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TÍTULO: “THE ROLE OF MICROFINANCE IN THE EMPOWERMENT OF
WOMEN AND THE ECONOMICAL/SOCIAL IMPLICATIONS: THE FINCA
INTERNATIONAL CASE”

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1. ABSTRACT

Women are the pillar of rural communities, they are mothers, wives, educators, and entrepreneurs; therefore, it is fitting that financial aids are aimed at them, as the impact they can have will reach all the members of their communities and might open doors to external trade or foreign/urban businesses. Microfinance has long been one of the most useful tools to help women around the world in order to open businesses or maintain the ones they already have, as it is agriculture in many cases. This Bachelor dissertation will review the role of microfinance in the empowerment of women, especially in rural areas, and the possible indicators of such empowerment. The study will be focused on the three following countries: Honduras, the Democratic Republic of Congo, and Pakistan; as well as, on analyzing the FINCA International microfinance programs where we will exemplify how this financial tool changes the lives of many women across the world, and even further, how these women achieve a positive social and economic impact on their environments.

2. METHODOLOGY

This Bachelor dissertation will use both a qualitative and quantitative approach. Qualitative research will be based on the collection -and subsequent analysis- of articles related to microfinance, empowerment of women, and both, retrieved from different databases, as well as the FINCA International statements and reports on their projects and microfinance programs. Quantitative research will be based on the analysis of the before-mentioned organization annual financial statements from 2014 to 2018, as well as on a direct comparison of numerical indicators published by the same organization in regard to their contribution to women empowerment in the chosen countries; and on external sources, such as data from organizations like the United Nations (UN), the International Monetary Fund (IMF), or the World Bank (WB).

3. THEORETICAL FRAMEWORK AND CONTEXTUALIZATION

3.1 MICROFINANCE AND ITS ROLE TO FIGHT POVERTY

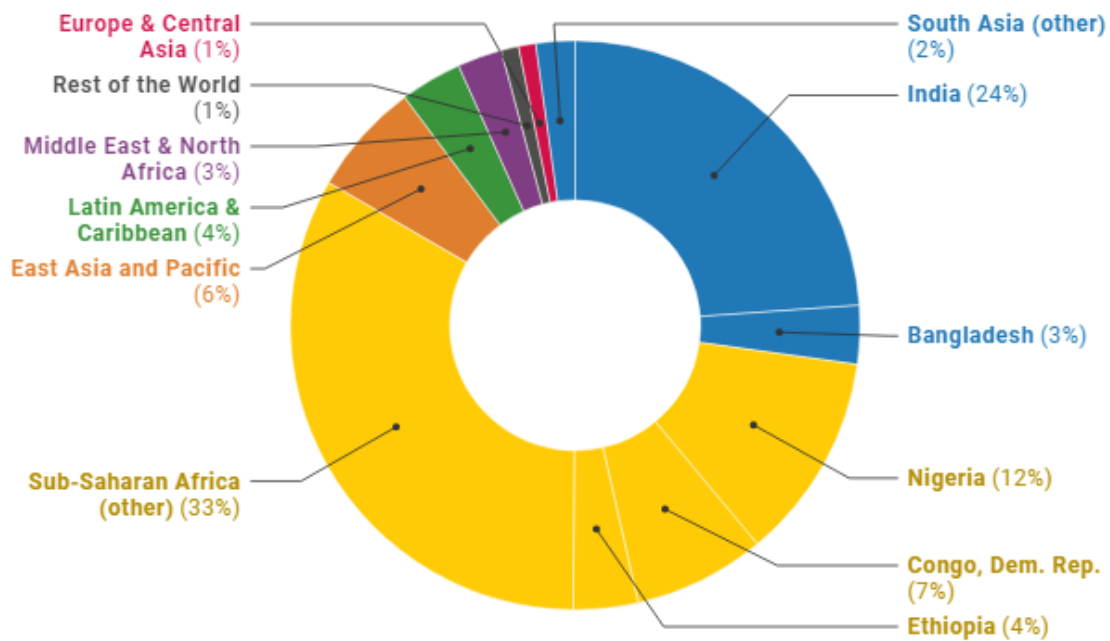
World Bank data reveals that 10% of the world population lives in poverty, which means that they live under 1.90\$ a day, a percentage that can be translated to 736 million people. Furthermore, over half of such population live in merely 5 countries: India, Nigeria, the Democratic Republic of Congo (DRC), Ethiopia, and Bangladesh (see Figure 1). The vast majority of the world's poor population fit the following

profile: low-educated, agricultural worker, and under 18 years of age (*Poverty Home*, 2015).

Figure 1: Poor population geographical distribution shares

Half of the world's poor live in just 5 countries

Share of poor people in the world by region or country, 2015



Source: PovcalNet

Source: World Bank

Microfinance is one of the most popular financing programs, and has been implemented in several developing countries as a tool to alleviate poverty. FINCA defines it as follows: Microfinance agglomerates the financial services offered to low-income population or those who lack access to formal banking. The most common service is the small working capital loan often called “microloan” or “microcredit”. Other services provided are money transfers, insurances, and even saving accounts only available in microfinance banks. The main goal is to provide financial services for those who are marginalized: women and the rural population, as a tool to achieve certain economic solvency to improve their live conditions through their own businesses (*Microfinance / FINCA*, n.d.).

Microfinance helps small businesses to begin, many of which have several positive impacts in their cities and communities, being the rural or nonurban areas the most

benefited. This financing tool specially helps vulnerable people or financially-excluded population -among which women in certain geographical areas where there is a greater gender inequality and poverty can be included- to have better labor opportunities, and, therefore, a better life. Microfinance could be considered as an outstanding tool given the fact that many poor populations lack access to a formal financial system; turning it into one of the few options, if not the only one.

A relevant issue is the debate as to whether the main purpose of microfinance remains fighting poverty. An article on the topic points out that, currently, microfinance can be quite a profitable business and some microfinance institutions (MFI) have drifted from their social mission, and, in some cases, alleviating poverty is no longer their priority, which leads to unfair fees and high interest rates on the loans offered to those in poverty. The solution, then, is not overcharging the borrowers but being more efficient through the use of information and communication technologies -ICTs- (Serrano-Cinca & Gutiérrez-Nieto, 2014). Roberts (2013) points out the rise of for-profit MFIs and concludes that stronger for-profit orientation leads to higher interest rates and costs. Currently, MFIs are asked to be achieve financial sustainability and efficiency, which might be conflicting with the goal of lending to the poor or the “outreach”, as this is expensive; researchers found out that outreach is negatively related to efficiency of MFIs, and commercialization of MFIs could cause more emphasis in efficiency (Hermes et al., 2011).

There are different types of microcredits: individual and group loans mainly. Group loans require joint responsibility and are usually provided in rural communities. In any case, the type of loan given should adapt to the situation of the person or group: their economic activity, the size of the community, the kind of sector, the size of business, etc.

