' ACCESS TO FINANCE IN SOMALILAND

Research Report



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EXECUTIVE SUMMARY

Despite financial institutions knowing women business owners have lower default rates than men, financial services are not designed to serve them. While half of urban female business owners are aware of the financial service offers, fewer than 10% have applied for a loan and half of those applications were rejected. Women often lack the collateral or male guarantor required, their businesses are not formally registered and they are often seeking smaller and more flexible loan offers, which they find through their informal networks and NGO support.

The purpose of this research study is to better understand how women business owners access finance in Somaliland. The research data collection covered MaroodiJeex and Awdal regions and included a desk review, a survey with 150 women business holders, 19 key informant interviews, nine focus group discussion with women groups, religious and traditional leaders, three case studies with women business owners and observations on the gender-responsive infrastructures available in the financial service providers' premises.

The Somali Resilience Program (SomReP) is a resilience-building consortium that addresses the underlying causes and impacts of vulnerability to climatic shocks. Oxfam is the lead member of this research and has been working in Somalia/Somaliland for over 40 years and implemented different project covering different locations. This work supplements Oxfam's existing work to strengthen communities' resilience to shocks and women's economic empowerment by ensuring there is adequate linkage between relief and development.

Only 9% of the surveyed women business owners have applied for a loan from formal financial institutions, while 91% have never applied. Of those who applied for a loan, just

over half were accepted, while nearly half were rejected. Of those who did not apply for a loan, the key reasons they mentioned were expensive repayment rates, that financial service providers charge interest/riba, lack of awareness of what services are available, lacking a male guarantor and National ID, which requires a male guarantor and expensive service fees. **54% of urban businesswomen are aware of financial services** or institutions that provide business loans.

74% of women businesses, do not have bank accounts and are not legally registered with the Somaliland Chamber of Commerce or the Ministry of Commerce, **but 95% of have mobile money accounts used to store and transfer money.** Registering business at 300–400 USD is very expensive for small business owners and is a complicated process which involved having/obtaining a nation ID card, which in turn requires a male guarantor. This is a significant challenge which makes it harder for women to register businesses and open a bank account.

One of the main challenges women face when trying to access finance from financial institutions is the collateral and/or guarantor. If the condition of the grantor or collaterals is satisfied, it is likely that financial service providers waive some of the other due diligence processes—a process that women struggle to access due to an unequal socio-economic positioning. Women themselves are often writing their son's and husband's names on their asset titles such as land, which in turn forces them to access their land through husbands and sons when applying for a loan from formal financial institutions. **Women become trapped in a vicious circle of relying on male guarantors whenever accessing finance.** Also, the family male guarantor requirement for women to get a national identification card is unwritten but fully enforced in practice.

"I wanted the loan to expand my business [and] though I have met all the other conditions, my application was rejected for lack of guarantor. It was very disappointed as I have spent weeks to put together requirements and visited the office multiple times while forgoing running my business and household chores. With little hope, I am now appealing to the senior management of the bank, I believe my application was turned down due to my gender. I will approach other financial institutions for similar purpose. I am also aware of many other women whose applications were rejected by commercial banks. I am urging the government to intervene and convince the financial institutions to relax the conditions for accessing loans." – A female small business owner in Hargeisa

All the financial institutions interviewed for this research unanimously agreed that women's default rate on loans is meagre compared to men. There are five main groups from Somaliland's formal financial ecosystem: Somaliland Central Bank, Islamic Commercial banks, Money Transfer Organizations (MTOs), Microfinance Institutions (MFI), Mobile Money Operators (MMOs) and NGOs. Commercial banks and microfinance institutions are credit service providers, MTOs and MMOs are money transfer platforms, and NGOs provide interest-free revolving funds and grants to poor and marginalized groups.

Many women prefer informal loans, as they are more flexible, have low-interest rates and extended repayment periods. Women small business owners can access cash grants and loans through friends, relatives, neighbours, diaspora networks, clan members, extended families, moneylenders, and Hagbed. The lowest credit limit is 3,000 USD for many commercial banks and women small business owners are generally looking for loans between 200-800 USD to grow their businesses

NGOs play an important facilitator role for marginalized women accessing formal finance. To overcome the stringent conditions of accessing loans, local NGOs organize women's self-help groups and connect them with formal financial institutions. More marginalized women groups are now accessing credit through these mechanisms as it has increased both the

women's and the financial institutions trust in each other.

61% of surveyed women think that men businesses are better positioned than women businesses to get a loan from the local financial institutions, while 39% did not agree. Along with many other barriers and constraints, men have more time to socialize and access information while women suffer from time poverty which is often due to a large amount of unpaid care work.

To advance women business owners' access to finance in Somaliland, the research finds the following recommendations:

- The government must coordinate with commercial banks, micro-finance institutions, donor community, development agencies and women organizations to create micro-credit schemes that provide soft loans for women-managed small businesses with a special focus on the rural settings, IDPs and poor urban neighbourhoods
- Local and International NGOs must also continue nurturing and capacitating nascent women Self-Help Groups across the country and increase approaches for NGOs and donors to act as guarantor for credit-worthy SMEs that could not find a guarantor to access finance. Such a scheme should be dedicated to women business only
- Somaliland government must expand and formulate detailed regulatory frameworks for the finance sector and reform the fees for registering businesses and obtaining national ID cards to ensure they are gender-sensitive
- The government, civil society organizations and women groups must join forces to advocate for increased representation of women in decision making bodies and within the banking sector
- More investment in literacy and numeracy outreach programs for marginalized women groups to independently manage their small businesses and read written information that helps them to access financial services and products

LIST OF ACRONYMS

MTOs	Money Transfer Operators
MMOs	Mobile Money Operators
DBI	Dahabshiil Bank International
SHGs	Self-Help Groups
ID	Identification Card
DSB	Dara Salaam Bank
NGOs	Non-Governmental Organizations
LNGOs	Local Non-Governmental Organizations
INGOs	International Non-Governmental Organizations
HR	Human Resource
RM	Research Matrix
US	United States
IRW	Islamic Relief Worldwide
SOYDAVO	Somaliland Youth Development and Voluntary Organization
WAAPO	Women's Action Advocacy Progress Organization
SOS	Societas Socialis
EU	European Union
UNICEF	United Nations Children's Fund
IDPs	Internationally Displaced Peoples
SSF	Somali Stability Fund
AECF	Africa Enterprise Challenge Fund
DFID	Department for International Development
GEEL	Growth, Enterprise, Employment and Livelihoods Project
NRC	Norwegian Refugee Council
SMEs	Small and Medium Enterprises
ID	Identification Card
BoD	Board of Directors

INTRODUCTION

Equal access to finance is critical a critical component when striving for gender equality. Access to financial services is essential for the empowerment of women and for equitable and sustainable economic growth and development (UN,2009). Globally, women's access to finance is lower compared to men, access to finance is often a key indicator of a person's socioeconomic status and is also closely linked to human rights. According to the World Bank's Global Findex database of 2017, approximately 1.7 billion people do not have a bank account, of which 980 million are women. In sub-Saharan Africa, only 37% of women have a bank account compared with 48% of men, a disparity that has widened over the past several years due to increased gender inequalities at societal levels¹.

In Somaliland, this gap is likely to be wider due to demand-side (sociocultural norms and gender roles; collateral and application documents; literacy and access to information) and supply-side (lack of capacity to design gender-tailored services and products; inadequate services and products; unsuitable delivery mechanisms) constraints. Research conducted by the World Bank, the Enterprise Survey (ES 2013) in Somaliland, revealed access to finance was identified as the biggest obstacle to conducting business in Somaliland. In that survey, 48.8% of the firms interviewed chose poor access to finance as the most important, or biggest obstacle to their business from a list of 16 business-related challenges.

In Somaliland, women dominate the small, informal business sector, but accessing financial services in this sector is increasingly becoming difficult and historically women have been treated unequally by banking services. In April 2019 the European Union and the Chamber of commerce Somaliland hosted the "Promoting

Job Creation & Investment Climate Private-Public Business Dialogue". The primary concern of women participants was identified as having access to the full range of banking services which men currently have access to. The Nagaad and Oxfam Somaliland Gender Gap Study and the international literature reinforced this concern: "women were denied access to some banking services that men enjoyed even though their repayment rate was higher than that of men." A lack of access to essential banking services has significantly impacted women's economic empowerment and has impacted their capacity to grow businesses.

The current evidence suggests differential access between men and women to available financial services and products. This research investigates this claim along with the additional research objectives shown below:

- To recommend ways to adapt and improve policies, offers and practices of Somaliland financial institutions to create a more women-friendly environment with better and easier access for women-led business development.
- To identify better ways for women to access finance to expand their businesses, livelihoods and to formalize their economic activity.
- To analyze the root causes of differential access for women to the full range of services in banking and microfinance institutions.
- To provide recommendations to relevant stakeholders such as the Chamber of Commerce, banks, and the Ministry of Commerce, to better equip organisations with information on how to support small and medium-sized women-led businesses on how and what they can access.

¹ <https://www.imf.org/external/pubs/ft/fandd/2020/03/pdf/africa-gender-gap-access-to-finance-morsy.pdf>

- To analyze the challenges that women face when, and if they try to get finance from the banking system and analyze what opportunities there may be so improvements may be made.

Based on the research objectives the study provides responses, details, and insights to the following research questions:

1. How are women (diverse group) businesses accessing finance in Somaliland?
 - a. Formally through financial services
 - b. Informally through family networks (including savings group)
2. Which financial services are available and what are the conditions for access for women?
3. What are the implications of women accessing grants on formal bank loans/ financial institutions?
4. What are the key barriers and enablers to women accessing finance for business? What are the behavioral differences between men and women to understand if/why women are self-selecting out?
5. What are the underlying causes of differential access between men and women

to the full range of services in banking and microfinance institutions?

6. Which new products, services, policies, and practices need to be reformed or introduced to enable better access for women's business? (What are the gaps? What are the challenges for providers to offer services to women?)

Although there is evidence in the wider literature that women's access to finance in Somaliland is disproportionately low compared to men, there is no in-depth research to inform advocacy and programming. This research aims to generate relevant and current evidence to better understand women's access to finance in Somaliland, while also developing several best practices which can be adopted to foster inclusion. This report is organized into; methodologies, research findings and practical recommendations to influence public policies, institutional behaviors, and social perceptions. The recommendations are categorized for the relevant stakeholders such as government, financial institutions, development agencies and public opinion makers.



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RESEARCH METHODOLOGY

The research adopted a mixed-methods approach to provide a balanced overview of the current context for women. Key methods included desk review, survey, Key Informant Interviews (KIIs), Focus Group Discussions (FGDs), case studies and observations. Whilst conducting the research, gender sensitive, right-based, culturally sensitive, participatory and “learned oriented approach” was adopted at all levels to ensure that the research process was not extractive but was empowering and transformative for the women and other stakeholders in recognizing their rights. The research approach did not provide answers for the research questions but explored the intersections between key issues to provide

an in-depth understanding of the complexities of key issues that reinforce each other and constrain women’s access to finance. The study adopted a flexible methodological approach which was necessary because of the changing context caused by COVID-19. This meant accounting for existing challenges and uncertainties and new challenges that could arise due to the pandemic. During the data collection process, interviews were conducted in spaces that participants felt comfortable and could talk freely whilst complying with COVID-19 prevention measures. Specifically, the study ensured that women participants felt safe and comfortable in relation to interviewers and research questions, this encouraged open

discussions and lead to full disclosure in relation to their thoughts and feelings on accessing finance.

To ensure the study was gender-sensitive, several methods were incorporated into the research design including: (1) the lead consultant was gender specialist and had experience working with women in a range of contexts; (2) enumerators and facilitators received training with gender-inclusive methodologies to conduct the research with women and marginalized groups, and (3) female enumerators and discussion facilitators were all women to minimize the chances of women feeling a power imbalance.

As part of the research design, a Research Matrix (RM) was developed that contained the research questions, potential indicators to collect data for the research questions, sources of information and other specifics. The RM framework was used to guide the development of relevant data collection tools and other research protocols.

Qualitative methods

The qualitative methods included: desk review, Key Informant Interviews (KIIs), Focus Group Discussions (FGDs), Case Studies and observations.

Desk review: The research team reviewed more than 35 relevant documents including Somaliland financial legal and regulatory frameworks; UN reports, World Bank reports and databases; women access to finance research; publicly available information on local financial service providers; Somaliland development plans and other related materials.

Key Informant Interviews: The research comprised 19 interviews in total with 11 women and 8 men representing financial service providers, Somaliland Chamber of Commerce, Local and International NGOs, Somaliland government and women businesses. Below table shows the key stakeholders interviewed:

Stakeholders interviewed	Respondents	Female	Male	Location
Dahabshiil Bank International	2	1	1	Hargeisa
MicroDahab	2	1	1	Hargeisa
Premier Bank	1	0	1	Hargeisa
Dara salaam Bank	1	0	1	Hargeisa
Somaliland Chamber of Commerce	2	1	1	Hargeisa
WAAPO (LNGOs)	1	0	1	Hargeisa
SOYDAVO (LNGOs)	1	0	1	Hargeisa
NAGAAD (LNGOs)	1	1	0	Hargeisa
Concern Worldwide	1	1	0	Hargeisa
PLAN International	1	1	0	Hargeisa
SOS	1	1	0	Hargeisa
NAFIS Network	1	1	0	Hargeisa
Oxfam	1	0	1	Hargeisa
MESAF (Ministry of employment, Social affairs, and family)	1	1	0	Hargeisa
Woman large business holder	1	1	0	Hargeisa
Women medium business holder	1	1	0	Hargeisa
Total	19	11	8	

Focus Group Discussions (FGDs): The research conducted 9 discussions with urban women business holders, women in IDPs, rural women business holders, religious and cultural leaders.

Participants	# of Participants	Female	Male	Location
Group of women	7	7	0	Qaran Women Group, Sheikh Nuur, Hargeisa, urban area
Group of women	9	9	0	Sareeda Luul Women Group, Hulusuq village, rural area, MaroodiJeex region
Group of women	9	9	0	Damal Women Group, Abaarso village ² , rural area, MaroodiJeex region
Group of women	8	8	0	Naruuro Women Umbrella, State House IDPs Camp, Hargeisa
Group of women	9	9	0	State House IDPs Camp, Hargeisa
Group of women	9	9	0	Nasahablood IDPs camp, Hargeisa
Group of women	7	7	0	Khayre Women Group, Ahmed Dhagax IDPs camp, Hargeisa
Group of women	9	9	0	Hodaale Women Group, Daami, Hargeisa
Religious Leaders, cultural leaders	7	0	7	Hargeisa

Case Studies: The research conducted three in-depth case studies with one rural woman and two urban women business holders. The case studies focused on a woman who had previously applied from a local financial institution and had been rejected; and two women who applied for a business loan and had been accepted.