3.2 WOMEN ROLE AND THE HONDURAS, THE DEMOCRATIC REPUBLIC OF CONGO AND PAKISTAN CASES

Women, in recent history, have been largely contributing to gender equality: universal suffrage became a reality after World War I for most countries, their political leadership has strengthened by reaching nearly 1 out of 4 legislative seats worldwide in 2019, education gaps between boys and girls are reducing, and women economic engagement outside the household is increasing. Nevertheless, relevant gender gaps remain varying

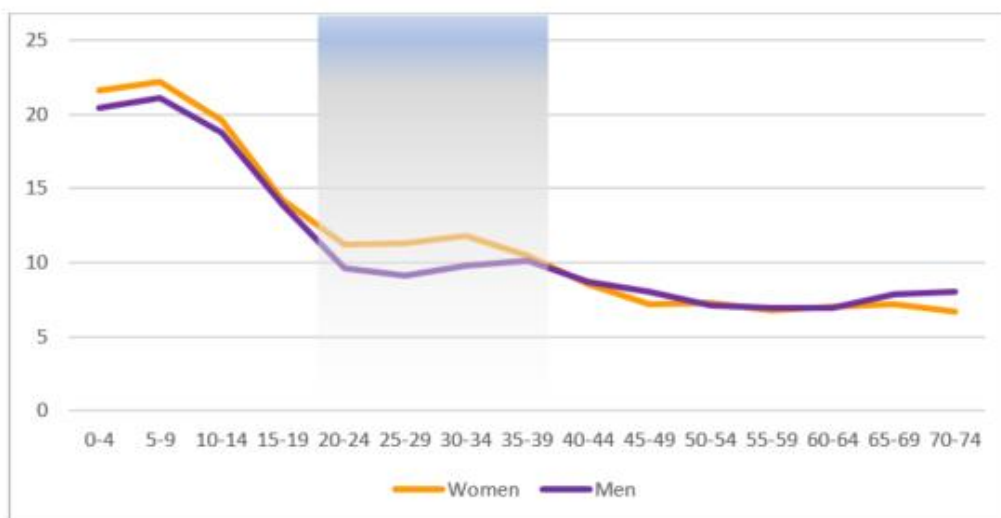
depending on the country: 1 in 3 women will face violence, and many will be deprived of working or political opportunities (Bossoutrot, 2020). Women that live in developing or underdeveloped countries especially lack of education and labor opportunities, and they have to live without financial/economic resources of their own or live of the informal market by taking precarious or risky jobs. In this scenario, the issue of access to formal financing becomes essential to fight poverty.

Women account for about 50 % of the extreme poor population (living under 1.90\$ a day), and 79.8% of them live in rural areas. Worldwide, close to 80% of the extreme poor population live in rural areas, a percentage that can be reflected in the fact that 18.2% of rural inhabitants live in extreme poverty in contrast to the 5.5% of urban residents who also live in extreme poverty. A 2018 World Bank article points out that poverty affects differently to women; thus, the poverty issue does not equally affect men and women, even when extreme poverty rates are close to fifty/fifty for both genders; as the implications for women are more severe given that studies made are based on the households, an approach that often overlooks the individual situation of each member.

Despite the above-mentioned study limitation, the authors concluded that children account for 44 percent of the extreme poor and poverty rates are higher for girls. Moreover, as boys and girls grow, the gender gap in poverty increases up to 122 women aged 25 to 34 living in poor households compared to 100 men of the same age group (see Figure 2), this coincides with the optimum age for productivity and reproduction so many women must give up work in order to care for their children and husbands (Sanchez-Paramo & Munoz-Boudet, 2018).

By taken those facts into account, it can be concluded that poor women face several challenges conditioned by their gender: fewer education possibilities, dependence on their husbands or male relatives, fulltime housewife and mother roles, fewer working opportunities, discrimination, harassment and unsafety. As to the economical aspect, most of them lack access to formal banking and are not in charge of financial decisions in the household unless their husbands or the person who runs the home finances decide they can.

Figure 2: Global extreme poverty rates by gender and age
Share of men and women living in extreme poor households (IPL of \$1.90 per day)



Source: WB Staff's calculations based on GMD.

Source: World Bank

Women also play an undeniable vital role in the economy; hence, closing the gender gap is a logical and desirable step to achieve economic growth. A Brief developed by the Arab Women's Enterprise Fund's (AWEF) mentions that if women and men had an undifferentiated role in labor markets, they would contribute up to \$28 trillion to the global economy by 2025. IMF also points out that if countries abolished discriminatory laws and included women fairly, they could boost the size of their economies by 35% (Shera et al., 2014).

Most vulnerable women are mainly uneducated and live in rural areas where it is unfortunately socially accepted that men are the ones to be given more opportunities and are usually that ones that can be schooled, be in charge of the household and run businesses. On that account, the focus of this study will be on women living in Honduras, The Democratic Republic of Congo and Pakistan, as each country represents the particular context of the Latin America, Africa and Middle East regions, respectively. The analyses of microfinances and women experiences in these three countries aim to help explore the struggles and challenges women face due to historical, cultural and social factors that differ regionally. Furthermore, this comparison is fundamental to understanding why microfinance programs impact poor women in different ways, and are more or less effective in changing and improving their live conditions.

3.2.1 HONDURAS

Honduras is located in Central America, and has a population of 9, 587, 522 people. The country achieved its independence from Spain in 1821. Since then, there has been political instability, which recently reflects on the 2017 manifestations due to election fraud allegations. Nowadays it is one of the fastest growing economies in Central America, the second one after Panama. Nevertheless, the country faces many challenges: political instability, high rate of violence, vulnerability to climate disasters like hurricanes and cyclones, high poverty and inequality rates (Water for People, 2010). As for economic and industry, the main sectors are agriculture and primary goods exports; which are currently diversifying.

In regard to the women's regional context, they represent a main source of income in many households, due to the migration of adult men to other countries, mainly to the United States, a common situation in neighbor countries. Violence against women is a major problem: Honduras alongside El Salvador have the highest rate of this kind of violence (femicides, domestic and sexual violence), and part of the LGTB population like transwomen is among the most vulnerable groups (Fernandez Aponte, 2018). The risk of losing assets and their own homes due to natural disaster is a harsh reality for female entrepreneurs, but they also have to face other obstacles such as policy gaps and silences; formalization challenges due to corruption in the governmental bodies, many remain in the informal market; insecurity and crime due to violence against women and high criminal activity from gangs; hostile business environment product of the sexism and machismo of their society; limited access to finance or productive resources, support services, training, or mentoring. Besides all of these challenges, women also have to face the occupational segregation that pushes them to work mainly in textile or food sectors preventing them from having more economic opportunities (Findings, 2019).

3.2.2 THE DEMOCRATIC REPUBLIC OF CONGO

The Democratic Republic of Congo, with a population of 84, 068, 091 people, is the largest country in Sub-Saharan Africa. This region is considered the poorest one in the world, and the DRC is the third country with the largest percentage of extreme poor population (7%); only behind India (24%) and Nigeria (12%), a neighbor country. The country gained its independence from Belgium in 1960. Since then, the country has

struggled politically, and war between ethnic groups has been ongoing with two civil wars to account in the 1990's and early 2000's. The country is still recovering from the ongoing armed conflicts in different areas (Kabemba, 2005). As a result of its violent and chaotic situation, the DRC remains an underdeveloped economy, and faces several difficulties such as: access to clean water and electricity especially in rural areas, access to sanitation, mass displacement, contagious diseases (cholera, measles, ebola, etc.), hunger, and others (*Five challenges facing the DRC* by UN Humanitarian - United Nations OCHA*, n.d.). The economic activity is centered on agriculture; however, fishing and forestry are sources of income as well. The country possesses diverse natural resources, some of which are precious minerals; having mining, however, become a source of conflict and informal economy instead of economic growth for its citizens.

The role of women has been harmed by decades of violence. The results of decades of armed conflicts have led to over one million of raped women. Women must also face domestic violence, sexual harassment, traditional harmful practices, threats and injuries, social accepted practices (early marriage for young girls), disadvantages in education and work, among others. (Africa, 2020). As a result of political uncertainty and armed conflicts, women are prevented from attempting to have a business. The lack of access to clean water and electricity also preclude women to open business. The business opportunities remain mainly in the urban areas as it is there where the majority of women who have higher level of education and better living conditions reside.

Reflecting on the impact of microfinance in Sub-Saharan Africa; an article, in regard to women empowerment, states that some studies are inconclusive about its effect, but, in general terms, the effect is slightly positive. The most favorable study overviewed on the said article, shows that it is rural Uganda, where women empowerment was significantly greater for women participating of the microcredit program; they gain financial management abilities, owning bank accounts, greater mobility, and pride of generating income for their homes. (Van Rooyen et al., 2012).

3.2.3 PAKISTAN

Pakistan is located in South Asia, it is the second largest country in the region with a population of 212, 215, 030 people, who have Islam as their predominant religion. Its

main economic activities are services and agriculture; however, the country also possesses large sources of natural gas. The challenges for its economy are its great vulnerability to recurrent natural disasters, political instability, gender inequality, conflict and terrorism outside and within the country, among others.