No case studies	Respondent	Location
1	A rural woman small business holder who applied for a loan from the local bank and got accepted	Hulusuq village, MaroodiJeex region
1	A woman small business holder who applied for a loan from the local bank and got rejected	Sh. Nuur Neighborhood, Hargeisa, MaroodiJeex region
1	A woman large business holder who applied for a loan from the local bank and got accepted	Hargeisa
3 case studies in total		

Observations: The research team completed an observation checklist where possible throughout the study process specifically paying attention to gender-sensitive infrastructures available in the visited financial service providers.

Quantitative methods

The quantitative methods included a representative survey and literature review of the relevant statistical data on women's access to finance.

Literature/desk review: The research accessed various documents including the world bank

databases to extract relevant numerical values and statistics that add value to the report.

Survey: The research conducted a representative survey of 150, (100 in Hargeisa and 50 in Borama city) with women-owned businesses including small, medium, and larger enterprises. The survey was administered by Kabaalconsulting utilizing the mobile data collection platform ONA/ODK.

² Abaarso village is semi-urban area but the focus group discussion participants were women from the rural area that convened in Abaarso for the discussion.

SAMPLING

The survey was conducted using purposive-then-randomized sampling technique. Women-owned businesses were the target population, taking into consideration socio-economic characteristics of the population including the type of business, age, disabilities, and geographical location. The research was

limited by practical constraints for example the wide-spread population and accounting for time and budget constraints, the sample size of 150 respondents was deemed suitable when working within these constraints but would be large enough to provide an accurate assessment of the context.

CHALLENGES AND LIMITATIONS OF THE RESEARCH

The field data collection took place from late December 2020 to early January 2021, when the impact caused by the COVID-19 pandemic had peaked. To ensure the safety and health of the researchers and the target population, complying with COVID-19 instructions delayed some of the fieldwork and national engagements. This was also a festive season in Somaliland and a busy time for the financial institutions as some key staff were on leave or their time was fully absorbed by closing their annual accounts. Some of the financial institutions were very cautious and sensitive and raised concerns that the information generated through this research would be used by their competitors against them. However, the research team overcame these barriers by ensuring all ethical and due diligence processes were strictly followed. Because of this, some interviews with financial institutions were delayed significantly until clearances were obtained from their HR departments. Even after obtaining HR clearance, some financial service providers withheld key information that could be useful and impactful for the research.

The research survey was conducted in Hargeisa and Borama cities while the qualitative

fieldwork was administered in Hargeisa and two selected rural villages in MaroodiJeex region. It is important to take into consideration when generalizing the various results presented in this report at a national level as more nuanced variations between the regions may not be evident.

Usually, the self-selection bias occurs in research that involves people's voluntary participation. Those who choose to join may share characteristics that makes them different from those self-select out of the research. Hence, the surveyed are those who consented to participate. A common anticipated reason the participants could self-select into the research is their perceived expectation of benefiting personally or by their institution, such as through monetary rewards/aid or partnering with Oxfam. To mitigate respondents' expectations, they were informed the sole purpose of the research was to better understand women's access to financial services before any interview took place, reinforcing the notion that their participation would not yield any immediate benefits or rewards.



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ANALYSIS OF THE BROADER FINANCIAL SECTOR IN SOMALILAND

Legal and regulatory framework

The Somaliland financial sector is still at the early stages of development, and the legal and regulatory frameworks that ensures effective governance are still being introduced, developed and enforced. The Somaliland government has introduced several legal frameworks including the Somaliland Central Banka Act (Act No: 54/2012)³, Islamic Banking Act (Act No: 55/2012)⁴, Monetary Transfer Business Law (Law No. 86/2019)⁵ that regulate the Somaliland financial sector. The commercial banking bill

failed to achieve parliamentary approval in 2016 and is currently still pending. This is largely due to interest groups who have fiercely opposed the bill on the grounds that it is not fully compliant with Islamic finance laws. The failure to pass the conventional/commercial banking act has halted the establishment of local and international commercial banks in Somaliland. As a result, larger money transfer organizations (MTOs) engaged in banking activities including taking deposits and making loans has transitioned into Islamic Commercial Banks.

The introduction of existing policies and legal instruments emanating from Article 13 of the constitution of the Republic of Somaliland, “The state shall establish a Central Bank which shall direct the monetary system and the currency of the nation. The opening of commercial and development banks shall be made possible and private banks shall be accorded preferential status⁶”. No other laws exist to regulate the burgeoning financial sector, the existing laws contain serious gaps that weaken their full enforcement and further clarification on their application is needed. Although progress was made in developing policies and laws to regulate the sector, operationalizing these instruments has been a challenge due partly to limited resources, capacity constraints and political will.⁷ However, the finance sector is growing and offering various financial products and services to the public.

Financial ecosystem in Somaliland

There are five main groups in Somaliland’s formal financial ecosystem: Somaliland Central Bank, Islamic Commercial banks, Money Transfer Organizations (MTOs), Microfinance Institutions (MFI), Mobile Money Operators (MMOs) and NGOs⁸.

- I. Somaliland Central Bank is the main regulator of Somaliland’s financial sector which is also mandated to operate as a commercial bank. The bank’s core activities are (1) Issuance of Somaliland’s national currency/legal tender, the Somaliland Shilling (SLSH); (2) Regulation of money supply through Monetary Policy; (3) Banker to the Government of Somaliland; (4) Banker to Commercial Banks; (5) Supervision and regulation of Financial Institutions; (6) Management of the country’s external/foreign reserves; and (7) Adviser of Government on financial and economic issues⁹.
- II. Islamic Commercial Banks are sharia-compliant¹⁰ banks licensed by the Central Bank of Somaliland. The main Islamic Commercial Banks in Somaliland are Premier Bank, Dahabshiil International Bank (DIB), Dara Salaam Bank (DSB) and Amal Bank. These banks provide services mainly accepting deposits and giving loans to the public.
- III. Microfinance Institutions (MFIs) provide sharia-compliant financial services mainly loans to low-income segments of the society. The main MFIs in Somaliland are Micro-Dahab, Kaaba Microfinance Institution (K-MFIs), Kaah International Microfinance Services (KIMs) and Shuraako¹¹.
- IV. Money Transfer Operators (MTOs) are engaged in international money transfers. The main MTOs that operate in Somaliland are Dahabshiil, Amal, Jubba, Kaah Express, Taaj, Tawakal, Iftin and Bakaal Express. The Larger MTOs including Dahabshiil, Al-Barakat¹² and Amal have established commercial banks and telecommunication branches providing mobile money services.
- V. Mobile Money Operators (MMOs) allow Somalilanders to receive, store and spend money using a mobile phone. The largest Mobile Money Operators in Somaliland are Telesom/Zaad and Somtel/E-Dahab. The MMOs provide both local and international money transfers. For international transfers this goes through money transfer operators e.g., Taaj.
- VI. NGOs provide loans, grants and revolving funds to women in businesses in Somaliland.

³ www.somalilandlaw.com/Xeerka_Baanka_Lr54-2012.pdf (Last accessed on 6 February 2021)

⁴ XEERKA BAANANKA ISLAAMIGA AH (somalilandlaw.com) (Last accessed on 6 February 2021)

⁵ [Xeerka-Xawaaladaha-Somaliland-Xeer-Lr.-86-2019.pdf](http://www.somalilandlaw.com/Xeerka-Xawaaladaha-Somaliland-Xeer-Lr.-86-2019.pdf) (somalilandlaw.com) (Last accessed on 6 February 2021)

⁶ SOM88085 Eng.pdf (Last accessed on 7 February 2021)

⁷ Financial Sector Diagnostic Study for Hargeisa, Somaliland, April 2013, International Labour Organization (ILO), Hargeisa, Somaliland.

⁸ NGOs are considered under formal financial service providers as they provide grants, loans, and revolving funds to women businesses in Somaliland.

⁹ <https://bankofsomaliland.net/about/> (Last accessed on 6 February 2021)

¹⁰ Shariah-compliant banking refers to finance or banking activities that adhere to shariah (Islamic law). Two fundamental principles of Islamic banking are the sharing of profit and loss, and the prohibition of the collection and payment of interest by lenders and investors.

¹¹ Shuraako is focused providing both small and large loans mainly to Small and Medium-sized Enterprises (SMEs)

¹² Al-Barakat was closed in September 2011 in suspicion that it has links with Al-Qaida – US designated terrorist group. In 2006, the US and UN officially removed Al-Barakat from their blacklists, finding that there was no evidence of the company’s involvement in funding of any terrorist activities. Telesom telecommunication company and Taaj money transfer is believed to have been off-shoot of Al-Barakat money transfer.



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WHICH FINANCIAL PRODUCTS ARE AVAILABLE AND WHAT ARE THE TERMS AND CONDITIONS?

There are formal and informal financial service providers in the market. The main formal financial service providers are Commercial Banks, Microfinance Institutions, and Local and International Non-governmental Organizations

(L/INGOs). The informal financial service providers include friends, relatives, neighbours, Hagbed¹³, self-help Groups and revolving funds¹⁴. Below are the financial products with set terms and conditions.

¹³ Members of women group receive fixed money usually from NGOs, and each member repays agreed amount of the debt each week or month and then the 'collected money' is given to a different member in turn.

¹⁴ A contract of sale between the bank and its client for the sale of goods at a price plus an agreed profit margin for the bank. The contract involves the purchase of goods by the bank which then sells them to the client at an agreed mark-up. Repayment is usually in instalments.

Formal financial service providers

Islamic Commercial Banks

1) Dahabshiil Bank International (DBI)

Dahabshiil Bank International (DBI) is a Sharia-compliant bank that provides various financial products. The main Sharia-compliant credit financing instrument DBI offers is Murabaha¹⁵ which involves the purchase of real state, vehicles, and goods only. Murabaha mode of financing remains the most common mode of financing and has the largest share of the bank's clients. Musharakah¹⁶ and Mudarabah¹⁷ credit financing exists but are not common and are approved under specific circumstances which require management approval. Through the existing credit instruments, DBI finances businesses, trade, agriculture, energy, technology, fishers etc. The terms and conditions for the Murabaha – the most common credit financing, are as below:

Terms conditions for Murabaha credit financing

- I. The applicant must be an employee who earns a minimum salary of 800 dollars or an owner of a legally registered profitable business with a tax clearance certificate
- II. The applicant must submit a completed request letter specifying: (1) Murabaha subject matter; (2) the price of the goods to be purchased; and (3) the proposed repayment period
- III. Performa invoice addressed to Dahabshiil Bank International
- IV. Documentary evidence of employee's salary i.e., contract or financial statement for the businesses.
- V. Customer certification letter from Dahabshiil Bank or the Money Transfer section
- VI. Print out of the last annual financial statement

- VII. An employment contract that will remain valid until the loan is fully paid.
- VIII. Two passport size photos
- IX. Copy of Passport/ID/Driving license.
- X. Somtel¹⁸ contact number
- XI. 30% upfront payment for vehicle financing.

2) MicroDahab Microfinancing

MicroDahab is a microfinance institution that was established as a subsidiary of Dahabshiil International bank that works to alleviate poverty and promotes financial inclusion by providing microfinance services. Although the majority of Micro-Dahab clients are women-led, small business holders, it is also beneficial to youth, men, farmers, and students. MicroDahab has seven branches in Somaliland and nine branches in South-Central Somalia demonstrating a strong presence across all regions of Somaliland and Somalia. The most common MicroDahab credit financing instruments are: (1) Murabaha, (2) Mudarabah; (3) Ijara; and (4) Qardh Al-Hassan. The most recent MicroDahab projects which reflect their credit services are solar-powered water pumps for Barwaaqo¹⁹ farming cooperatives to irrigate their farms; Aluminium milk cans and milk cooling stalls for Gobonimo and Waheen milk traders; laptops for students and businesses; and businesses for Self-Help Groups (SHGs) through Murabaha credit scheme. Overall, MicroDahab finances sectors shown in the table on the next page:

MicroDahab conducts regular outreach visits in local markets to share information about their products with target customers. This is specifically designed to reach illiterate women who own a small business and who may not otherwise be able to access such information. Whilst conducting outreach visits, loan applications are also submitted for customers who need business financing. MicroDahab also

¹⁵ A contract of sale between the bank and its client for the sale of goods at a price plus an agreed profit margin for the bank. The contract involves the purchase of goods by the bank which then sells them to the client at an agreed mark-up. Repayment is usually in instalments.

¹⁶ This is partnership agreement. All parties involved contribute to towards the financing of a venture. The parties share profits on a pre-agreed ratio while losses are shared according to each party's equity participation. Management of the venture is carried out by all, some, or just one party member.

¹⁷ It is a contract in which all the capital is provided by the Islamic bank while the business is managed by the other party. The profit is shared in pre-agreed ratios, and loss, if any, unless caused by negligence or violation of terms of the contract by the entrepreneur is borne by the Islamic bank. The bank passes on this loss to the depositors.

¹⁸ Is Dahabshiil owned telecommunication company that is headquartered in Hargeisa.

¹⁹ An association of 600 hundred farmers in the west and north of Hargeisa city.

Sectors	Description
Agriculture	Providing Murabaha to small subsistence farmers i.e., fertilizers, seeds,
Fishing	Financing fish for retailers and fuel, ice, nets and food for boat owners
Education	Providing laptops and other educational materials to our clients
Livestock	Providing Murabaha to small livestock traders across the region
Renewable energy	Promoting Murabaha initiatives to adopt and mainstream solar energy
Manufacturing	Availing Murabaha finance to small craftsmen by investing in stocks

shares updates on their products through social media, local TVs, and Radio Hargeisa. Terms and conditions of MicroDahab financial products are not publicly available rather the applicants attend the nearest branch or engage with an outreach visitor to obtain the requirement verbally. Collateral and/or guarantor is the mandatory requirement of MicroDahab finances to fund informal businesses. Collateral is an asset in the borrowers' name that MicroDahab accepts as a security protection for the loan. If the borrower defaults on his/her loan payments, MicroDahab can seize the collateral and sell it to recover the loan. A guarantor is an individual who agrees to pay a borrower's debt in the event the borrower defaults on his/her loan obligation. Guarantors pledge their own assets as collateral against the loan.

MicroDahab credit officers help applicants to complete the application and other required documentation. MicroDahab finances Self-Help Group business through an inter-member guarantee framework. All group members are responsible for the loan payment and if a member defaults the rest shall recover the loan for the company. The minimum loan MicroDahab offers is \$300 while the maximum is \$5000, although there are instances, they offer slightly higher or lower in this price range. If an applicant cannot meet the terms and conditions, specifically a guarantor, there are no alternative arrangements for her to obtain a loan.

Generally in Somaliland, the concept of collateral and guarantor is fluid. Because there is no formalised system to verify asset ownership instantly, financial service providers do not accept guarantors for his/her asset claims only but consider broader socio-cultural issues including truth-worthiness,

reputation, and overall societal acceptance. Some guarantors are self-referencing because of their position in the society while others' information is accessed through influencers such as traditional leaders, religious leaders, politicians, and established business owners. Since markets are dominated by men, they are more likely to be known in their respective sectors unlike similar businesswomen in the market which excludes them to be recognized as guarantors for loan applications.