Women activities and work are conditioned by their religion, limiting working options to agriculture or household related activities, often working for a male relative. Marginalized women like disabled and transgender ones have to work in the informal sector and can only work from home, they are called Home-Based Workers (HBWs) and they account for 12 million facing low wages and being exploited (*UN Women Pakistan / UN Women – Asia-Pacific*, n.d.). The context is very adverse for Pakistani women as they must face violence, early marriage, patriarchal practices (being relegated to home tasks, being underpaid, or unpaid within family business), a much higher illiteracy rate than men, a weak health system, social status below men due to religion, abuse and insecurity, etc. (Aamir & Malik, 2017). There is great potential for female entrepreneurs, Self-Help Groups (SHGs), and small businesses are expanding; nonetheless, these sorts of projects usually rely on the husband or male relative support in order for them to be possible.

In conclusion, women are vital members of their social circle and communities, they play the role of mothers, educators and workers; therefore, their empowerment and subsequent improvement in their life standards and economic opportunities have a considerably positive impact in their communities. The ones who are benefited directly are their families, specially their children who can have a better nutrition and education to enhance their living conditions, which can lead them to greater future opportunities. Likewise, many of the female entrepreneurs also offer work to other disadvantaged women and are a role model and inspiration for others, multiplying the positive effect that one microloan can bring about.

3.3 ROLE OF MICROFINANCE IN THE EMPOWERMENT OF WOMEN IN DEVELOPING/UNDERDEVELOPED COUNTRIES

Microfinance has become a well-received tool to fight poverty and to enhance people's economic activities in places whose population have been most affected by poverty and less benefit from economic sources like developing and underdeveloped countries, and, in particular, their rural areas. Many clients of these credits are women, as they

represent a more vulnerable and disadvantageous population than men, especially in very patriarchal, misogynist, and rural areas. The objective behind targeting women is that the gender gap can be closed in the labor market, so there is a meaningful contribution to a more inclusive, prosper and sustainable economic growth. Women, as well, are often the pillar in their communities: they are wives and mothers in many cases, but also workers, leaders, educators, who, most of the time, unfortunately, do not have decision-making power (to a financial extend) as they cannot make a direct economic contribution to their households.

In these contexts, how can MFI help women? Firstly, it is necessary to define women empowerment as a process where women with limited power and choices -giving their restrained freedom- can enhance such power and choices which positively contribute to their well-being (Chatterje et al., 2018). Microfinance can play a vital role to empower women, especially in the economic aspect. As stated in a World Development article, women do have fewer opportunities to flee from poverty given two main dimensions: limited access to education, which constrains female economic activities mainly to the informal economy; and limited mobility, meaning that women are committed to their families and communities, and therefore possibly missing academic or working opportunities outside their communities (Boehe & Barin Cruz, 2013).

However, it is also important to look at the indicators that would suggest women are reaching a higher level of empowerment. Certain researchers state that those indicators are then divided in measurable ones (economic activity and disposable income) and non-measurable ones (divided into relational: control over loan and its income, decision making in family, relative freedom; and perceptual: economic dependence on husband, mobility and autonomy); these three macro-indicators show the complexity of women empowerment in Ghana (Ganle et al., 2015). Other authors take into account broader categories like: economic empowerment, social empowerment, political empowerment, external communication and network, and women empowerment, given the fact that empowerment dimensions are interlinked and cannot be isolated (Chatterje et al., 2018).

As it can be observed from the indicators chosen by different authors, the influence of cultural and social contexts can determine whether the microcredits or loans do empower women or actually worsen their situation. Some scholars point out the concept of “Microfinance traps”, which refers to complicated situations in which female entrepreneurs can find themselves in given that in their social-cultural context, a tension

among their family needs exists, and the loan-benefited group can be led to “traps” like problems to pay back the loan, lack of access to future loans, and loss of focus on developing their business. These “traps” can arise in different groups of microcredits users, mainly in rural-agricultural communities; such context; turns the group’s needs into other factors to be taken into account. The authors conclude that these traps “can be reduced by balancing role integrity, preserving norms and reciprocity, and harmonizing the social matrix toward the family and loan group” (Lindvert et al., 2019, p.230), which are social oriented solutions. Along the arguments mentioned before, the factors that hinder women economic empowerment can be enumerated in: cultural, educational, and financial (Danjuma, Safiya K., Muhammad, Yusuf A. & Alkali, 2013). Nevertheless, it should be pointed out that the first two obstacles (cultural and educational) mentioned are impossible to solve or improve single-handedly by MFIs.

As to scholars views on microcredits; on one hand, some argue against them: there are findings suggesting that in rural communities, microfinance leads to higher levels of indebtedness among poor communities which subsequently exacerbate economic, social and environmental vulnerabilities; as to women, they state that even if microfinance could lead to a cultural or social change, it currently has to face patriarchal structures that remain unchanged, in which the loans borrowed end up in male hands, impoverishing women even further (Banerjee & Jackson, 2017). Moreover, another article collects microfinance experiences from extreme poor African women; concluding that for the extreme poor women the dangers of microfinance outweighs the benefits, as women have a double burden between their work and family, and most of them use the loans to maintain the livelihood and family well-being rather than for business expansion. Furthermore, loans need to adapt to their clients’ needs, which, as for rural poor women, can be divided in the following: flexibility (more time to repay and lower interest rates), and understandable information, given their low levels of education (Ukanwa et al., 2018). In a study conducted in Ghana, the following negative implications were found: family conflicts, polygyny, girl child labor and the perspective of women neglecting their household obligations. (Salia et al., 2018).

On the other hand, other scholars advocate for the favorable outcomes of microcredits. Kotahwala (2012) highlights the benefits of microfinance programs in India, he states that Indian women have gained self-respect, autonomy, empowerment, and mobility thanks to microfinance. Should the focus be on Microfinance Banks, Kamaluddeen

(2019) mentions that it is transcendental for rural transformation, and that it certainly can promote women empowerment through an approach that includes knowledge, finance, and access to capital. Karlan (2007), an authority on development economy and microfinance, highlights the relevance of group loans, a kind of microfinance service, for the development of communities as these informal networks among lenders can fill the gap left by the market failures.

A more neutral position is shared by articles highlighting that MFI programs need to match certain criteria to be successful (an appropriate institutional framework, moderate-adjusted interest rates, follow-up plans/supervision, educational programs in business and finance, and so on.); what is more, women need a favorable context (social and cultural: family support, community support, etc.) to be able to take advantage of this financial program and to make profit to reinvest and paid the loans (Boehe & Barin Cruz, 2013). It is argued that access to credit might not be the only input needed to women empowerment in most of the cases; however, provided that better screening methods are applied -to identify women who can pay back and use the loan productively- along with adequate set of loan size, timing, and effective monitoring, women's access to microcredit can enhance their empowerment (Ganle et al., 2015).

All in all, MFIs with efficient microfinance services offer women the opportunity to have more decision-making power and autonomy. Such advantages lead to more economic possibilities, with positive consequences like providing better nutrition for their families, providing further education for their children in higher academic levels, or resuming their own education, creating work for more vulnerable population (women or other marginalized or vulnerable groups), funding associations or syndicates that will improve working and living conditions for women, among others. Nonetheless, microfinance is not the only option, at least theoretically. The main options to obtain a loan are: Informal and Semiformal means, NGOs and Commercial Banks. The first is the most common one: women usually use their own savings or their husbands', and very few women access to Commercial banks as they do not offer small amounts. Should comparisons be made, Microfinance does offer a more suited option for low-income or poor clients due to three reasons: it substitutes the collateral with contracting arrangements, it simplifies the process of lending, and it offers microenterprise development and management training as well (Nallari & Griffith, 2011). It should be kept in mind that women empowerment is a complex issue as it conglomerates different

aspects of women’s lives, and even when microfinance might represent an economic opportunity, other factors such as family obligations, community relations, level of education, and others could influence the financial and personal situation of women; conveying in positive, negative or mixed outcomes for female clients of microloans.