MicroDahab has been a beneficiary of various donors and has implemented NGOs projects to provide low collateral loans to increase access to finance for credit-worthy SMEs that lack sufficient collateral or possess other non-financial credit challenges. Mercy Corps and SSF projects have ended while AECF, GEEL and NRC are on-going and continue to provide collateral for SMEs to access finance. Interestingly, the SMEs are not aware of the availability of collateral. Hence, the financial service provider recovers the loan if the client defaults.

3) Premier Bank

Premier Bank is Sharia-compliant commercial bank offering different financial products to customers in Somaliland. The bank offers (1) businesses financing including trade, asset, and projects; and (2) personal financing for individual needs unrelated to the business activities. Premier Bank's main investment sectors are energy, trade, and production sectors i.e., agriculture. Premier Bank has adapted a unique financing model which requires the client to submit his/her investment proposal to be reviewed by a credit committee. If the credit committee approves, the client is notified of the bank's preferred credit instrument to finance the proposal. The

available credit financing instruments are Ijara²⁰, Istisna'a (progressive financing)²¹, Musharakah, Mudarabah, Murabaha and Qardh al-hassan (benevolent lending)²². Premier bank does not have dedicated micro-finance instruments but the Qardh Al-hassan credit instrument which is part of the bank's larger credit facility provides small loans two to three times a year with a maximum limit of 5000 USD to the clients. Over 80% of the microcredit (Qardh Al-hassan) applicants are women and youth with small scale businesses. Some of the applicants are referred by NGOs while others are independent individuals. The bank does not levy small loans, and service costs are absorbed by the bank. The minimum investment through other credit instruments is 3000 USD, meaning there is an overlap between Qardh Al-hassan and other available credit instruments. The difference is that Qardh Al-hassan is an interest free loan paid in cash whilst another Murabaha credit instrument requires the client to pay the mark-up or "cost-plus" price for the goods purchased.

In the absence of specific financial products for women, the bank accepts the referrals of local NGOs like Candlelight which support organized women Self-Help Groups (SHGs) to access credits collectively. For example, 10 women may receive \$5000 (\$500 each) through an inter-member guarantee framework. The group signs a contract stipulating collective responsibility for the loan repayment. If one member defaults, the rest shall recover the loan for the bank. It is reported that the default rate for the SHGs is very low (less than 3%) with genuine reasons. For individual applicants, the bank assesses the business credit history, requires a guarantor, visits the site of the business, interviews the applicant and cross-checks documents including tax payment receipts to approve or reject the loan. At the end of each cycle payment, the bank evaluates the commitment of the debtors in the loan repayment; those who pay on time and pay off their debt will benefit from a high credit score and are accepted for more likely to be accepted for future loans whilst the defaulters are blocked or backlisted to access future loans. Premier bank does not have imminent plans to establish dedicated

microfinance instruments other than scaling up the existing micro-credit facilities.

Terms and conditions for Murabaha credit financing

- a. Requirement for Employees
 - I. Premier Bank Account
 - II. Request Letter to be filled by the applicant
 - III. Copy of the passport/National ID
 - IV. Photo – Passport size
 - V. Copy of supplier details/Pro forma invoice or quotation
 - VI. Letter from employer (Employment status, Salary, behaviour, and position)
 - VII. Copy of the employment contract
 - VIII. Bank statement (last six months)
 - IX. Security and/or third-party guarantor (copy of the guarantor ID needed)
- b. Requirements for self-employed/sole proprietor
 - I. Premier Bank account (which has been active for the last three months)
 - II. Request letter to be filled by the applicant
 - III. Copy of passport/ID
 - IV. Valid business license or registration certificate
 - V. Pro forma invoice or quotation
 - VI. Business profile: history, nature of business and list of major customers and suppliers.
 - VII. Financial statements (statement of financial position and income statement)
 - VIII. Bank statement (last 6 months)
 - IX. Collateral and/or guarantor (copy of guarantor ID needed)
- c. Requirements for companies/partnerships
 - I. Premier Bank account (which functional for the last three months)
 - II. Copies of ID (or passport) each of the owners/shareholders
 - III. Fill in a bank request form
 - IV. Approval of the business's Board of Directors (BoD)/Shareholders of the credit request

²⁰ A leasing agreement whereby the bank buys an item for a customer and then leases it back over a specific period.

²¹ A contract of sale of specified goods that have to be manufactured before delivery is possible.

²² Is an interest free loan. In a qard al-hasan transaction, the borrower repays the principal amount of the loan without interest, mark-up, or a share in the business for which the loan was used.

- V. Pro forma invoice/quotation addressed to Premier Bank
- VI. Business profile: history, nature of business and list of major customers and suppliers.
- VII. Notarized copy of memorandum/articles of association. In the case of a partnership, certified copy of the partnership deed/agreement
- VIII. Copy of the certificate of registration/business license together with a certificate of change of name (if applicable)
- IX. Copy of the last annual financial statement (balance sheet, income statement and cash flow statements) – audited statement needed if the facility exceeds \$100,000
- X. Copies of bank account statements for the past 6 months
- XI. Schedule(s) of current and previous bank borrowings with details of maturity – if any.
- XII. Proposed security: collateral and/or guarantor. In case of collateral security: valuation reports (s) and copy of the documents evidencing ownership of the asset offered as security.

4) Dara Salaam Bank (DSB)

DSB is sharia-compliant bank established in 2010 that is licensed by the central bank of Somaliland. DSB offers a wide range of Sharia-compliant products and services. DSB investment is categorized: (1) Debit based financing (Murabaha and Istisna'a); (2) Equity based financing (Musharakah and Mudarabaha); and (3) Credit based financing (loans and Qardh Al-Hassan). DSB provides investments to both businesses and individuals. However, a high default rate obliged DSB to stop providing microfinance services. \$ 3000 is the minimum loan that the bank offers through different credit financing instruments to all clients irrespective of their gender. Hence, the bank does not have specific credit facilities for women.

Terms and conditions for different DSB credit instruments

a. Murabaha terms and conditions

- I. Collateral and/or guarantor.
- II. Official letter evidencing sources of

- income – salary, income from rents, profits from business (balance sheet, income statement, cash flow)
- III. Registration documents and Article of association
- IV. The applicant and the guarantor must have a bank account with DSB
- V. Registration/list of the applicant and guarantor assets (real state, land titles, vehicles, cars etc.)
- VI. Pro forma invoice or quotation of the goods to be purchased
- VII. The applicant must not make a deposit to the seller of the goods at any circumstances.
- VIII. Assign the space where the buyer (client) shall receive the items once purchased.
- IX. The items (land, house, vehicle, or car) must bear complete and legal documentation for the bank to finance
- X. The bank reserves the right to withdraw the transaction if any issues are detected at any stage of the process
- XI. The buyer (client) must make 30% upfront payment of the total price value of the item to be purchased.
- XII. The repayment period is 12 months for an investment of less than \$10,000.
- XIII. Request letter addressed to the bank
- XIV. Photo -- passport size and national IDs both for the applicant and the guarantor
- XV. A notarized collateral asset including business shares, property, etc.
- XVI. Valuation letter if the collateral is property i.e., houses.
- XVII. Applicants last three months financial statement
- XVIII. Documentary evidence of the income sources as stipulated in bullet number two.

b. Terms and condition for DSB Mudarabah and Musharakah

- I. The applicant must have at least one year experience of the proposed project
- II. Business's last annual financial statement (balance sheet and income statement)
- III. Feasibility study on the project
- IV. Guarantor to be liable for any losses or defaults.
- V. The applicant must not use the

- purchased items for his/her other business motives.
- VI. Ascertain the item/s to be financed by the banks
 - VII. Is illegal to spend the funds for the agreed items on other businesses.
 - VIII. The applicant or the guarantor will be liable for any written off debts.
 - IX. For the Mudarabah, the profit is shared as per the contractual agreement while any loss is absorbed by the bank given it does not result from applicant's negligence.
 - X. For the Musharakah, the profit is shared as per the contractual agreement while any loss is split as per the share values.
 - XI. There is no profit from Mudarabaha unless the principle is secured first.
 - XII. Musharakah begins when the involved parties confirm the transfer of the agreed money to the new DSB account.
 - XIII. The Musharakah and Mudarabaha investment shall have financial procedures detailing staff salaries and other expenses.

Terms and conditions for DSB Istisna'a

- I. The applicant must submit a quotation for the items to be manufactured or constructed. For house construction, the applicant must submit the land location, land size and proposed construction design. For items to be manufactured, the applicant must submit a description of the item and the manufacturing location.
- II. Agreement on the construction and manufacturing time scales.
- III. Agreement on the delivery location once manufactured
- IV. Collateral and/or guarantor
- V. Income evidence – employment contract, income from property rents, income from businesses (balance sheet, income statement and cash flow)
- VI. Registration of business and the article of association
- VII. Must have an account with DSB and print out of financial statements of the last three months
- VIII. 30% upfront payment of the total value of the item/s to be constructed or manufactured.
- IX. Request letter addressed to the bank
- X. Photo-passport size and national IDs both by the applicant and the guarantor
- XI. A notarized collateral asset including business shares, property, etc.
- XII. Valuation letter if the collateral is property i.e., houses.
- XIII. Applicants last three months financial statement
- XIV. Final design of the construction or detailed description of the item to be manufactured.

5) Local and International Non-governmental Organizations (L/INGOs)

L/INGOs are not formal financial institutions but their capacity to provide grants and loans (known as revolving fund) to low-income women and women small business holders qualify them to be analysed as formal financial providers in this research. Care International, ActionAid, Concern Worldwide, World Vision, Islamic Relief Worldwide (IRW), SOYDAVO, WAAPO, Candlelight, Nagaad, SOS Somaliland and some UN agencies are among those currently providing grants and loans to low-income women and women's groups. UN agencies mainly provide grants or loans (revolving fund) to such groups through local organizations. Before giving out cash grants and loans, women are organized into groups. For example, Concern Worldwide supports village-based women associations by providing grants to rural women to create their own businesses which subsequently increases their financial independence and self-reliance through economic empowerment. The groups receive grants collectively after completing one year of capacity building and mentorship training. The grant size is \$3300 for each group of 20 members. The EU funded project SOYDAVO has also provided grants to women groups in Burao in Togdheer region in 2020. After completing two months of business training, each woman received \$324 seed money to start her own business. WAAPO is managing a UNICEF funded UPSHIFT micro financing scheme for 80 women groups in IDP camps. The project goes through three phases: (1) intensive training and mentoring of the beneficiary groups; (2) seed money after completion of the training course; and (3) monitoring of the businesses during the incubation period and linking them to potential credit service providers. The UPSHIFT project

provides cash grants ranging between \$1400 and \$2000 to women groups based on the rigour and the scale of the business. The plan is to scale up the project to include an additional 100 groups. Grants are non-reliable as they are on a project-by-project basis.

Terms and conditions for implementing NGOs to provide grants or revolving funds depend on their own women's economic empowerment strategies and specific project objectives. There are cross-cutting requirements for most of the implementing NGOs for women to qualify for grants or revolving funds. The key terms and conditions are: (1) the potential grant and/or revolving fund recipients must participate capacity building training; (2) recipients of grants should be a member of an organized group such as Self-Help Group (SHGs); (3) continuous monitoring and evaluation of grants or revolving funds; and (4) the groups must have clear structures including leadership and treasury. In addition, some implementing NGOs demand that groups have registration from a relevant government department, have a functioning bank account, have a recommendation from the community leadership committee, national identification cards and a guarantor that will be liable to pay the money if the funds are misused.

Overarching issues on financial service providers

It is worth to mention that most of the banks prefer to contract individual business shareholder or guarantor instead of directly contacting the business enterprise. This is because if the individual shareholder or guarantor defaults on the loan there is no

limited liability, and the creditor can legally recover the loan from debtors' personal properties. In a country where investment legal frameworks are either weak or does not exist, it is an indemnity for the banks but burdens small and medium-sized enterprises and threatens formalization of businesses. The markup rate ranges between 12% to 20% depending on the credit value and the risks associated with it whereas the credit repayment period is usually between 12 to 36 months depending on the credit value and the risks associate with it.

Informal financial services

Along with the formal financial services, there are informal financial chains that individuals and women smallholders can go to access grants and loans. The sources of informal financial chains include friends, relatives, neighbours, diaspora networks, clan members, extended families, moneylenders, Hagbed, etc. Informal financial credit is embedded in the Somali culture which furthers redistribution and sharing of resources among the community. There are societal expectations that clan members help each other when facing temporary difficulties. Although the more wealthy members assist poor relatives or clan members, there is reciprocity between equals. There are no written terms and conditions for credit services rather it is built on mutual trust and verbal agreements that should be honoured by the parties of the transactions. When a dispute arises, the parties seek justice from the local elders and sometimes the formal/secular justice system when necessary. Informal credits such as Hagbed are popular in the rural, IDPs camps, poor urban neighbourhoods and to a smaller extent in urban areas.



Abdiaziz Adani/Oxfam

HOW ARE WOMEN ACCESSING AVAILABLE FINANCIAL SERVICES AND PRODUCTS?

Access to finance is understood as the ability of individuals or enterprises to obtain financial services including credit, deposits, payment, insurance, and other risk management services. This section focuses on how individual women and women business holders are accessing existing financial services in Somaliland.