4. CASE STUDY: FINCA INTERNATIONAL

4.1 FINCA ORGANIZATION, MICROFINANCING SERVICES AND ITS INCIDENCE ON THE SUSTAINABLE DEVELOPMENT GOALS

FINCA International is a not-for-profit corporation with headquarters in Washington, DC. It was founded in 1984, and to this day, it has become a worldwide known organization which aims to alleviate poverty and improve the quality of life of all its borrowers through economic and working opportunities that derivate from the programs offered.

Figure 3: FINCA Impact Finance global network of 20 MFI and banks



Source: FINCA International

4.1.1 MICROFINANCE SERVICES

The focus in this study will be on the microfinance services they offer, specifically in these four type of loans: Group Loans-Village Banking, Individual Business Loans, Agriculture Loans and Energy Loans. These four financial services plus other three: Insurance, Money Transfers and Saving Accounts look to enable low-income individuals to become entrepreneurs and to already small business owners to improve their living conditions by investing in their future.

The first type of loan is the group one, FINCA is said to be the pioneer of Village banking, a group loan where the group members offer a guarantee for each other, that has widespread and represents the best option of loan for small business, especially in rural communities. Karlan (2007), in his article “Social connections and group banking”, highlights the advantages of this kind of loan in cases when many poor people lack access to formal lending as screening, monitoring, and enforcing repayment evaluations cast them as non-viable clients. He goes over the case of FINCA-Peru which is based on FINCA’s International Village Banking service. The results show that monitoring and enforcement activities improve the benefited group outcomes thanks to the social connections, as the group deals with the joint liability of monitoring each other; the author also points out that geographic concentration and cultural similarities within the group improves their lending outcomes. However, he states that it cannot be concluded that group lending works better than individual lending. The strongest remark given is that this type of programs can overcome market failures and that informal networking is vital for development.

Secondly, there is the individual business loans, they consist in larger size loans and offer flexible terms for entrepreneurs that want to expand their businesses and create jobs. Thirdly, the agriculture loans provided for rural habitants to acquire agricultural inputs or equipment when they need so and repay the principal after they harvest the lands. Fourthly and lastly, the energy loans consist on the idea that individuals can lease or purchase clean electricity systems or products for their homes or businesses, caring for their health and safety given that it replaces the use of kerosene and charcoal

4.1.2 OTHERS PROGRAMS AND PROJECTS: SOCIAL ENTERPRISE AND RESEARCH

Social enterprise for FINCA is based on three aspects: targeting basic unmet needs, addressing environmental or socially-conscious causes, and helping people to be self-sufficient. Microfinance is the biggest social enterprise, but FINCA also has developed other three branches:

- **BrightLife**

It aims to enable people to have access to energy, which is now deemed a basic need, and considering that there are still nearly 1 billion people without a reliable access to electricity. Offering durable and trustworthy products like

solar home systems and kitchen equipment for the poor at an affordable price. It offers flexible and adapted payment plans.

- FINCA Venture

It aims to meet basic needs such as sanitation and education, in this branch FINCA partners work with entrepreneurs on innovative solutions to cover low-income families' needs.

- FINCA Forward

It is a pilot program that aims to tackle the issue of financial exclusion. It provides small and growing businesses the opportunity to test and improve their products thanks to the microfinance clients input

Research and a follow-up, done mainly with surveys, aims to strictly monitor the social performance of FINCA's microfinance services and social enterprises and make sure that there is a meaningful impact on FINCA's clients lives. Using ValiData, a cloud research platform, to ensure the correct collection and analysis of the data; data that comes from the clients' perspectives as they help the organization into choosing which indicators and metrics are relevant and how to measure them.

4.1.3 INCIDENCE ON THE SUSTAINABLE DEVELOPMENT GOALS

Figure 4: FINCA's microfinance incidence on 10 of the 17 SDGs

FINCA's [microfinance](#) work directly and indirectly contributes to **10** of 17 SDGs:



Source: FINCA International

To identify the impact that FINCA' microfinance services aim to achieve, 4 SDGs have been chosen out of the 10 presented by FINCA (see Figure 4):

SDG 1: NO POVERTY. FINCA clients, as it has been widely pointed out, receive low incomes, and many of them live in poverty or close to it. Therefore, overcoming such situation is an indicator to positive impact in its clients' lives.

SDG 5: GENDER EQUALITY. Given the fact that a great deal of FINCA clients are women, their empowerment is one of the five indicators that FINCA chooses to present its positive impact in its clients' lives.

SDG 8: DECENT WORK AND ECONOMIC GROWTH. Poor people working opportunities are often unsafe or precarious, but FINCA clients can offer decent conditions so their workers can improve their quality of life and their families'. As it has been mentioned previously, female entrepreneurship greatly contributes to economic growth, making it another important indicator to positive impact.

SDG 10: REDUCED INEQUALITIES. FINCA, by empowering women, seeks to fight gender inequality but also other types of inequalities. As we know, a large percentage of people in poverty are children and teenagers; therefore, the fact that their parents may receive credits and improve the household living conditions can be translated to more opportunities in terms of education, health and decent work for the next generation. Furthermore, such access to credits could contribute to closing the gap between rural and urban areas, as many small rural businesses can prosper and even expand to cities.

4.2 MICROFINANCE OF FINCA AND ITS IMPACT ON COMMUNITIES AND SPECIALLY ON WOMEN IN HONDURAS, THE DEMOCRATIC REPUBLIC OF CONGO AND PAKISTAN

FINCA's mission is set to reach the financially excluded populations; as low-income individuals have very few choices to financial sources, and, many times, the options are expensive or unsuitable for them. Therefore, FINCA aims to close that gap by financially supporting them so that they can work and generate income to improve their living standards and achieve their personal aspirations.

FINCA International has developed 5 macro-indicators to measure the impact on its clients' lives: Financial Inclusion, Living Standards, Income & Employment, Women Empowerment, and Personal Aspirations. They collect the data from their clients

through surveys that have been adapted to FINCA's mission, these surveys are administered to a representative sample of random borrowers (800 to 1000 per country). There are mainly two types of surveys: Household ones (FCAT) that gathers information about who is being reach and the living conditions of the clients, and is based on Living Standards Measurement Survey (LSMS) used by the World Bank; and, Enterprise ones to analyze the income and results generated from the businesses, kind of business, their impact on women empowerment and the goals the clients have set and reached.

As for the macro-regions where FINCA works and data is collected, they are divided in four: Africa (DRC, Malawi, Nigeria, Tanzania, Uganda and Zambia), Eurasia (Armenia, Azerbaijan, Georgia, Kosovo, Kyrgyzstan and Tajikistan), Latin America (Ecuador, Guatemala, Haiti, Honduras and Nicaragua) and MESA (Afghanistan, Jordan and Pakistan).

Globally, FINCA has 2, 699, 933 clients from which 853, 888 are borrowers, as there is a great number of clients who are micro-savers. The country with more borrowers is Pakistan with 237, 944, out of whom 90% are male. As for the rural impact, the region with a highest percentage of rural borrowers is Eurasia with a 65%, followed by Africa (45%), and Latin America (42%). In regard to living conditions; as to basic needs, Africa has the highest rate of clients without water supply in their homes with a 50%; as to education, the region with a higher percentage of population with primary education or less is Latin America with a 62%, followed by Africa (42%), then MESA (39%), and lastly Eurasia with only a 4%. In relation to businesses created or sustained by the loans, employment rates have a higher increase in MESA and Africa, while job creation is higher in Eurasia. When looking at the lenders' goals, it can be observed that Africa has the highest rate of clients who wish to start a business with a 13%, while MESA takes the lead in expanding a business with a 67%; moreover, 6 % of Africa's clients wish to invest in education, while the other three regions are tied with a 1%. Women empowerment metrics will be discussed in more depth in the following paragraphs, as they are the most relevant indicators to this dissertation.

As it has been previously pointed out, women empowerment is one of the five macro-indicators set by FINCA. The vital importance of such indicator lies in the fact that in the poorest households, women are usually the main source of income and that they are twice as likely to be financially excluded than men in countries where FINCA operates.