Women tend to dominate informal family-based small-scale businesses which makes them hard to make meaningful profits or savings

due to informalities. Due to a large number of dependents, women are more likely to spend their business revenues on immediate family needs and other social priorities rather than spending on business development. When in discussion with female participants from Khayre Axmed Dhagax IDPs camp they said, “women feel the heat of the daily family needs and spend business revenue on family priorities which affects business profitability and the loan repayments”. Moreover, the women focus

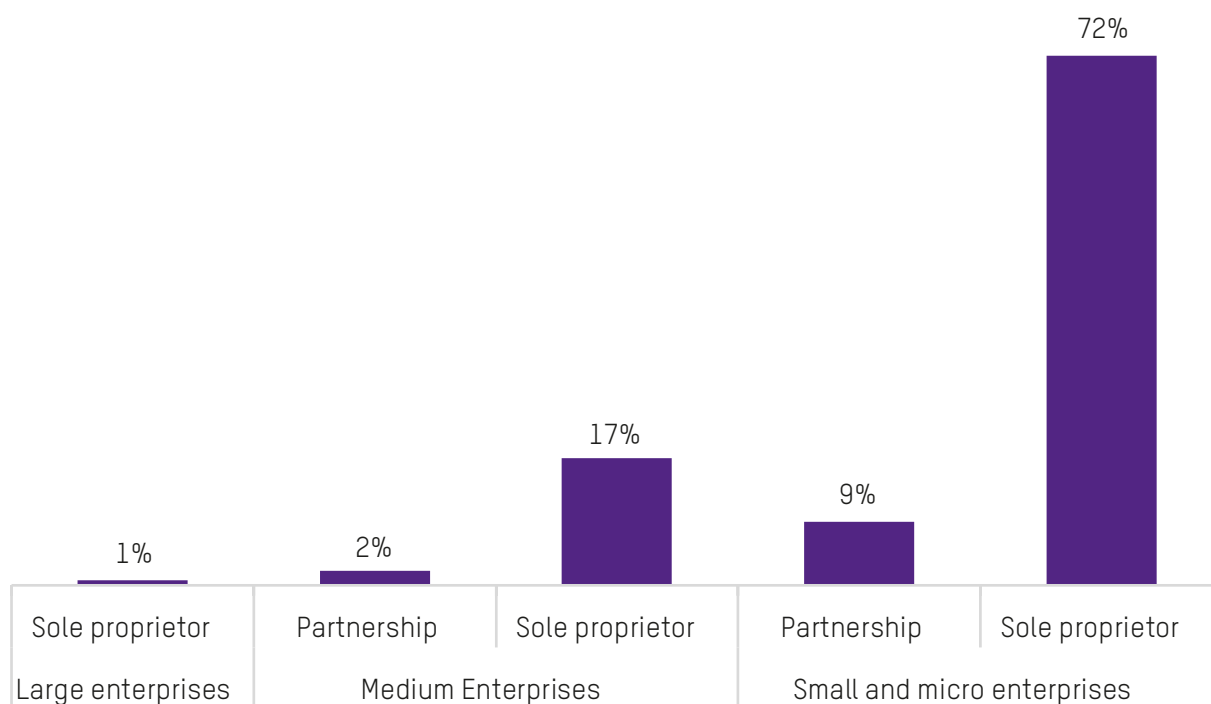
²³ Demirgüç-Kunt, A., Beck, T., & Honohan, P. (2008). Finance for All?: Policies and Pitfalls in Expanding Access. Washington, D.C.: The World Bank. Retrieved March 21, 2008,

group discussion participants from State House IDPs camp mentioned, “women in the IDPs camp do not have the confidence to seek loans for businesses that wouldn’t make a profit; they spend the loan on family priorities within weeks and fail the repayment”. Low literacy also makes women unable to determine if the businesses are making profits or losses. Hodaale, Sareeda and Damal women groups in Daami, Abaarso and Hulusuq areas have mentioned that low literacy is the main challenge that fails most women-owned businesses as they are unable to calculate income and expenses and mitigate risks of over-expenditure. This was also confirmed by male and female interview participants. A male interview participant mentioned, “literacy is a base of gaining businesses management skills to determine profit and losses. Women currently spend their income on family needs which makes it difficult for them to track loss and gains of the businesses” while a female interview participant said, “low literacy is the biggest

obstacle for women businesses to grow”. This provides context to why women businesses are increasingly seeking loans or grants to bail out businesses rather than to expand or grow them.

Women access loans from commercial banks, microfinances and women brokers in the markets that take loans from financial institutions and sell on to women business-owners usually located in markets with extortionate charges. Such charges are negotiable between the credit provider and the client. Even though women dominate informal markets and are involved in formal markets to a smaller extent, they are also heavily involved in the charcoal sector, beauty salons, crop farming, dairy businesses, fruits and vegetable business, remittances, retail business (shops, butchery, etc.), khat trade, livestock, and poultry businesses. The survey disaggregated forms of business ownership by the categories of businesses to further understand how different sectors impact women’s businesses.

Forms of business ownership disaggregated by categories of the business

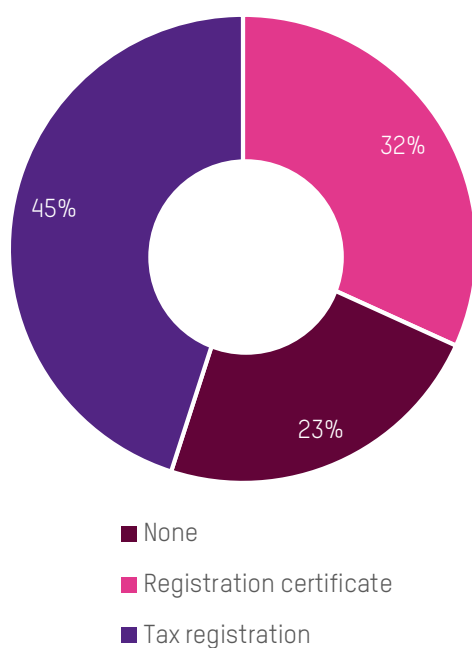


Out of the surveyed women who own businesses, 80% own small enterprises²⁴, 19% medium enterprises²⁵ and 1% large enterprises. Of the 80% small enterprises, 72% are sole proprietors²⁶ and 9% are partnership²⁷ form business. Of the 19% medium enterprises, 17% are sole proprietors and 20% are partnerships, while 1% of large enterprises²⁸ are sole proprietors.

However, the majority of the women businesses are not legally registered with the Somaliland Chamber of Commerce and the Ministry of Commerce. Most of them do not have bank accounts with formal financial institutions but have mobile money accounts.

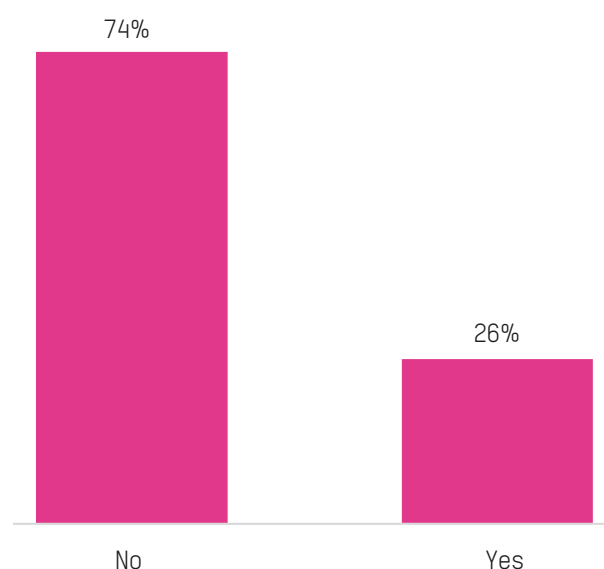
them. 45% of the surveyed women have a tax registration certificate, 32% have no documents and 23% have registration certificate documents. However, when interpreting the data it is important to account for literacy when understanding the appropriate documentation. Research from the focus group discussions and additional verifications found out the registration certificates and tax registrations that women businesses claimed to have are mostly tax receipts issued by the local councils.

Which of the following documents do you have in your business name?



Women businesses were asked which of the following documents they have in their business name: (1) registration certificate; (2) tax registration; (3) audited tax accounts; (4) company shares; (6) others; and (7) none of

Do you have a bank account with a formal financial institution in your name or business name?



74% of the surveyed businesswomen do not have accounts with a formal financial institution in their name or the business name while 26% owned accounts. The reasons that were mentioned in the discussions, interviews and the survey are: (1) women are not aware of the financial services that provide account services; (2) women don't trust financial institutions with their money; (3) it is difficult for women to understand the requirements

²⁴ In this research small enterprises are usually informal businesses in the open markets and along the streets, that employs 1-2 people and with capital value of less than \$2000.

²⁵ Medium enterprises are usually formal business in building spaces that employs 7 people on average with capital value of tens of thousands of USD.

²⁶ A sole proprietorship also referred to as a sole trader or a proprietorship, is an unincorporated business that has just one owner who pays personal income tax on profits earned from the business

²⁷ A partnership is a formal arrangement by two or more parties to manage and operate a business and share its profits.

²⁸ Large enterprises are formal business in building spaces that employ more than 10 people with capital value of more than hundred thousand of USD

due to low levels of literacy; (4) women lack the necessary documents including identification cards; (5) the bank service fees/charges are expensive when opening an account; (6) some women think banks charge interest/riba which is illegal in Islam – making them hesitant or in some cases caused them to abstain from opening accounts with the local financial institutions.

The above-mentioned reasons were triangulated with local banks' requirements when opening accounts. The process of opening a business account with local banks involves a due diligence process which makes it harder for most of the women to meet the requirements. Although there are slight differences between the banks, they all have similar requirements to open business accounts. On average, it costs \$20 (\$10 service fees and \$10 opening balance) to open an account. Some banks require \$100 for the opening balance from the clients.

More importantly, Premier bank is the only bank in which the application form for a business account is available online for the public²⁹. The online version is only available in English which makes it difficult for many clients to complete without assistance. It is also mandatory to produce registration certificates from the Ministry of Commerce and the Chamber of Commerce. Registering business with these institutions is also complicated and very expensive for women small business; it costs \$300 to \$400 to obtain all formal registration documents. Identification cards, passports, 2 passport size photos, article of association for the business, business address and proof of location are among other mandatory requirements associated with opening a bank account with a local financial institution.

Although lower levels of literacy among women remains a key factor that excludes women from

the available financial services such as opening bank accounts, balancing the extra burden of unpaid care work at home and business demands makes it significantly harder for them to open or maintain business accounts. It is also a concern for women trying to obtain a national identification card as a male family guarantor is required in addition to the sub-clan chief which is required to guarantee all applicants irrespective of their gender. Although the constitution of Somaliland guarantees equality for all genders, societal norms set different expectations for women and men. The family male guarantor requirement for women to get a national identification card is unwritten but fully enforced in practice. The family male guarantor requirement applies only to women when getting national IDs and is a significant challenge which in turn makes it harder for women to register businesses and open a bank account.

"I was born and brought up in Somaliland. I studied in Somaliland from primary school up to university. I urgently needed Somaliland national Identification Card for personal use. I went to the ministry of interior office to submit an ID application. Although I completed all the requirements, I was told to bring a family male i.e., brother, uncle, father, or cousin³⁰ who has Somaliland national ID to guarantee me. I told them that my older sister has the ID card, but they refused and said only male members are accepted³¹".

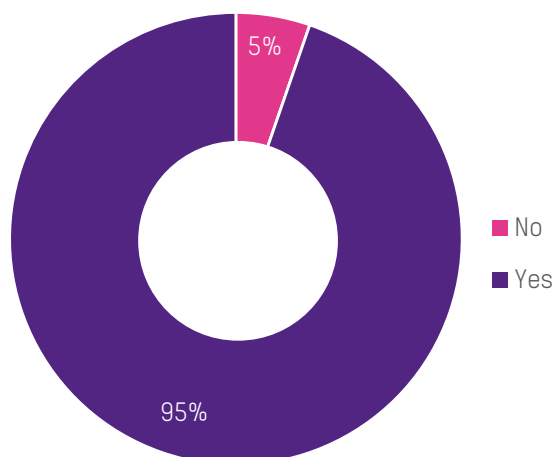
Women's financial exclusion is rooted in several different avenues, the extortionate costs involved at different levels when opening a business account which at times equates to higher than the total value of women's business, women's limited mobility entrenched in unequal gender role at the household level and the long-drawn-out due diligence process that affects women disproportionately.

²⁹ <https://premierbank.so/wp-content/themes/premierbank/download/Premier-bank-Business-Acc-Opening-Form.pdf> (Last accessed 2 March 2021)

³⁰ From uncle's side

³¹ A female key informant interview, interviewed, Hargeisa, January 2021

Do you have mobile money account in your name or your business's name

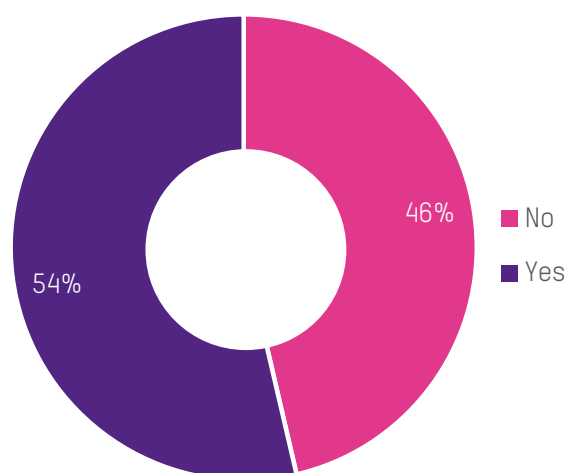


Unlike a bank account with formal financial institutions, 95% of women businesses have a mobile money account, and 5% do not have a mobile money account. This is in line with World Bank study findings which indicate 78% of the Somaliland population use mobile money services while the Zaad accounts for 96.5% of those mobile money accounts. The wide use of mobile money services necessitates businesses to open mobile money accounts. The discussions and interviews confirmed that only an identification card is needed to open a mobile money account and there are no costs involved. The identification card requirement has recently been introduced and at times it is waived if a family member has already a mobile money account and can be the client's guarantor.

54% of the businesswomen are aware of financial services or institutions that provide loans to business while 46% have no awareness. The large percentage of women who said they are aware of the available financial services can be explained by assessing the demographics: all the survey respondents are from urban areas (Hargeisa and Borama), but in-depth discussions with rural women, IDPs and marginalized women businesses living in the peripheries revealed a very low level of awareness. The dominant way to explore available financial services and products is to physically visit the nearest

bank or microfinance branch. The formal financial services share succinct information around their services and products on social media and TVs. Women small business owners mentioned that they do not use social media; some do not have TVs at home while others may not have time to watch TVs due to heavy unpaid workload at home. This demonstrates a lack of means to access essential information services.

Are you aware of any financial services/ institutions that provides loans to businesses in your area/Somaliland?



54% of the businesswomen are aware of financial services or institutions that provide loans to business while 46% have no awareness. The large percentage of women who said they are aware of the available financial services can be explained by assessing the demographics: all the survey respondents are from urban areas (Hargeisa and Borama), but in-depth discussions with rural women, IDPs and marginalized women businesses living in the peripheries revealed a very low level of awareness. The dominant way to explore available financial services and products is to physically visit the nearest bank or microfinance branch. The formal financial services share succinct information around their services and products on social media and TVs. Women small business owners mentioned that they do not use social media;

³² (https://www.altaiconsulting.com/wp-content/uploads/2017/11/WB-MME_Final-Short-Version_20170608.pdf) (Last accessed on 5 February 2021)

some do not have TVs at home while others may not have time to watch TVs due to heavy unpaid workload at home. This demonstrates a lack of means to access essential information services.

Information about credit opportunities often spreads via word of mouth and social networks. For example, women in the IDP camps mentioned that they receive information in weekly group meetings. The women in the same IDP camps or groups have differential access to credit information depending on unpaid care workload, mobility, and whether she participates in community social spheres that information is shared. Focus group discussion participants from Khayre IDPs camp in Ahmed Dhagax district have mentioned, “We are aware of Kaah express, Premier bank and Dahabshiil banks and we are planning to reach other banks in the future. Some women get information through their other social networks and share with their group in the weekly meetings”. Contrarily, focus group discussion participants from the State House IDP camp also mentioned, “We are not aware of any financial institution that provides loans, if we were aware of it, we would have approached them”. This highlights a disparity between different women dependent on location and socioeconomic status.

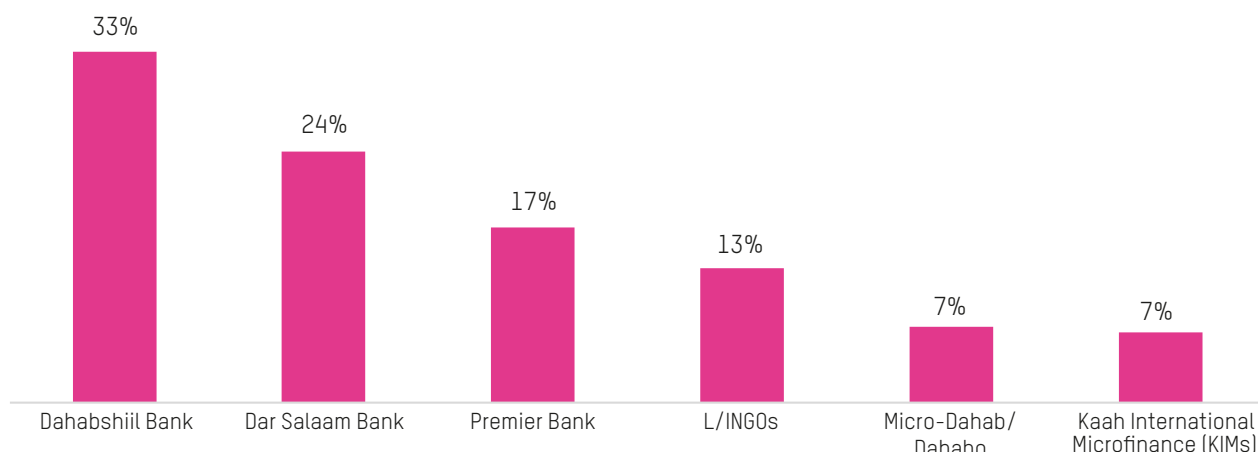
In addition, women businesses access financial information or opportunities through previous loan recipients. Nimo Abdi from Naruuro women group in State House IDP camp received two cycles of loans from Premier bank with which she bought a sewing machine for a tailoring business and invested the rest in her shop. She said, “My shop is doing well, and you can visit to see with your own eyes”. Loan recipients like Nimo act as sources of information for other women and due to their success in securing the loan and repaying the loan; their stories spread across the area and as a result, more businesswomen are considering applying for loans. Women focus group discussion participants from Sh. Nuur area in Hargeisa and Khayre IDPs camp in Ahmed Dhagax district in Hargeisa have mentioned that they heard loan

application information from previous women loan applicants and some of their members have applied while others are considering to apply. On the other hand, some women who received loans were not able to pay in full because of the impact of the COVID-19 pandemic. The discussion participants also mentioned that this has demotivated some women to seek loans from financial institutions other than Hagbed in the fear of unable to repay them on time. The market is generally slow for small businesses to make profits. Informal finances are compassionate to those who could not repay it and can possibly forgive the loans or partially in some instances.

Micro-Dahab/Dahabo subsidiary of Dahabshiil Bank is revolutionizing and transforming the way women access financial services by conducting outreach programs and setting up stalls in the women dominated local markets. This is easily accessible due to its flexibility, businesswomen can drop in at a suitable time for them and receive information around available financial products with associated terms and conditions. The staff who conduct the outreach programs are mainly women to create a safe space for the female clients to share their information and seek answers to any questions. The main reason for the outreach programme is to bring the services closer to women dominated markets and increase their access to the available financial services. The frequency and time of the outreach programme depend on market demands and if there is a budget available for it, however, this has been observed as a suitable approach to dispersing information.

Overall, there is a small window for women accessing existing financial services. This is due to a deliberate lack of efforts from the financial service providers to introduce targeted approaches for women in rural areas, IDP camps and poor suburbs of the cities limits women’s ability to access finance. This is likely to be because of the historical marginalization of women at a societal level and a lack of awareness around gender-sensitive approaches.

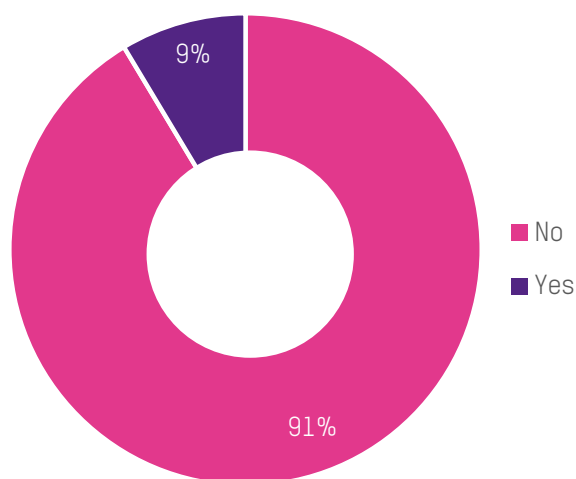
Which formal financial institutions provide loans to businesses in your area/Somaliland?



Of those who are aware of financial services/institutions that provide loans, 33% mentioned Dahabshiil, 24% Dar Salaam Bank, 17% Premier Bank, 13% L/INGOs, 7% Micro-Dahab/Dahabo and 7% Kaah International Microfinance (K-MFI). Although MicroDahab conducts outreach programmes their lower market share can be explained by the fact that respondents reported that they perceived MicroDahab as part of Dahabshiil Group of companies.

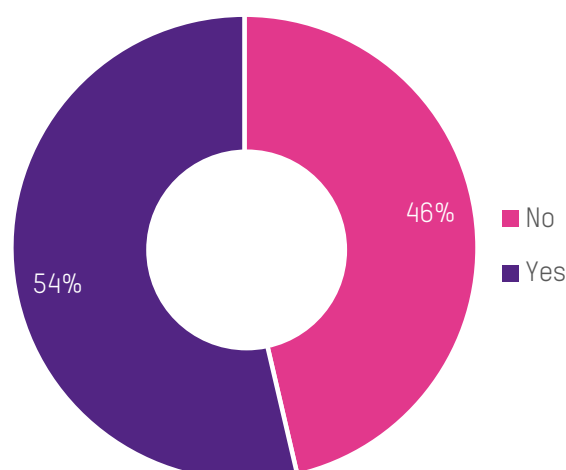
guarantor or collateral security for the loan; 10% banks loan service fee is expensive; 6% do not trust the financial service providers; 5% lack of the necessary documentation (ID card, wage slips); 2% found it difficult to understand the requirements/literacy; 2% availability of family support or Hagbed money; 1% availability of grants from L/NGOs; 1% financial institutions are not women-friendly or gender-sensitive; 1% the financial services are too far from our location while the rest were unsure.

Have you ever applied loan from any formal financial institutions?



91% of the surveyed businesswomen have never applied for a loan while only 9% have applied from formal financial institutions. Of those who did not apply for a loan, 18% said the reason that deterred them was that the repayment rate is too expensive; 18% of financial services providers charge interest/riba; 15% do not know if the financial services/institutions provide loan services; 12% they do not have a

Was your loan application accepted by the financial institution



Of those who applied for a loan (9% only) from the formal financial institution, 54% said their applications were accepted while 46% got rejected. The discussions and interviews found that the success factors for business application are mainly collateral or guarantor and identification card of the applicant.



Petterick wiggers/Oxfam

WOMEN'S ACCESS TO FORMAL FINANCIAL SERVICES

Despite significant barriers and challenges women face when accessing available financial services and products, they are overcoming barriers and are working hard to address the complexities through innovative and creative techniques and institutionalization. Although there are limited individual women businesses in the urban areas that access financial services, it is very difficult for women in IDP camps, rural areas, and poor suburbs of the main cities to access financial products. An effective strategy in engaging women with financial services is organizing women into

groups, associations, or Self-Hep Groups (SHGs) which adapts inter-member guarantee framework in collaboration with local NGOs which institutions like Dahabshiil bank, Premier bank and MicroDahab/Dahabo microfinance accept. Such women groups are formed under various circumstances: (1) organized by project implementing NGOs to provide grants and/or revolving fund as part of their wider economic empowerment strategies; (1) self-organized women to address social issues and later leveraged the structures to access financial services; and (2) solely organized

to access financial products in the local market after series individual loan application rejections by the banks with the intention that institutionalization can make the applications more competitive.

In addition, another fairly effective strategy is the Self-Help Groups (SHGs) approach which was implemented by local NGOs with financial and technical support from Kindernothilfe³³ in Somaliland. The Self-Help Group (SHGs) approach was piloted in Somaliland in 2013; the first phase started in 2014 and ended in 2020. The target areas were urban and semi-urban areas in MaroodiJeex and Togdheer regions in Somaliland. The second phase of the project began in 2021 focusing on other regions in Somaliland including rural areas. The project is implemented by twelve local NGOs known as “SHGs promoters” led by Nafis Network along with Candlelight, ADO, BVO, CCBRS, SOYDAVO, TASCOS, WORDA, SAWDA, WAAPD, and SAWRAG. ADO, SOYDAVO and TASCOS are implementing in Togdheer region while others implementing in MaroodiJeex region.

The project targeted low-income women in IDP camps and poor neighbourhoods and organized them into groups known as Self-Help Groups (SHGs) to collectively strengthen their capacity to save money and create businesses incentive. Self-Help Groups are units of 10 to 20 low-income women who want to improve their living conditions by setting up their savings and loan fund. The SHGs have become transformative and empowering spaces that have strengthened women’s collective agency to claim their rights at a household and national level, and has led to further engagement on rights-based issues that affect their lives. When there are 8 to 10 SHGs known as “the first level of people’s institution”, the groups come together to form Cluster Level Associations (CLAs) known as the “the second level of people’s institution”. Two members are elected from each SHGs to represent the group at the CLA. When there are about 8 CLAs, they come together to form a Federation “the third level of people’s institution”³⁴. The aim of the SHGs is to increase women’s self-reliance and economic empowerment.

The project does not provide grants or loans to SHGs rather provides capacity building and

monitoring by the implementing NGOs. Capacity building includes business management, leadership, numeracy, literacy, resource mobilization, entrepreneurship training and resources. The members of each SHGs contribute a certain amount of money daily to create a pool of revolving funds that are loaned to women members. Only SHGs members who make a daily contribution can qualify for the loan. For example, if the loan is below \$70, the members can pay over 3 months period. The borrower is expected to pay approximately \$0.78 per day over three months to fully repay the loan. The strategy is that the borrower pays an agreed sum of money, approximately \$0.25 on top of the daily loan repayment to grow the pool of money. It is now reported that each Self-Help Group is managing \$1000 to \$4000 illustrating a collective growth.

Currently, there are 1097 active SHGs in MaroodiJeex and Togdheer regions in Somaliland forming large national federation known as Danwadaag. The federation has more than 20,000 members. The CLAs are registered with local councils in their areas and use certificates to apply for loans from the banks along with other required terms and conditions.

Danwadaag federation is increasingly being recognized as legitimate by the financial service providers, government, and national political parties because of their collective voice on social, economic, and political issues. In May 2018, Danwadaag women federation and Nafis network held a national conference in Mansoor hotel to showcase their achievements. The conference was attended by representatives of the Civil Society Organizations (CSOs), the minister for environment and rural development, minister for employment, social affairs and family, vice president of Somaliland and other dignitaries. The government had committed to include funds for the Danwadaag women federation in the upcoming 2019 national budget. Further research into this suggests that the government had not allocated funds in the 2019 budget for the federation. However, it is becoming coming apparent that Danwadaag is enabling marginalized women groups to share issues that affect their lives by providing a platform to voice their concerns. Furthermore,

³³ Homepage - Kindernothilfe

³⁴ Self-Help-Group-Approach5827.pdf (nafisnetwork.net) (Last accessed 7 Feb 2021)

it is has led to engagement with different stakeholders and has enabled duty bearers to be held to account pressuring them to increase women's economic empowerment³⁵.

The increased institutionalization of women groups in rural, semi-urban and urban areas has increased the interest of development agencies to provide grants and revolving funds. The project is building and developing the independent capacity of women themselves, thereby supporting sustainable change in their communities. The extensive capacity building ensured the SHGs worked effectively, and an increase in women's income amounts are challenging stereotypical gender roles in households and communities which usually limit women's meaningful participation in economic and social spheres.

The UN, INGOs and LNGOs are working with existing women structures and organizing new groups to increase women's access to financial products from formal financial service providers and from implementing NGOs.

Naruuro women group members in State House IDPs in Hargeisa have started different businesses through accumulated membership fees of \$2000 for initial rounds. The group consisted of 20 members and each member received 200,000 Somaliland shilling equivalent to around \$24. The group holds weekly meetings to share updates with the members. As the group revolving fund grew, members received 500,000 Somaliland shilling to expand their businesses. The group members have received two cycles of \$300 each from Premier bank and now is in preparation for the third cycle. In addition, few group members have already received three cycles of \$250: 500 and 500 loans. The bank initially gave \$250 to each woman, when the first loans were paid fully on time, the bank doubled the amount in the subsequent cycles. The focus group discussion participants affirmed they paid back all the loans and benefited from them significantly.

Khayre women group members from Ahmed Dhagax IDPs have received a loan from Dahabshiil bank and from within the group which have been fully repaid on a monthly

instalment basis. Members are also planning to secure additional loans from Dahabshiil and Premier banks. Nasahablood women group members from Nasahablood IDP camp have received loans of \$400 in the first tranche and \$200 in the second tranche from SOS organization which benefited 100 women. In addition, a group member has received a loan of \$200 from Dahabshiil bank with a monthly repayment of \$10; she has fully repaid the loan already. Hodaale women group in Daami area, Hargeisa have received business start-up revolving funds from SOS organization. SOS works with Hodaale women group management committee and asks members to submit business ideas to obtain funding. The most feasible ideas are selected through a fair and transparent selection process for funding. Each selected business idea receives an interest-free revolving fund of \$500 which is expected to be repaid to the group committee within a fixed period to loan other group members. The group affirmed that the loans have been fully paid and are now in the process of bidding for other loan cycles. The focus group discussion participants advised the received loans helped members to expand their business and increased their confidence to approach other credit providers.

Nagaad Network is supporting Self-Help Groups (SHGs) and organized women groups to access loans from formal financial institutions while also providing small grants for women's business start-ups. Nagaad also provides capacity building such as leadership skills, financial management, business management and numeracy to women groups. Nagaad network acts as a guarantor for women groups when they are applying for loans from the banks. The Nagaad Network as an organization is not the legal guarantor rather the executive director uses the institution's name to guarantee women groups. Nafisa Yusuf, Nagaad Network's Executive Director said, "Few days ago, I guaranteed a group of women to access loan from Amal bank". Although, this is informal and carries a degree of risk, formalizing this initiative through (1) Nagaad Network to secure money from donors dedicated to increasing access to finance for merit-worthy women small business that lacks sufficient collateral or possess other non-financial credit challenges; (2) Leveraging

³⁵ <https://www.youtube.com/watch?v=DRa2m6XJzeQ> (Last accessed on 4th March 2021)

Nagaad Network's closeness to women groups, co-manage and monitor women revolving funds and guarantee groups that reach safety net threshold to access loans from the bank, is likely to increase women's access to finance.

Sida – Sweden's government agency for development cooperation is adopting a similar approach by investing Shurako to act as guarantor for those credit-worthy SMEs that could not find a guarantor to access finance. The program was designed to target female and youth entrepreneurs and business owners, but actual data suggests that women small business holders are not benefiting as anticipated rather men businesses are the largest beneficiaries of the scheme³⁶.