This indicator is complex and multi-dimensional; therefore, FINCA focuses on the measures related to the impact of loans on women such as: job-creation, business ownership, and employment. The economic empowerment of women does not only provide an income, but also impacts on their social status; as women take a just and equalitarian place in the economic world, they gain authority and autonomy to keep expanding their businesses and improving their live conditions (finca.org, n.d.-d). Therefore, a virtuous cycle is created when they positively impact on other women in their communities and when they offer their children a better future through education.

In the following three sub-sections, the impact of FINCA’s microfinance programs on women will be analyzed through the indicators set by the same organization; and as it has been previously mentioned, the countries chosen to be subject of this dissertation were Honduras, the DRC and Pakistan (see Table 1). The economic and social context of these three countries was previously described in the theoretical framework (see section 3.2), and the situation of women in each country has been briefly explained in the mentioned sections. The aim of analyzing each country’s conditions beforehand was to understand the degree of success of FINCA in changing the lives of those women and helping them to gain empowerment; given the fact that their living conditions, freedom, and working options are constrained by the regional environments in such countries.

Table 1: Table of FINCA’s 6 women empowerment indicators for Honduras, Latin America (LA), DRC, Africa, Pakistan, MESA and Globally

WOMEN EMPOWERMENT						
	Female borrowers	Clients with female-headed household	Households with female as main earner	Businesses run by women	Women employed by enterprises	Jobs created by women
HONDURAS	56%	26%	51%	71.40%	76%	66%
LA	71%	19%	45%	77.50%	54%	78%
THE DRC	37%	14%	43%	56.60%	43%	38%
AFRICA	46%	18%	46%	56.30%	44%	48%
PAKISTAN	10%	10%	8%	5.10%	11%	5%
MESA	23%	9%	10%	16.50%	21%	16%
GLOBAL	41%	14%	29%	38.80%	36%	37%

Source: FINCA International

4.2.1 FINCA IN HONDURAS

Honduras has the highest number of MFIs in the Central American and Caribbean Microfinance Network (Redcamif). What is more, many Honduran MFIs also affiliated to the Microfinance Network of Honduras (Redmicroh). Women in this country face a hostile environment; on that account, financial help is not the only necessity to be met, they need integrated services adapted to them. As MFIs are close to them, such institutions play a vital role in promoting their economic empowerment and independence (Findings, 2019).

In regard to FINCA's indicators, Honduras has considerable higher and more successful statistics than the other two countries analyzed, due to the fact that it is located in Latin America, a region with the greatest indicators in women empowerment. Female borrowers account to 56% of FINCA's clients; clients with female-headed household, to 26%; households with female as main earner, to 51%; business run by women, to 71.4%; women employed by enterprises, to 76%; and jobs created by women, to 66%. In comparison to the indicators in the regions, they account to the 71%, 19%, 45%, 77.5%, 54% and 78%, respectively. Honduras shares many characteristics with Guatemala, Haiti, and Nicaragua as they belong to the same geographical area; Ecuador, which is further to the south, differs in some aspects as it is not as environmentally vulnerable and violence does not have such high rates as in the said countries.

FINCA has worked in Honduras since 1989 as it is deemed a very poor country in the region, where most people depend on agriculture; furthermore, women have always play a protagonist role in their communities, as migration has led women to be head of many households and the main source of income for them, and it is actually the country with the highest rate of single motherhood with 26%, among FINCA operating countries. Many of these female entrepreneurs run their businesses and employed other women, actually female workers make up to 75% of FINCA-funded enterprises, one of the highest worldwide.

4.2.2 FINCA IN THE DEMOCRATIC REPUBLIC OF CONGO

The DRC's FINCA indicators are very close and similar to the ones for its continent Africa (see Table 1); being behind in female borrowers (37% against 46%), clients with female-headed household (14% against 18%), household with female as main earner (43% against 46%) and jobs created by women; and really close in business run by

women (56.6% for DRC and 56.3% for the continent) and women employed by enterprises (43% country wise and 44% for the region). It needs to be pointed out that all of the countries considered in this area belong to Sub-Saharan Africa, which is the poorest region in the world; the country needs more future job vacancies for the growing young population.

FINCA started operating in the country in 2003, while it was still at war. FINCA initially began by only offering Village Banking loans for women; having, however, currently become a leading microfinance institution with more than 300 000 clients in the country. The struggles of women that have to face violence in many forms is undeniable especially in the rural area; despite this appalling conditions, FINCA has only 20% of borrowers in the rural region; which is why FINCA wishes to reach those more isolated as they are the ones that usually face more violence and instability; for this purpose, it has developed some initiatives such as: FINCA eXpress and CLICK to facilitate them the use of microcredits, people's access to them, and access to financial training.

4.2.3 FINCA IN PAKISTAN

Weber and Ahmad (2014), conducted a research in Pakistan about the relationship between the loan cycles and the empowerment of women levels. They concluded that female borrowers in higher loan cycles of Kashf's Foundation microfinance program did experience a relevant increase in empowerment compared to those in the first loan cycle. The increase of empowerment became apparent as women had more ability to decide how to use the loan, and therefore gain more financial and economic empowerment; as for social empowerment, the study only indicates that an improvement in freedom of mobility can be observed. The authors highlight that such weak incidence on social empowerment is because it depends on many external factors and this being a long-term objective that goes beyond the time of some loan cycles.

Table 2: Table of FINCA’s 6 women empowerment indicators for Pakistan, Jordan, Afghanistan, MESA and Globally

	WOMEN EMPOWERMENT					
	Female borrowers	Clients with female-headed household	Households with female as main earner	Businesses run by women	Women employed by enterprises	Jobs created by women
PAKISTAN	10%	10%	8%	5.10%	11%	5%
JORDAN	81%	7%	18%	86.20%	81%	86%
AFGHANISTAN	57%	4%	12%	-	-	-
MESA	23%	9%	10%	16.50%	21%	16%
GLOBAL	41%	14%	29%	38.80%	36%	37%

Source: FINCA International

In regard to the FINCA’s indicators (see Table 2), Pakistan has only a of 10% female borrowers, a percentage behind the 23% of its region (being Jordan the highest with an 81%, and Afghanistan following with a 57%). As for clients with female-headed household it has a 10% and leads its region (Jordan is second with a 7%, and Afghanistan is third with a 4%). When it comes to observing households with a female as main earner, it has an 8%, making it the last of MESA (Jordan is first with 18%, and Afghanistan second with a 12%). In terms of Business run by women it only reaches a 5.2%, a percentage far behind in contrast to Jordan which has an 86.2%; this difference can also be observed in the last two indicators: Pakistan reaches a 11% for women employed by enterprises and a 5% in jobs created by women in contrast of the 81% and 86% percentages reaches in Jordan, respectively. Therefore, the Pakistani situation is closest to Afghanistan in the first three indicators; in the next three ones, Jordan is far superior than Pakistan, while data from Afghanistan is unavailable. It can also be observed that the cultural and social similarities are closer between Pakistan and Afghanistan, whereas Jordan benefits from a more open society, and has greater female participation.