Accessing finance through business development services

There are other finance avenues for youth entrepreneurs start-ups and opportunities to expand existing businesses. The donor community and international NGOs are partnering with organisations such as Shuraako, Shaqoodon and Innovate ventures to finance startups and business ideas. Shurako's Somaliland Youth Enterprise Fund (SYEF) is a \$550,000 fund intended for Somaliland entrepreneurs between the ages of 18 to 35. The fund aims to support 130 youth-owned businesses over a seven-year timeframe. The SYEF is intended for project sizes of \$1,000 to \$25,000. These Murabaha loans are intended for entrepreneurs interested in starting their own business or funding existing businesses³⁷.

Shaqoodon organization and Premier Bank have also launched Tarmiye Fund with funding and technical support from Oxfam and Spark. The one-million-dollar fund is aimed to provide funding opportunity for Somali youth entrepreneurs until 2025 and is expected to create at least 1,000 new jobs. The innovative aspect of the fund is that no collateral is required for loans below \$5,000, increased payback period to 90 days and comprehensive support in the early stages of the business development.

Oxfam through Working in Progress (WiP) partners with Innovate Ventures to finance youth startups and small businesses. In 2020, after a competitive application process, the director of the Hargeisa Diabetes Center³⁸ has received funds from the WiP project to expand her business initiative. "The 6,000 USD grant we received from Innovate Ventures and supported by Oxfam transformed my business. My business works with other clinics to use biochemistry and CBC machines to analyze blood samples of our patients. The clinics charge a fee every time I used their machines. This made our services expensive and reduced our profit margins. The grant will help me to purchase biochemistry and CBC machines to save the service fees charged us by the partner clinics, employ more staff, make our service more affordable and expand the business to other locations."³⁹

The Somaliland government has also launched the Somaliland Youth Development Fund (SYD). The total budget available for youth entrepreneurs is \$400,000. Little public details are known about how the funds will be used as the governing regulatory framework is still being devised, but sources indicate that it will be used to fund youth startups and will be beneficial to youth through the creation of jobs.

Although such opportunities present promising opportunities for youth and provide funds to youth women initiatives and businesses, they do not extend to marginalized women groups in rural areas, IDPs camps and peripheries of the main cities. There is no data available publicly to determine the beneficiaries of these opportunities but the individuals or groups who received funds are mainly middle class, educated, young men. This is because the communication channels to spread information to the public are mainly social media, billboards, emails, and TVs, resources which marginalized groups may not be able to access. On the other hand, these opportunities often require the completion of a large amount of documentation and due diligence processes which are excluding the marginalized groups from accessing.

³⁶ Sweden Partners with Somali Financial Institutions to Provide Low Collateral Loans (oneearthfuture.org) (last accessed on 6 Feb 2021)

³⁷ <https://shuraako.org/funding-projects/somali-youth-enterprise-fund> (Last accessed on 10 February 2021)

³⁸ Female youth led initiative in Somaliland

³⁹ Extract from case study on Hargeisa Diabetes Centre



Petterick wiggers/Oxfam

WOMEN'S VOICES ON ACCESSING FINANCE

A rural farmer who applied for loan and got accepted stated;

"I am a farmer from Huluq areas, 5km east of Arabsiyo village. I attended training provided by Growth, Enterprise, Employment & Livelihoods (GEEL) project, a 5-year development project designed to promote and facilitate inclusive economic growth in Somaliland and Somalia funded by USAID⁴⁰. During the training, I was advised to apply a loan from Dahabshiil bank. Initially I was hesitant in the assumption that I would not be able to repay it. Finally, I took the

risk and received \$2000 from Dahabshiil bank which I established a green house and solar system in my farm. I also purchased farm tools and equipment. The greenhouse technology and the solar-powered irrigation system helped me to produce more and save fuel costs. The farm produces enough for the family sustenance; and surplus produce is marketed in Hargeisa city.

The process of receiving the loan took about a week. The bank asked me national identification card, farm ownership certificate and guarantor.

⁴⁰ [Economic Growth and Trade | Somalia | U.S. Agency for International Development \(usaid.gov\)](#) (Last accessed on 3 Feb 2021)

I was very fortunate that two male relatives have accepted to guarantee me for the two cycles. I have fully repaid the loan, and after several interactions, I am now acquainted to the staff at the bank. The only challenge that I encountered was that the farm did not produce enough in the dry season and consequently could not repay the loan instalment as per the initial plan. The bank agreed a one-month payment holiday and I started paying the following month. I would like to encourage women in Somaliland to take the risk of taking loan and invest and earn income”

A small business holder women who applied loan and got rejected stated;

“I am a mother and have small shop at Sheikh Nour neighbourhood of Hargeisa city where sell vegetables and other items. I went to Dahabshiil Bank to apply loan, after recurrent discussions, they requested me to bring guarantor. I wanted the loan to expand my business because the COVID-19 has significantly reduced my business sales. Although I have met all the other conditions, my application was rejected for lack of guarantor. It was very disappointing as I have spent weeks to put together requirements and visited the office multiple times while forgoing running my business and household chores. With little hope, I am now appealing to the senior management of the bank, I believe my application was turned down due to my gender. I will approach other financial institutions for similar purpose. I am also aware of many other women whose applications were rejected by commercial banks. I am urging the government to intervene and convince the financial institutions to relax the conditions for accessing loans.”

A large business holder woman who applied loan and got accepted but encountered challenges throughout the process stated;

“I run a business which I founded. I wanted to take loan from Dahabshiil bank to expand the school and to purchase school vans. I have received the information about the loan from a friend working with a NGOs who was also interested in to take a loan. My loan

application was approved with repayment plans. The application process is exceptionally tedious which took for a month. Among the conditions for women to access loans include collateral or male guarantor. Ironically, I took my father who is businessman to guarantee me. However, the bank denied him, and I should have to come with another man with big bank account. As women, I felt ashamed to ask another businessman to guarantee me. It is also disturbing that men are always reluctant to take risk of guaranteeing women. This has also put me in a weaker position.

I overcome all the challenges I encountered with sheer determination. The due diligence process is very complicated and unnecessary. Another challenge, the names of male relatives (either father or husband) are often on the legal papers of assets like land. Therefore, a male relative has to represent a woman upon receiving the loan. Furthermore, women are denied access to bank managers and must deal with junior officers who cannot make decision on her case. The junior officer considers that being a woman, you are not that important to see the manager. Nonetheless, the most challenging is the strict loan repayment timeline. If you miss even for few days, the bank will penalize you to pay the whole sum in one time which is very impractical. Despite the inconvenience, I took two cycles of loan from Dahabshiil bank.

Women friendly environment would have encouraged many women to apply for loans at the banks because women are too busy at home and the tedious application process is discouraging them. My access to the loan has sent a message to other women in the community about that it is possible to access loan at the banks. Accordingly, several women have now obtained loans from the banks. I would recommend for the banks to lower the mark up rate⁴¹;The bank charges between 12% to 20%. The banks should promote and attract women because women are the backbone of the society and should in turn help them to move forward. Despite the bureaucratic process, I would like to thank Dahabshiil bank for the loan.”

⁴¹ The percentage charged on the total amount you borrow

WOMEN'S ACCESS TO INFORMAL FINANCIAL SERVICES (ALTERNATIVES TO FORMAL FINANCIAL SERVICES)

Given the stringent terms and conditions associated with accessing loans from formal financial institutions, a large majority of women – mainly rural women, women in IDPs camps and women in a poor neighbourhood – resort to informal financial credit chains supplied through friends, relatives, neighbours, diaspora networks, clan members, extended families, moneylenders, Hagbed, etc when facing temporary difficulties. Lending and borrowing between extended families and clan members are based on mutual obligations to help each other during difficult times whilst getting finance from informal lenders is based on trust between the lender and the borrower. Although there is no mark-up rate when repaying loans, it is reported that there are women brokers who obtain loans from formal financial institutions and pass on to women in the markets with exorbitant charges. Although better off clan members will assist poor families, reciprocity is a strategy that essentially operates between equals⁴².

“The loan conditions are inflexible. The markup rate is very expensive and discouraging women to apply for loans. The profit margin is always low to cover the loan repayment and other business priority needs. Instead of asking for business credit history, the credit providers insist on collateral or guarantor which is very

difficult for women businesses. The majority of women small business holders’ resort to alternative strategies of financing their businesses plans such as joining Hagbed (rotating saving) group through which they can repay debt in small instalment and with no interest rates. In addition, some women take goods on loan from the wholesalers to be paid within weeks or as soon as they sell the goods. Once they repay the principal, they retain the profit margin which grows their businesses.”⁴³

Women in the local markets, IDP camps, rural areas, urban areas, and poor neighbourhoods have reported that Hagbed (rotating saving) scheme is an alternative strategy for women to finance their businesses and basic household needs (school fees, health, food, etc). A fixed number of women contribute equal amounts to a saving pot on an agreed frequency i.e., daily, weekly, or monthly, and a member is immediately the entire sum allowing each member to access a larger sum of money than she would generate individually. Most of the women in the focus group discussion and interviews confirmed that Hagbed is an accessible and appropriate alternative strategy to finance a business project, especially in circumstances when they are unable to meet the stringent conditions set by bank loans.



Abdiaziz Adani/Oxfam

BARRIERS THAT PREVENT WOMEN TO ACCESS FINANCE AND LEADS WOMEN TO SELF-SELECT OUT

This section explores the constraints experienced by individual women and their businesses in Somaliland in terms of their demand for and access to financial services and products. The research found four categories of constraints: demand-side constraints; supply-side constraints; enabling environment constraints; and socio-cultural constraints⁴⁴.

Demand-side constraints

Demand-side constraints are individual and household level constraints that exclude women in using and accessing the available financial services and products. In Somaliland, women are often suppressed by constructed gender norms and societal expectations that assign roles and

⁴⁴ <https://www.unctf.org/article/5902/womens-demand-for-financial-services-in-conflict-and-post-conflict> (Last accessed on 2 March 2021)

responsibilities for women that influence their ability to access financial services.

Lack of formal credit history: formal financial institutions require businesses or individual credit history to provide loans. Although the required credit history varies from bank to bank, cross-cutting documents usually require the previous year financial statement, balance sheets, cash flow statement etc. Most of the women businesses are not legally registered while 74% of the women business holders do not have bank accounts in the business or the owners' names. Lack of registration documents and bank accounts that could be used to trace the clients' credit history reduces the chance to accept the loan application.

Time poverty & unpaid Care work: for most of the women, time spent on unpaid care work is disproportionately high compared to men. In Africa, women spend 3.4 more time in unpaid care work than men. This means women are working more hours than men when unpaid care work and paid work are added together⁴⁵. In Somali society, the situation is increasingly unbalanced, women are expected to carry out all unpaid care work while also being involved in business activities. This puts a huge burden on women and excludes them from engaging in social and economic activities. "I am busy at household chores and managing my shop, I do not have time to visit banks and attend community social activities⁴⁶". Hence, time poverty remains a key issue that excludes women from accessing locally available financial services and products.

Women are more risk-averse: women lack the confidence of approaching financial institutions in the assumption that they are not creditworthy. Respondents felt risk aversion is excluding women from taking loans from established financial institutions; they are concerned about repayments to the extent to which they do not apply for loans. Women often feel pressure to meet family demands, women spend money on family priorities (food, education, healthcare etc.) which affects the business profitability and the loan repayments. Unlike men, women do not have

a history of business cooperatives or shareholder companies.

Family needs are draining out women

businesses: women discussion participants and interview respondents mentioned that women spend a larger amount of the business revenue on family needs, unlike men who reinvest to expand the business. This is affecting business growth and formalization to obtain credit from financial institutions in the future. It also affects their capacity to maximise business opportunities. For example, in addition to cash or in-kind support, women businesses contribute to their family. It was also reported that some husbands collect money from women small businesses on daily basis to buy Khat⁴⁷. "A tailor woman used to buy Khat for her husband every day. One day, she told him that she is yet to make a single transaction, but he could not accept and beaten her up. Other women in the market, who were initially assuming that he was caring husband as he visits her daily, were surprised with the harassment". Because of this, women are more inclined to spend business money on immediate family needs such as food, education, healthcare, etc. in comparison to men and consequently find it hard to apply for loans or repay the loan.

Low literacy levels: Low literacy levels and dependency on others to read written information decrease the confidence and capacity of women to manage profitable businesses. "Young man was cheating his mother who entrusted him managing a small shop because she could not read and write. When the business became bankrupt, she found out that empty boxes and tins were foolishly displayed on the shelves. It was too late!⁴⁸" explained a participant. The low literacy levels also undermine women's ability to build a legitimate credit history (financial statements) that could be used as a supporting document for a loan application from the banks. Women businesses have also advised that loan application involves a huge amount of official documentation and since they are illiterate or semi-literate it is difficult to complete by themselves.

⁴⁵ ILO calls for urgent action to prevent looming global care crisis (Last accessed on 6 February 2021)

⁴⁷ Female focus group discussion participant

⁴⁸ A stimulant plant that is grown in Ethiopia and other parts of the East and Horn Africa region

⁴⁸ Key informant interviewee

Women business motives: the negative attitude towards women's entrepreneurship entrenched in cultural and religious misconceptions restricts women businesses from expanding into more formal spheres. The main goal of female businesses is often to maintain a steady profit margin that can continue to be enough support to meet with family immediate needs such as food, healthcare, education and so on. This is among the key reasons why many small business holders are self-selecting out when accessing available financial products.

Supply-side constraints

Supply-side constraints are market-level constraints that women face to access financial services, products, and delivery channels.

Subordination of women inside bank premises: male domination and the subordination of women is manifested in day-to-day operations and the policies that underpin; employee attitudes and behaviours; staffing arrangement; toilet and room facilities; and perception towards women's economic empowerment in bank settings. Although there is a variation in attitudes towards women between banks, patriarchy is deeply entrenched and shapes bank services, treatment of female clients and products. These patriarchal environments are likely to increase women's vulnerability and financial exclusion. Women have reported that some of the bank credit officers in the front desks are not gender-sensitive and have a dismissive attitude when women try and access services. "I came to the credit officer to inquire about a loan, and he sent me back to the customer care in the assumption that I do not belong to this line⁴⁹". Women have also reported that financial service providers are also male dominated, and women do not feel comfortable to speak about their personal issues with a male stranger, meaning that issues are not addressed when they should be.

Institutionalizing of the loan application: since women businesses are not legally registered and do not have the financial accounts to

generate consistent credit history (financial statements, income statements and cash flows) many banks are forcing them to join Self-Help Groups (SHGs). Commercial banks are increasingly favouring group application over individual applicants. This is setting a serious precedent that denies the rights of individual women to access credit from commercial banks.

Opening hours of the financial service providers: banks provide credit services mostly in the morning hours when women are busy attending to family or on their businesses, women working at the market being a dominant business. Although women are busy throughout the day - either on household chores or business activities, morning appointments which is the norm for many financial institutions is discouraging and restricting women to access finances. Women focus group discussion participants have also confirmed that bank appointment is not fixed rather the client is told to come before noon which is difficult for many women to attend given the increased household and business demands.

Geographical proximity and bureaucracy of the financial service providers: many potential loan applicants are living in the peripheries whilst loan procedures are tedious and discouraging to small business owners. The person must come to the office multiple times before receiving the loan in-kind (i.e., commodities), this is demanding on an already busy schedule for women, who often have less flexibility because of more time-demanding responsibilities. The attached case studies estimated seven to 30 days per application with multiple visits to the credit office. Most of the financial institutions have branches in the urban areas specifically in the centre of the big cities. Women in IDPs camps, poor neighbourhoods and rural areas are unable to visit due to expensive transport links or unable to locate branch locations.

Securitization of the financial service providers: the buildings of the financial service provider are heavily guarded by security personnel; and

⁴⁹ Female focus group discussion participant

are often signposted and designed -symbolizing exclusion of marginalized groups such as rural women, women IDPs and women from a poor neighbourhood. "I was entering a bank in the centre of the town in Hargeisa, I was prevented by the security personal because of my shabby clothes⁵⁰".

Gender responsive facilities: the branches of the financial institutions do not have basic facilities or spaces such breastfeeding rooms, nappy changing rooms and so on. Many women do not visit bank branches, they fear when children cry and they do not have access to a suitable and safe space to deal with them⁵¹. This pushes women away from visiting financial service providers to get information and apply for loans.

Due diligence and credit limits: the sheer documentation required to complete given that most of the women in the market are illiterate and the frequent branch visits are discouraging many women to dedicate their valuable time with unknown outcomes. Women reported that the decision-making process may take seven days to two months. In addition, the lowest credit limit is \$3000 for many commercial banks which the majority of the women businesses cannot afford. Women small businesses are mainly looking for loans between \$200 to \$800 to grow their businesses.

Enabling environment constraints:

These refer to legal, policy and physical infrastructures provided by the state in which when they are absent or poorly formulated can constrain women's access to finance service and products

Women do not control assets and resources: Article 31 of the Somaliland constitution clearly states, "every person shall have the right to own private property, provided that is acquired lawfully⁵²". This means all citizens of Somaliland have equal rights to property ownership. In Somali society gender relations are patriarchal and women's subordination is

widely accepted as the norm. Women are denied ownership of land and have only usage rights as opposed to ownership⁵³. In addition, it came out in the discussions that women are willingly writing the names of their son's and husbands on the asset titles such as land. This forces women to access their land through husbands and sons when accessing loans from formal financial institutions. Since women are denied ownership to land by the deeply entrenched unequal gender norms, male guarantors are increasingly becoming mandatory for women to access loans at the commercial banks in Somaliland. Additionally, in majority of the cases in which women do own assets, banks do not accept women's assets (i.e., land) as collateral. Sometimes male guarantors charge commission when they render guarantor services for women.

Inflation and exchange rate uncertainty: big challenge against the small businesses is unregulated inflation which can easily put petty traders out of the markets. For example, women purchase goods to sell in the market. They set their selling price, and because of inflation, the price of the goods changes. Since they do not access updated market information and are not aware of price changes, they sell the products the same price. When getting additional stock from the wholesaler the same amount of goods cost higher than before. This puts the business in deficit and many businesses cannot survive because of the inflation uncertainty. Women receive bank loans in the United States (US) dollars, when repaying they pay more Somaliland shillings to purchase US dollars because of the increasing depreciation of Somaliland shillings. Moreover, due to the absence of regulatory frameworks, wholesalers compete with the small-scale traders in the retail markets.⁵⁴

Women under-representation in decision-making circles: women are absent in both community and national level spheres that reach decisions that affect their lives; and are increasingly excluded with the caveat that it may weaken their primary household and reproductive roles. In Somaliland there: (1) there

⁵⁰ Female focus group discussion participant

⁵¹ Woman key informant interviewee

⁵² [Somaliland Constitution](http://somalilandlaw.com) (somalilandlaw.com) (Last accessed 3 February 2021)

⁵³ NAGAAD/Ministry of Justice/Progressio Somaliland. Women's Human Rights in Somaliland. 2010.

⁵⁴ Key informant interviews and focus group discussion participants

are 364 elected local council representatives (355 males and 9 females); (2) 82 MPs at Lower House (81 male and 1 female); (3) 82 MPs at Upper House (82 male and 0 female); (4) 29 ministers (24 male ministers and 2 full and 1 deputy ministers female); (5) 32 Judges (32 female and 0 males)⁵⁵. The absence of women representatives exacerbated by male domination in the decision-making structure. Women under-representation and male domination in the decision-making bodies violates women rights and increasingly excludes women's interest when decisions are made including those related to access to finance. This also blocks avenues for women to raise issues that affect their lives to concerned decision making bodies.

Ambiguity on the compliance of available financial products with Sharia laws: It came out in the discussions and the survey that many women abstain from accessing loans with the belief that banks are charging interest/riba which is forbidden in Islam. It is worth to mention that commercial banks in Somaliland are sharia-compliant, but some religious leaders have misconceptions about the credit schemes specifically those with financial support from aid agencies

Legal and regulatory gaps: Gaps have been identified in the development and enforcement of the policy and regulations of the financial sector such as the Somaliland Central Bank Act (Act No: 54/2012), Islamic Banking Act (Act No: 55/2012) and Monetary Transfer Business Law (Law No. 86/2019)⁵⁶. The regulations are fragmented and are not embedded in the financial sector. They are weak without supportive infrastructure and have not been fully operationalized due to limited resources and capacity challenges. The boom of technology such as mobile money and online banking are making obsolete the existing policies and regulations. There are no also adequate client protection mechanisms. Furthermore, the research interview and discussion participants have reiterated the perceived absence of the role of government in protecting the rights of small businesses and the need for intervention. This creates

(institutional, product, market, and prudential regulation) power imbalance and disadvantages the most vulnerable specifically women small business holders.

Socio-cultural constraints

These are informal rules and gender norms that dictate behaviours, expectation and individual roles and responsibilities. They assign women mainly reproductive and household roles while constraining their access to finance.

Social scepticism of women's entrepreneurship: Somali culture discourages the woman from entrepreneurship in the assumption that she would spend the money on family immediate needs instead of business activities. Women encounter difficulties to get guarantors and collaterals in accessing loans. Based on social stereotypes, potential guarantors hesitate to take the responsibilities of women managed businesses, particularly small businesses. The culture assigns women to childcare and households' chores and discourages them to venture out into social platforms. Clan elders make unfair judgments on social issues in favour of men.

Some religious interpretations are unfavourable to women's entrepreneurship: although Sharia law entitles women the right to own and manage assets, some religious leaders insist that women should refrain from engaging in productive and service sectors and stay at home to do unpaid care work. In the focus group discussions with religious leaders, some argued that women engaging in business may compromise their primary household responsibilities such as carrying out unpaid care work and reproductive roles. In general, Somali people respect the words of religious leaders and interest groups can exploit this space to advance their radical version of Islam. This creates an unsafe space for women businesses and financial institutions may fall into this line of argument and create structural barriers (poor customer's service, stringent terms, and conditions etc.) that discourage women from accessing loans.

⁵⁵ NAGAAD Somaliland Gender Gap Assessment FINAL.pdf (oxfam.org) (last accessed 4 February 2021)

⁵⁶ International Labour Organization (ILO), 2013. 'Financial sector diagnostic study for Hargeisa, Somaliland', Hargeisa, Somaliland, Pge 7

Limited networks and social linkages: given that there is not much information about the financial products and services in the women markets and spaces, women rely on word of mouth for information. Since women do not have free time to network and attend social spaces, they miss crucial information regarding credit available for businesses. Although time poverty is a key factor that excludes women actively participating in social spaces, it is worth to mention that cultural rigidities entrenched in social norms limit women's mobility and holds them back in private spheres.

Availability of alternative credit schemes: Although it was contested in the focus groups discussions and interviews whether grants and revolving funds from implementing NGOs are discouraging or complementing women to access to formal financial services, women have mentioned grants, and revolving fund bear no interests and charges and repayments period is longer if any. The absence of bureaucracy and stringent terms and conditions on grants and revolving funds inclines more women business to seeks loans from informal and implementing NGOs projects.



Abdiaziz Adani/Oxfam

ENABLERS OF WOMEN'S ACCESS TO CREDIT

Institutionalization of women groups: Despite the intractable challenges, women from lower economic strata are doing business on essential commodities and services in open markets, street corners and peripheries. Women are organized into groups that have structures and records. Implementing NGOs train women on business management, bookkeeping, resource mobilization and business planning. Upon completion of the skill development courses, development agencies often provide revolving funds to the groups or link with commercial banks and other financial institutions for group

loans. The institutionalization of women groups has been a successful approach for women to access finances although it excludes individual women to access finances.

Willingness of the implementing local INGOs: In the absence of the government role, local NGOs (NAGAAD, Candlelight, WAAPO) facilitate linkages between commercial banks and women loan seekers. For example, Amal bank has mapped out women small scale businesses in Hargeisa city and realized that majority of the women are members of NGOs supported self-help

groups. Hence, the bank approached NAGAAD to guarantee the women in their existing groups to access finance.

Chamber of Commerce: The Chamber of Commerce brings together the private sector offering business assistance. The chamber has 25 board members representing the private sector and an executive committee that runs the organization's day to day operations. The board members include a representative of commercial banks, agriculture, livestock, fishery, trade, and services sectors. Although women membership needs to be increased there are also women representatives. The Chamber of Commerce can be a platform to discuss and influence the commercial banks and other relevant stakeholders to increase women's access to finance. The Chamber of Commerce as an independent government body can amplify voices of the women businesses and civil society to higher levels. Although there is only one woman (now retired) in the executive committee of the Chamber of Commerce, they are willing to work with women and civil society organizations to address challenges women face when accessing finance.

Amplifying women's loan repayment rates: All the financial institutions interviewed such as Dahabshiil bank, Dar Salaam bank, Premier bank and Dahabo microfinance have unanimously agreed that women's default rate on loans is very low compared to men. Premier bank has confirmed the default rate is 3% which is way below the acceptable level by the banks. Dar Salaam bank, Dahabshiil bank and Dahabo microfinance have also confirmed that women are better in loan repayments than men. Dahabshiil bank has recognized a woman with a certificate because of her excellent credit history. Amplifying such successful stories at communities and national level will encourage

women to apply for loans and improve the confidence of the financial service community to offer loans to women businesses.

Technology/Mobile phones: A study by Altai consulting for the World Bank indicates that 78% of the Somaliland population use mobile money services while the Zaad accounts for 96.5%⁵⁷. The population of people that own cell phones may be higher than this. The widespread use of phone ownership can be used to send an audio message to women businesses to update on the available finance services and products that are suitable for women. The audio messages can contain information around the easiest ways they can access those services and products to save valuable time that could be spent on trial and error

Sida's approach to act as guarantor for credit-worthy SMEs to access finance: Sida provides collateral deposit at the commercial banks for merit-worthy women businesses that may not find a guarantor⁵⁸. This gives the bank assurance to recover the loan if the client defaults on the loan payment. Although Sida's program is not specific for women businesses but establishing a similar approach dedicated to women businesses is likely to increase women's access to finance as stringent conditions are waived by the banks for those who meet other requirements but find it hard to meet one or two conditions.

Microfinance institutions: Microfinance institutions such as Dahabo, KIMs and K-MFI are responding to small business priority needs. Specifically, Dahabo outreach programs to setups stalls at the women marketplaces with female staff are increasing women's access to finance. Such outreach programs are bringing the services closer to women and can increase women's access to finance if NGOs and financial service providers adopt.

⁵⁷ (Présentation PowerPoint (altaiconsulting.com) (Last accessed on 5 February 2021)

⁵⁸ Sweden Partners with Somali Financial Institutions to Provide Low Collateral Loans (oneearthfuture.org) (last accessed on 6 Feb 2021)

IMPLICATIONS OF WOMEN ACCESSING GRANTS ON FORMAL BANK LOANS

Many of the women groups have underscored the preference of revolving funds and cash grants over the loans from the formal financial institutions regarding the stringent conditions and inflexible repayment timeframes. However, women with small businesses have limited social networks and live in the peripheries to access timely information about cash grants. On the other hand, cash grants in Somaliland are insignificant to have a negative influence on the credit services but rather facilitate a system in which money rotates among the members. Moreover, self-help groups have adopted similar credit conditions to commercial banks. An interview respondent asserted that women would spend the cash grants on family needs instead of investing in business activities. Contrarily, another respondent perceives that the financial grants are complementing the credit services. On the same line, Qaran women group believes that Hagbed and other informal credit facilities motivate women to seek loans at financial institutions.

Women fear that, if they fail to comply with the repayment procedures, banks will confiscate their assets. Hence, they rely more on informal credit system (e.g., Hagbed) for investments in their small businesses. When women cannot access formal credit facilities, they join Hagbed group or take commodities on loan from other business enterprises and cash in within days

or weeks. These credit schemes have neither interest rates nor stringent conditions but are based on trust among the members.

Power in numbers is a driving force for women groups to access loans from commercial banks and development agencies. Initial loans and capacity building are strengthening the unity of the groups and enhancing the confidence of its members. A focus group discussion participant mentioned, “We started with membership contributions of 10,000 Somaliland Shillings (1.2 USD) a month. However, the group now manages over 3 million shillings (\$352) and still growing. The members of Hodaale group are planning to own medium and large businesses such as fuel stations to augment the capacity of the group to access bigger loans with softer conditions.”

Despite that, most women focus groups have never received cash grants, few have received revolving funds from Oxfam (back in 2013), Concern Worldwide, WAAPO and SOS which rotates among their group members. However, women believe that money from aid agencies is a charity, not a loan, and would not return it to the agency but rather rotate among themselves. The repayment rate of such varies between NGOs and depends on size, and the terms and conditions of the loan and the women group bylaws.

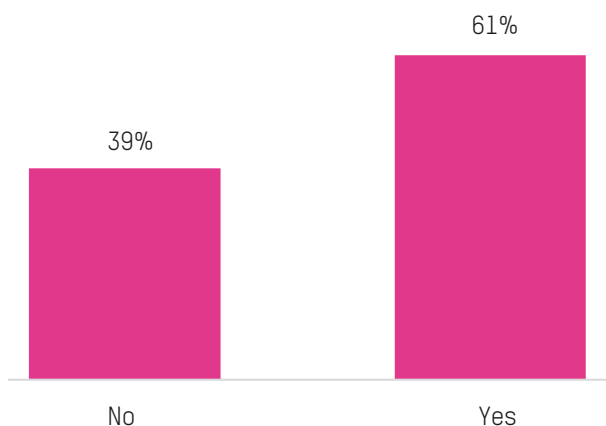


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DO MEN HAVE BETTER ACCESS TO FINANCES THAN WOMEN?

The surveyed women businesses were asked if they think men businesses are in a better position than women businesses to get loans from the local financial service providers.

Do you think men businesses are in better position than women businesses to get loan from the local financial institutions?