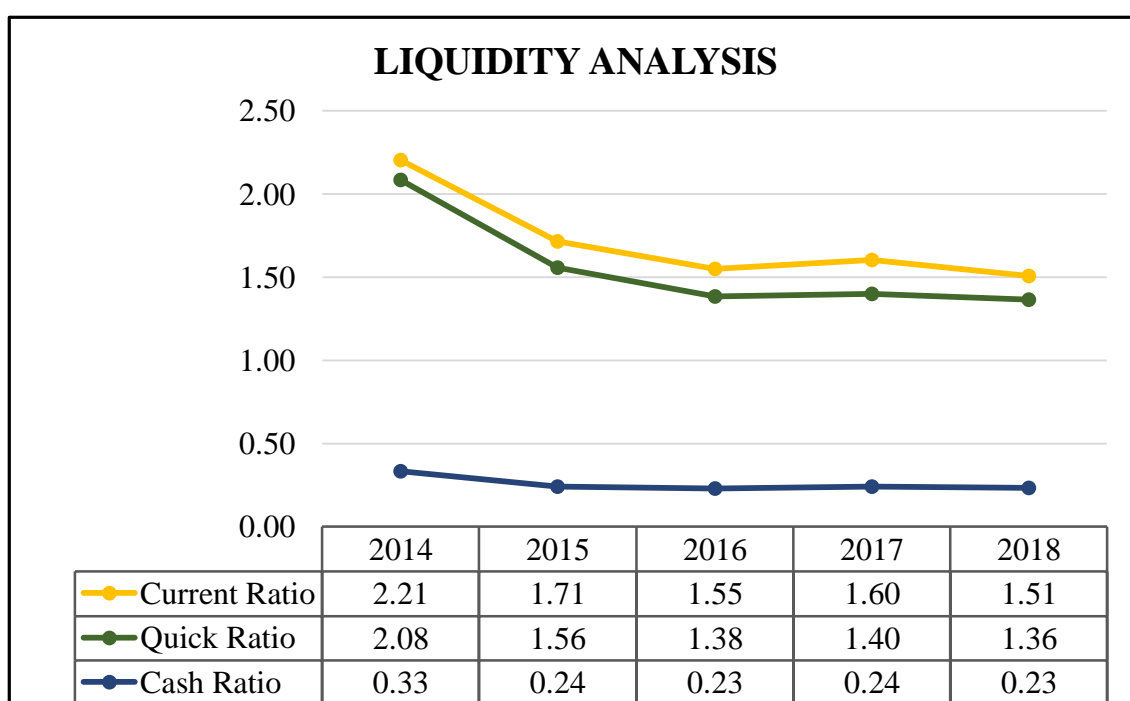
FINCA started operating in Pakistan in 2008, through a local bank, and has since become one of the leading Microfinance banks around the country; however, female clients remain a small group and many of them are single parents. Fact that shows the struggles of Pakistani women, who are usually fully economically dependent on their

husbands or male relatives and it is only when they lose them that they lack a source of income and need to start small business to provide for themselves and their families. This may be the reason behind the fact that female borrowers are only 10% in the country; as usually men are the ones that run businesses, while women mostly play a domestic role due to the cultural and religion context.

4.3 ANALYSIS OF THE ANNUAL STATEMENTS OF FINCA (2015-2019)

BALANCE SHEET

Graph 1: Liquidity Analysis graph with three ratios across the years of 2014 – 2018

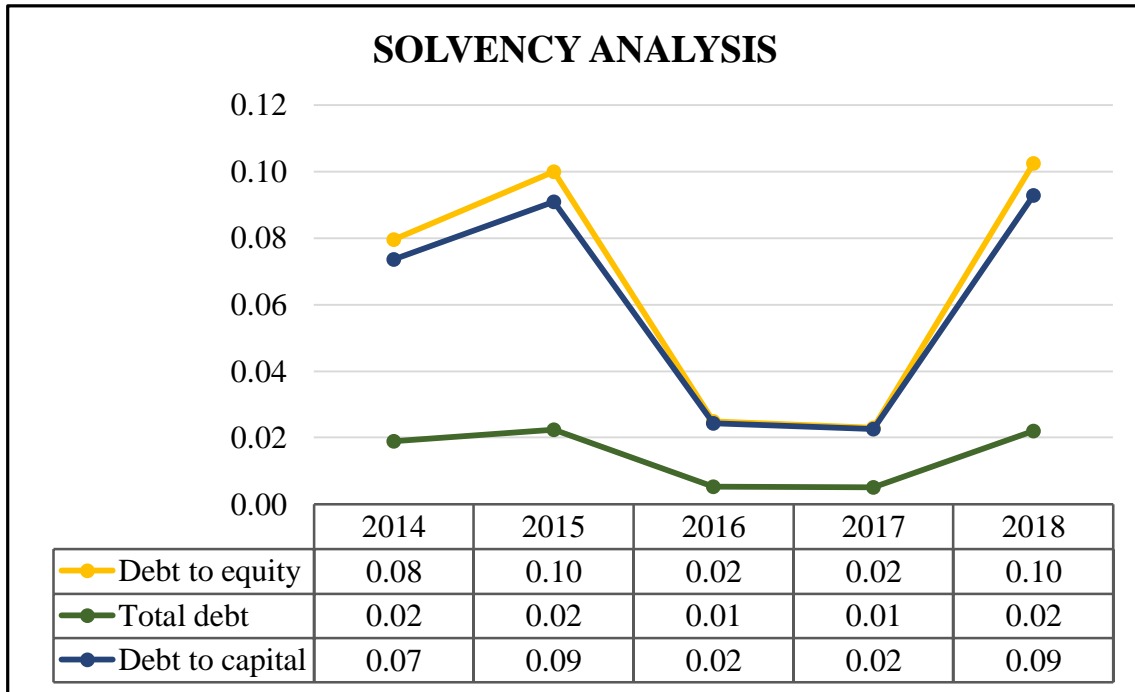


Source: FINCA International

To conduct the analysis, the first aspect to be evaluated is the liquidity analysis (see Graph 1). Current ratio represents the ability of FINCA to cover its current liabilities with current assets, which has decrease from the 2.21 in 2014, but it is still optimal as the company can convert those assets in cash and fully pay its short-term debt. As it has been mentioned, FINCA has experienced a decrease in this indicator since 2018, but the last three years have had stable and quite similar ratios; the same trend is followed by the Quick ratio which shows how much of the current liabilities can be paid immediately; as a result, conversion from current asset to cash is instantaneous, FINCA can completely settle its short term liabilities quickly in all years of this period. Likewise, the cash ratio has remained very stable across all years and shows that around

23% to 33% of current liabilities can be paid with cash and market securities in these five years.

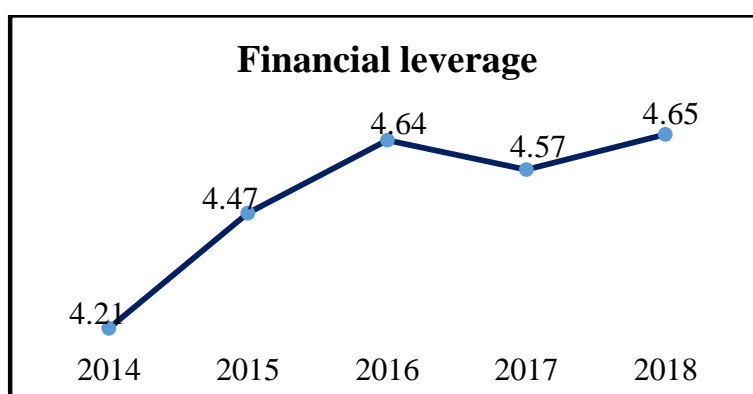
Graph 2: Solvency Analysis graph with three ratios across the years of 2014 – 2018



Source: FINCA International

The second aspect to be evaluated is the solvency analysis (see Graph 2). It can be observed that all three solvency ratios follow the same trend, having decreased in 2016 and 2017 and gone back up in 2018. As to the debt to equity ratio, debt only finances up to a 10% of what investors do; consequently, the organization is very solvent and does not rely on creditors as a main source of financing. In regard to the total debt ratio, it has reached an average of 2% in three of the 5 years, which means that debt only finances 2% of all assets of FINCA; such numbers show again how solvent the organization is. Finally, the debt to capital ratio shows that debt has only represented 9% of the capital (total debt plus equity) in 2018, which could imply that equity represented the other 91% of the financing needed by FINCA in that year.

Graph 3: Financial leverage graph from 2014 to 2018



Source: FINCA International

Finally, the third aspect to be evaluated is the financial leverage ratio. In this case total assets over total equity is to be analyzed (see Graph 3). It can be observed that the ratio oscillates between 4.21 and 4.65, which means that assets represent four times what equity does; however, this cannot be particularly deemed positive or negative. As for FINCA’s case it could be related to them trusting in the program interest income, and therefore relying on borrowers paying back the loans.