61% of women think that men businesses are in a better position than women businesses to get a loan from the local financial institutions while 39% do not think so. The reasons include: (1) men-owned business have the necessary documents (ID cards, legal registration certificate etc.); (2) banks trust men than women due to cultural and religious reasons; (3) financial serves are male-dominated hence easier for men to access; and (4) men are more literate than women.

The discussions and interviews indicated that men have a competitive edge and better social networks to easily access information, obtain business counselling, collateral and guarantors regarding that societal norms and expectations assign the man as the breadwinner of the family whereas woman attends household chores (unpaid care work). The adult men have ample time to socialize in restaurants, coffeehouses and chewing centres where they can easily access information about the market dynamics, including existing and emerging credit facilities.

Men also use distorted religious interpretation to discourage women from commerce so they can stay at home to do household chores.

Furthermore, the large enterprises are male-dominated where men constitute over 90% of the employees which provide men better linkages and business skills to outperform women competitors. Contrarily, women are constrained by unpaid care work. Women spend long hours doing laundry, preparing food, caring for children and the elderly. This time poverty limits women's access to markets while men spend most of their time with paid work and social activities. Women also multitask – she may be carrying a baby on her back, cooking and cleaning which further limits her to staying in private spheres.

Moreover, women petty traders in the local markets are struggling, their work is characterised by precarious and risky conditions. They suffer an absence of social amenities such as toilets, childcare centres, and clean piped water in the open markets and along the streets where they do business. Doing business in unhygienic conditions for long hours affected the health conditions of the women and their babies. Yet, all the male respondents interviewed confirmed that women are good taxpayers. Such poor working conditions are likely to discourage many women to establish new businesses in the market or expand existing businesses. This also constraints the formalization of women businesses as they are held in a cycle of informal economy that is mainly for subsistence⁵⁹.

Interestingly, all the male respondents interviewed confirmed informal women businesses in the local markets are good taxpayers. Reinvesting women dominated markets by setting up gender-responsive infrastructures such as toilets, childcare facilities; and allocating spaces for financial service providers and government services can free more time for women to grow their business and access the available financial services

Despite all the above constraints, the commercial banks confirmed that women are more trustworthy than men in loan repayments.

Yet, guarantors keenly assist male credit applicant than a woman in the assumption that, if he defaults, the clan system would bail him out whereas a woman would encounter an identity crisis between the clan of her birth and that of her marriage⁶⁰. Women are usually denied inheritance rights and the right to own property which automatically pushes women into the risk group when credit verification is administered. Moreover, men can make the joint venture and shareholding enterprises.

Nonetheless, in few locations, e.g., State House and Huluq rural village, the respondents argued that women have better access to financial services than men because, "Women are curious about what is going around", the group said. Hence, banks are more inclined to women in giving loans. Despite being trustworthy, the focus groups reiterated that women emotionally spend the money on immediate facility needs such as clothes for the children and school fees than reinvesting in the businesses. As a result, women lack the experience and confidence in taking risks and over rely on informal credit systems such as Hagbed (rotating saving) than bank loans.

Women discussion participants and survey respondents think that banks trust men more than women in giving loans because of employment opportunities and having collaterals or strong guarantors. Moreover, men have better social and political links for bailouts. Men business owners are even trusted with bigger loans while a similar women business owner should come with male guarantors⁶¹. For example, focus group discussion participants reported that male guarantors were required when receiving the initial loan of \$300 from Dahabshiil. Nonetheless, the guarantor was waived in the second tranche of \$500⁶². A female focus group discussion participant narrated that her sister had fallen sick and subsequently passed away on whom she spent the loan money. Hence, she missed the payment day and suffered a lot in repaying the debt. When delayed with the repayment, the banks show the reluctance of trusting the customer with another loan.

⁵⁹ Women key informant interviewee, Hargeisa, January 2021

⁶⁰ Rural women focus group focus group discussion participants, interviewed, Abaarso village, January 2021

⁶¹ Women business owners, interviewed, Hargeisa, January 2021

⁶² Women focus group discussion participants, interviewed, Axmed Dhagax district, Hargeisa, January 2021.

CONCLUSION

This report generates evidence and provides an in-depth understanding of women's context when trying to access finance in Somaliland. To obtain balanced and reliable data, the research covered a wide range of social groups from demand and supply sides such as women business holders, individual women, financial institutions, government, religious and cultural leaders, and development agencies.

The research found that commercial banks are major sources of formal credit whereas development programs provide grants and interest-free revolving funds. Even though banks claim that women and men have equal access, the intersections between barriers make women less qualified for loans. As a result, women business holders often rely on informal credit and saving dealings such as Hagbed and social support system. Nevertheless, the number of women applying for loans from commercial banks is steadily increasing. Local NGOs have established linkages between women groups and financial institutions. Moreover, few development projects are or have been acting as guarantors of women small business holders.

Collateral and financial guarantors are the biggest obstacles against access to a loan at the banks. In the absence of bank statements, women small businesses cannot prove their financial strengths to access loans. The businessmen and clan elders are often

reluctant to guarantee women small business holders whilst male members are family assets for collateral. Despite the insurmountable challenges, the financial service providers confirmed that women are comparatively reliable when it comes to loan repayments.

In rural settings, women have limited information about existing financial services and are mostly discouraged because of stringent conditions and tedious loan application processes of about a month. Women do not have the time, resources, or self-confidence to endure this monotonous process. Therefore, they resort to informal credit facilities (e.g., Hagbed) through which money is transferred with limited conditions.

The respondents of the research reiterated and emphasized the importance of the role of the government which is currently less forthcoming. For example, women are underrepresented and voiceless in state spheres. In addition, national policies are either inept or missing to encourage and protect people with small businesses, especially women.

Finally, the analysis of the research findings indicates the constraints women face when accessing finance are far worse than reported in this report, but women could not raise many rights violations because they are not aware of their rights.

RECOMMENDATIONS

Considering the research findings and conclusions, the following recommendation is made for future programming, policy influence and advocacy work for the advancement of women's access to finance:

For government, sheikhs, and elders

- Since the existing financial regulations are general, the Somaliland government must expand and formulate detailed regulatory frameworks for the finance sector. The frameworks should stipulate coherent approaches for public institutions, development agencies and the private sector to microfinancing programmes. The development of further regulatory frameworks for the sector should put women at the centre to increase women's access to finance.
- The commercial banking bill has failed to get parliamentary approval in 2016 and is pending until now. The commercial banking bill was fiercely opposed by interest groups who argue that it is not fully compliant with Islamic finance laws. There is an urgent need to create a multi-stakeholder pressure group to advocate for the approval of the commercial banking bill to attract foreign banks that provide finance alternatives for businesses. The pressure group should work with relevant government bodies, religious leaders, and the finance sector to ensure it is Sharia-compliant and advances women rights.
- Women are gravely underrepresented in executive, legislative and judiciary arms of the government where issues that affect their lives are discussed and decisions reached. It is also disturbing that male-domination in the decision-making is exacerbated by a limited understanding of women rights perpetuating a culture of exclusion and marginalization. Hence, the government, civil society organizations and women groups must join forces to advocate for increased representation of women in decision making bodies.
- The government must coordinate with commercial banks, micro-finance institutions, donor community, development agencies and women organizations to create micro-credit schemes that provide soft loans for women-managed small businesses with a special focus on the rural settings, IDPs and poor urban neighbourhoods.
- The government and development partners must strengthen the capacity of the central bank and other financial regulatory authorities to enforce its regulatory and oversight mandate on financial service providers. In the meantime, priority should be given to regulating the interest rates on the credits to the small businesses.
- It came out in the discussion and survey that many women abstain from accessing loans with the belief that banks are charging interest/riba which is forbidden in Islam. The Islamic scholars in coordination with the financial service providers and the government must produce Fatwa that validate the compliance of the current financial products with the Islamic law to clear ambiguity. There is also an urgent need to promote proper Islamic banking and investment systems; not the pseudo version currently practised by the financial service providers.
- Recognize, reduce, and redistribute unpaid care work to free more time for women to fully participate in economic, social, and political activities in the country. There is a need to frame interventions (including engagement of men, boys, religious and traditional leaders), and engagement with government and other stakeholders that challenge the stereotype of women as caregivers and men as breadwinners. Whilst such interventions are a long time,

short term interventions could include providing gender-responsive services in women marketplace such as toilet facilities, childcare centres etc.

- The government in coordination with development agencies should prioritise widespread literacy and numeracy outreach programs for marginalized women groups to independently manage their small businesses and read written information that helps them to access financial services and products.

For Chamber of commerce

- Like many government bodies, women are under-represented in the chamber of commerce. Only one woman (now retired) is currently a member of the executive committee of the chamber of commerce. Hence, there is an urgent need to increase women representation in the chamber if it aspires to champion women rights.
- The chamber of commerce must encourage the registration of women businesses for women to assume leadership positions in the Board of Directors through the power of voting.
- Currently, the chamber of commerce charges the same fees irrespective of the company's size. There is a need to categorize the registration fees to incentivize women informal businesses to register which will facilitate them to open bank accounts. This will formalize smaller business and will help them to provide financial statements to access loans.
- The chamber of commerce must be a voice for women small businesses by leveraging on their position to advocate for softer loans, women-only micro-credit schemes and women-centred regulatory frameworks to create overall women-friendly markets.

For Credit service providers

- In the current arrangements, women small businesses go through a tedious process for weeks, if not months, to access loans which discourages many potential applicants. The required frequent visits to bank branches are also unnecessary as it affects the small businesses. There is an urgent need to reduce credit bureaucracy

and loan service charges to encourage more women applicants.

- Scale up or adapt Micro-Dahab approach to take finance products closer to women – setting up stalls in the women dominated local markets. This is increasing women's access to finance as businesswomen can drop in when they are less busy to receive credit information and available financial services. The female staff who conduct the outreach programs are also creating women safe space to feel confident to share their information.
- Increase female staff both at a management level customer-facing desks while improving customer care for all staff through progressive gender sensitive employee training and coaching to serve better marginalized women groups.
- Financial service providers in coordination with the central bank and other relevant stakeholders must create a context-based credit scoring database that collects information about individuals and businesses' debts overtime. This must be accessible to financial service providers to determine borrower's creditworthiness when assessing loan applications. This must be the basis for accepting or rejecting loan applications to free women from the male guarantors. However, there must be enforceable laws that protect the data privacy of the customer.
- Financial service providers should have different credit rules and requirements applicable to different business categories such as medium, small, and large. A more nuanced approach is needed that considers differences in the business categories to yield fairer rules and requirements. The generalization of the same terms and conditions to all businesses increases exclusion and further marginalizes women small businesses.

For development agencies

- Continue building the capacity of grassroots women on business management and planning; and lobbying with public and financial institutions for favourable policies and services. The local NGOs must also continue nurturing and capacitating nascent women Self-Help Groups across the country.

- Development agencies must coordinate intervention approaches aimed at improving women's access to finance to minimize inconsistency and maximize impact. This will also consolidate learning which could be used to inform policy developments.
- Adapt Sida's approach to act as guarantor for credit-worthy SMEs that could not find a guarantor to access finance. Such a scheme should be dedicated to women business only. This provides the bank assurance to recover the loan if the client defaults. This is likely to increase women's access to finance as a stringent condition is waived for those who meet other requirements but find it hard to meet some conditions.
- The civil society organizations and women right advocates must grasp the opportunity that comes with the planned parliamentary and local council elections in May 2021 to campaign for women candidates and pro-women male candidates that would advance women rights. There is also needed to exploit the window of opportunity that comes with as soon as elected MPs take office by influencing their agenda to pass laws that put women rights at the centre.
- Development agencies must support the government in conducting a comparative study on women receiving grants against those who did not receive any financial support but capacity building in business management such as SHGs. The findings of this study will inform the development of policies and laws that advance women microfinance services and the wider women economic empowerment approaches.
- Work with the financial service providers to identify women who achieved excellent credit history and amplify their stories through different avenues at the community and national level to sensitize the wider women community to access finances for their businesses.
- Since mobile phone use is widely spread in Somaliland, coordinate with the financial service providers to create audio message systems containing available financial services and products available for women businesses and how to access them. Such messages should deliberately target rural

women, IDPs camps and other marginalized women groups.

- Civil Society Organizations and women organizations should coordinate with religious leaders and traditional leaders to organize public sensitization meetings aimed at challenging negative stereotypes towards women's economic empowerment that become rooted in the lives of the ordinary people. The public sensitization meetings should secure a transformative commitment from religious and traditional leaders to challenge structural barriers, discriminatory social norms and gender biases that impede women's ability to actively participate in social, economic, and political activities.

For women business owners

- The women collectives are the best strategy of transforming social attitudes toward women in business and lobbying with the financial institutions and public institutions to support women-led small businesses. Women should join or support women-led organizations that put women right issues at the centre to challenge discriminatory norms and societal expectations that perpetuate women's marginalization.
- Evidence suggests that literacy empowers women, enabling their mobility, enhancing decision making and ensuring better command over their own lives⁶³. It also came out in the discussions and interviews, that literate women can manage their businesses, record their transactions, and calculate profit and loss. Hence, there is a need to enhance women's literacy skills to access information and claim their rights. For example, rural women groups used to order goods from main cities using symbols before they attended literacy classes. Like tying a bone on the neck of milk container for ordering meat; and when the goods arrive in bulks, they had to wait for somebody to read the labels of who owns which goods. However, with enhanced literacy, they can now dial phones numbers, keep security numbers secret, and can read the instructions. This is practical evidence that literacy skills can transform women's

⁶³ DVV International: Literacy and Women Empowerment (dvv-international.de) (Last accessed 9 February 2021)

lives and save much time for them to spend meaningfully on other activities.

- Women must continue complying with the loan repayment plans to transform negative social stereotypes. There is already a good perception of women's creditworthiness in the financial community. Such progress must be maintained and evidenced through stories of change, video clips and other communication avenues to challenge negative perceptions.
- Women must keep abreast with the new technologies adapting e-transactions to be able to generate financial statement when accessing finance. Women should open bank accounts and deposit their money to boost the trust of the banks when taking loans.
- The roles and responsibilities ascribed from childhood empower men and subordinate women which leads women to be remorseful about their actions for fear of violating and breaching expected societal norms and behaviours. This limits women's ability and holds them back, keeping them in the private spheres. Hence, women should not be apologetic, but assertive in their actions, voices, and choices in life.

Cross-cutting recommendations

- Women face complex engendered issues such as unpaid care work, patriarchy, violence against women, lack of control over resources and limited access to markets which reinforce each other to exacerbate poverty and exclusion. Hence the government, development agencies, civil society organizations, women groups/representatives and other relevant stakeholders need to frame a workable strategy that guides efforts to challenge harmful social norms that create gender inequality.
- The Chamber of Commerce is appealing to Oxfam to provide financial and technical assistance for the formulation of women-friendly investment policy and frameworks. The chamber is the voice of the private sector and is prepared to collaborate with international partners since it has unlimited access to the policy development processes and can easily approach the relevant public institutions and offices. In addition, the chamber of commerce has strong connections with the donor community to access the necessary funds and technical support.