P&L ACCOUNT

Table 3: Expenses and Revenues in % in the period of 2014 - 2018

EXPENSES in \$	2014	2015	2016	2017	2018
Program services	96%	96%	95%	96%	97%
Fundraising	1%	1%	1%	1%	1%
General and Administrative	3%	3%	4%	3%	2%
TOTAL	100%	100%	100%	100%	100%
REVENUE in \$					
Cash, grants donations	4%	3%	4%	4%	4%
Services, gift in kind	1%	1%	1%	1%	1%
Program interest income	89%	89%	85%	84%	88%
Grants, contract, federal government	3%	3%	2%	1%	1%
Fees and others program income	3%	4%	8%	10%	6%
TOTAL	100%	100%	100%	100%	100%

Source: FINCA International

Profit and Losses accounts show that expenses and revenues have been decreasing from 2014 to 2018; expenses in 2014 were up to \$394,706,878 and in 2018 they have dropped to \$304,905,526; revenues have decreased as well from \$413,750,264 back in 2014 to \$327,625,989 in 2018. However, the relative weight of each element with respect to the totals of revenue and expense has remained almost constant (see Table 2).

The main source of revenue comes from the Program interest income accounting to around 87% in average in the period studied, followed by fees and other program's incomes, and then by cash grants and donations; whereas on the expenses side, the Program services represent a 96% of total expenses on this five years' average. These elements reveal that FINCA program is almost self-sufficient, given the fact that the expenses figures are smaller than the revenue ones; in fact, in average, the expenses of the program amounted to \$332,506,604, while the revenue of such programs amounted to \$317,139,345, resulting in a small difference of \$15,367,259 that could be collected through other revenue elements.

All in all, from both the liquidity and solvency analysis and by especially observing the composition of the Profit and Losses account, it can be stated that the FINCA system seems to work and has maintained a solvent and sustainable organization. All data (taken from the consolidated annual reports of FINCA from 2014 to 2018) supports and promotes the success of the microfinance services they offer as their clients do pay back and help the organization to sustain and enlarge its services to others as well, multiplying the positive effects and helping more people in poverty who are financially excluded.

LOANS AND DEPOSITS

Table 4: FINCA Loan portfolio, Deposits, Number of customers and Percentage of Women borrowers of Honduras, DRC and Pakistan, from 2020

	Financiera FINCA Honduras	FINCA Democratic Republic of Congo	FINCA Microfinance Bank Limited (Pakistan)
Loan portfolio (in M of \$)	26.1	72.1	144.9
Deposits (in M of \$)	18.7	55.6	139.7
Customers	67850	357540	1120000
Women borrowers (in %)	55.50%	36.80%	9.90%

Source: FINCA International

To continue the accounting analysis other indicators are studied. The loan portfolio of the three chosen countries (see Table 3), it can be observed that they are proportional to how much populated the said countries are; likewise, the deposits figures made by FINCA clients are directly related to the number of clients in each country.

Nevertheless, it is clear that women participation does not follow that same trend as they have a greater figure in the smaller nation of Honduras but this fits the sociocultural context of each country. The loan portfolio figures also match, and are relative to the number of services offer, as in Pakistan a wider range of types of loans is offered in comparison to Honduras or the DRC; and that in the DRC, further services besides loans and savings are offered in contrast with the context of Honduras.

KEY FINANCIAL INDICATORS FOR FINCA’S MICROFINANCE NETWORK

Table 5: Key Financial Indicators for FINCA’s Microfinance Network by Regions

2015 Summary	Average Disbursed Loan Size	Year-End Gross Loan Portfolio Outstanding	Total Amount Disbursed	Portfolio at Risk >30 days	Savers
Africa	\$518	\$153,975,000	\$265,731,000	3.40%	635,000
Eurasia	\$1,598	\$406,129,000	\$543,010,000	3.60%	117,000
Middle East and South Asia	\$840	\$94,448,000	\$124,473,000	2.30%	327,000
Latin America and Caribbean	\$588	\$164,298,000	\$349,775,000	3.90%	61,000
Total	\$831	\$818,850,000	\$1,282,989,000	3.50%	1,140,000

Source: FINCA International

To conclude the financial analysis, these key indicators are shown (see Table 5). The average disbursed loan size is below the global average for Africa and LA, suggesting that clients in said regions have less economic possibilities than the other two regions. Whereas, the gross loan portfolio and the total amount disbursed has the highest figure in Eurasia, which is logical as because here there are more loans borrowed and more clients FINCA has a larger capital for this region. Then, Savers are quite different in each region, Africa has the highest amount, which highlights the popularity of this service here; and, LA has only over 50 000 savers revealing that borrowing is the preferred FINCA service in this region.

5. CONCLUSIONS AND RECOMMENDATION

First of all, it is crucial to discuss the mission and objectives of the MFIs. Not all organizations or institutions offer microfinance services with the purpose of reaching the poor and improving their live conditions, some are more profit-oriented than socially-oriented, and therefore, their services might not be favorable for those in

poverty. If the main goal pursued by the MFIs was to be a tool to alleviate poverty, these microfinance services would need to take into account the conditions and needs of those targeted, such as: adapted and lower interest rates, more flexible payment periods, courses on financing and business, efficient and constant monitoring, etc. Should all of these conditions be met, microfinance services could be successful; in the event that some of these conditions are missing or are not implemented thoroughly or the socio-cultural context is adverse, taking a loan could actually worsen the situation of the lender.

Many MFIs target poor women as clients, owing to the fact that they are vulnerable and financially excluded, but also because they can be agents of change and by empowering them, at least economically, there can be an improvement of living conditions for their families and communities as well. Their empowerment is a multi-dimensional and complex issue, that is why it cannot be only be observed from, or reduced to, a financial or economic perspective. In some cases, the strong patriarchal structures, cultural practices, religion customs, or the family situations can undermine and offset the possible benefits of microcredits, forcing women to decline the option or facing the problems when accepting it, in both cases the women remain poor or are unfortunately impoverish even furtherly.

In order to understand the complexity of women empowerment, the constraints, struggles, and hurdles of poor women to achieve it are to be discussed. Firstly, it is important to point out that historical and cultural factors represent the biggest adversity as in many countries the concept women's independence is treated with hostility, and even inside their homes and within their families, they have to face violence, oppression, isolation, and exploitation; moreover, some women are imposed with the role of mothers and housewives and are denied being part of any activities outside their homes. Secondly, the gender gap remains a disadvantage in topics such as education, work, and health; leaving women in an unfavorable position by having none or little means to overcome poverty, worsened by the complete economic dependence of women on their husbands or relatives, especially in rural areas. Therefore, if women can overcome or fight against the previously mentioned obstacles or if they can count on their family's or community's support; microfinance can indeed positively impact their lives by offering them the possibility of opening their own businesses, which are both a source of income and independence and the first step to improve their living conditions.

As it has been mentioned, microfinance cannot singlehandedly lead to women empowerment, it is only one of the many contributing factors needed to achieve such empowerment. However, there is room for improvement for MFIs if they truly want to contribute to poverty alleviation, especially when targeting women. Suggestions, drawn from the several authors mentioned previously, regarding the microfinance service of generic individual or group loans have been summed up in mainly four. Firstly, conducting a market and social study of the clients and its needs in order for them to be able to adapt the interest rates and make payment periods more flexible and suitable for the different kind of clients, depending on their sector, size of business, location, family situation, household income, and so on. Secondly, developing better screening methods so that the borrowers selected can truly take advantage of the credit and benefited from it. Thirdly, providing financial or business training and education on basic or essential topics (nutrition, health, management, or budgeting). Lastly, offering monitoring, supervision, and guidance through all the borrowing process and subsequent stages like the business development and operations, if possible.

As for specific advice on MFIs targeting women, Findings (2019) recommendations for the Honduras case can be extrapolated to other countries and are worth mentioning. Internally, the MFIs can learn about gender power dynamics in homes and communities, conflicts, the particular needs, and barriers faced by poor and vulnerable female clients, in order for them to be more sensitive and therefore enhance their social performance management; they can also make sure that the services offered comply with the highest ethical standards. Externally, they can offer a more varied range of both financial and non-financial services, like nutritional or financial courses, suited to the needs of women and aimed at developing resilience in both their lives and businesses; facilitate effective client segmentation and work on offering services that are customized to the clients' business stages; furthermore, they can create linkages and protocols with related institutions in order to provide training and support to women, including victims of violence against women.

All in all, it could be concluded that FINCA does positively impact women lives, as it has been previously observed with the organization own women empowerment indicators (see section 4.2). Nonetheless, the degree of such impact is highly conditioned by the cultural and social context of the country where the services are offered; for instance, in the MESA region, the female borrower's percentage are far

behind from the global average due to religion and social customs. Another obstacle comes from the fact that FINCA cannot reach out to or help many of those geographical or socially excluded; and what the indicators point out is that, most women that access to loans in certain countries such as the DRC live in urban areas, when extreme poverty is predominantly present in the rural area, so FINCA as others MFIs is failing to reach some of those in extreme poverty. On the other hand, FINCA is indeed attempting to improve the services provided and reach more women, as well as to adapt the loans to the diverse needs of their female clients; as it can be observed in Afghanistan, where they have launched a women-only branch, and they also are building technological solution as banking services by phone or text messages system for those either isolated or with no internet connection. As for the accounting perspective, FINCA does rely on the repayment of the loans from its clients and complements that income with donations and grants, and although some regions might present losses, other regions profits offset the effect, so FINCA is mainly self-sustainable. Therefore, FINCA remains a global model and leader for microfinance institutions, which relies on already successful programs like their Village Banking and works on new and innovative solutions for the contemporary challenges of poverty.

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ANNEXES

1. Tables of indicators of the 3 countries studied, their regions and the global data

1.1 Table of the Financial Inclusion indicators

FINANCIAL INCLUSION					
	Adult population financially excluded	Total FINCA clients	Total FINCA borrowers	Female borrowers	Borrowers in rural areas
HONDURAS	57%	67850	27654	56%	32%
LA	59%	213215	143058	71%	42%
DRC	85%	357540	73518	37%	20%
AFRICA	70%	942495	190243	46%	45%
PAKISTAN	82%	1128248	237944	10%	14%
MESA	82%	1195981	305677	23%	165
GLOBAL	72%	2669933	853888	41%	39%

Source: FINCA International

1.2 Table of the Living Standards indicators

LIVING STANDARDS					
	Client homes without water	Client homes without electricity	Client homes without access to Internet	Clients who don't own their home	Head of household with primary education or less
HONDURAS	30%	27%	51%	14%	68%
LA	17%	22%	46%	20%	62%
DRC	46%	16%	48%	52%	11%
AFRICA	50%	35%	64%	41%	42%
PAKISTAN	34%	1%	71%	9%	40%
MESA	32%	2%	65%	14%	39%
GLOBAL	29%	12%	59%	18%	35%

Source: FINCA International

1.3 Table of Income & Employment indicators

INCOME & EMPLOYMENT					
	Average annual profit	Average number of employees per client enterprise	People employed in FINCA-funded enterprises	Employees hired due to FINCA loan	Wages paid above the poverty line
HONDURAS	40%	2	56388	20%	31%
LA	29%	2.5	215342	27%	33%
DRC	19%	2.2	164479	25%	43%
AFRICA	22%	2.4	379714	27%	55%
PAKISTAN	22%	2.7	633896	8%	31%
MESA	24%	2.5	689330	13%	29%
GLOBAL	29%	2.4	1659476	23%	48%

Source: FINCA International

2. Success stories of female FINCA's clients from Honduras, the DRC and Pakistan

2.1 Consuelo's story (Honduras)

An example of success is Consuelo, now 62 years old, became widow when she was only 18 but currently runs several businesses like small stores, food delivery and taxi rental initially financed through FINCA Village Banking (see Figure 5); she acknowledges that with her earning she was able to buy a bigger house but most importantly was able to educate her five children, two of them got a college degree. So, here is a great example of positive social impact thanks to microfinance: other women in the communities become employed, usually with better working conditions, and children receive higher levels of education with future possibilities of helping their communities.

Figure 5: San Francisco de Asis Village Bank women taken in 1994. Consuelo is the one first to the left.



Source: FINCA International

2.2 Annie's story (the DRC)

An inspiring story is the one of Annie, back in 2003 she used to run a small ginger juice in a market when FINCA informed her about loans that could help her; after business training and associating with other women, she joined a Village Banking group and got her loan. Now she owns a restaurant and thinks ahead about retirement (see Figure 6). Annie has improved her living conditions and will be able to have a pension which ensures a good quality of life for her retirement, she also is an inspiration for other women.

Figure 6: Annie Boma Kamuanya sharing her story with staff of FINCA in its headquarters in Washington DC



Source: FINCA International

2.3 Bushra's story (Pakistan)

An encouraging story is the one of Bushra, she was left by her husband who took all her belongings. She needed to provide for her four children but until that point she had only worked as a housewife; she started a beauty shop in her home but got advice of putting the shop in the market streets so when Kashf Microfinance Bank Ltd (now FINCA Microfinance Bank Ltd) offered her a loan, she accepted it and four years later she has expanded and owns a clothing boutique as well and employees four women and has educated all her children (see Figure 7). It can be observed that this story represents how positive a microloan can be: it improves living conditions of borrowers, their relatives and their employees.

Figure 7: Bushra Rasheed in her beauty shop



Source: FINCA International

3. P&L in \$ of 5 years (2014 – 2018): Absolute values

P&L (in \$)	2014	2015	2016	2017	2018
EXPENSES					
Program services	378,920,473	374,225,242	320,710,722	292,918,221	295,758,360
Fundraising	3,622,825	3,691,502	3,375,902	3,051,231	3,049,055
General and Administrative	12,163,580	11,627,172	13,503,609	9,153,694	6,098,111
TOTAL	394,706,878	389,543,916	337,590,234	305,123,147	304,905,526
REVENUES					
Cash, grants and donations	15,039,698	11,454,495	13,575,211	13,584,699	13,105,040
Services, gift in kind	4,116,700	3,512,786	3,393,803	3,396,175	3,276,260
Program interest income	368,723,713	354,910,230	288,473,240	285,278,670	288,310,870
Grants, contract, federal government	11,474,625	12,451,251	6,787,606	3,396,175	3,276,260
Fees and others program income	14,395,528	15,530,017	27,150,423	33,961,746	19,657,559
TOTAL	413,750,264	397,858,779	339,380,282	339,617,464	327,625,989

Source: FINCA International

4. Balance Sheet ratios of 5 years (2014 – 2018)

FINCA INTERNATIONAL	2014	2015	2016	2017	2018
LIQUIDITY ANALYSIS					
Current Ratio	2.21	1.71	1.55	1.60	1.51
Quick Ratio	2.08	1.56	1.38	1.40	1.36
Cash Ratio	0.33	0.24	0.23	0.24	0.23
SOLVENCY ANALYSIS					
Long-term debt to equity Ratio	0.08	0.10	0.02	0.02	0.10
Debt to equity Ratio	0.08	0.10	0.02	0.02	0.10
Total debt Ratio	0.02	0.02	0.01	0.01	0.02
Debt to capital Ratio	0.07	0.09	0.02	0.02	0.09
Financial leverage Ratio	4.21	4.47	4.64	4.57	4.65

5. Formulas for Balance Sheet ratios

Liquidity Analysis Ratios	Calculation
Current	Current assets ÷ Current liabilities
Quick (acid test)	(Cash + Marketable securities + Receivables) ÷ Current liabilities
Cash	(Cash + Marketable securities) ÷ Current liabilities
Solvency Analysis Ratios	Calculation
Long-term debt to equity	Total long-term debt ÷ Total equity
Debt to equity	Total debt ÷ Total equity
Total debt	Total debt ÷ Total assets
Debt to capital	Total debt ÷ (Total debt + Total equity)
Financial leverage	Total assets ÷ Total equity