

# *Financing Women Entrepreneurs*

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**Women's Business Council Philippines**

Prepared by:

**Rossana S. Javier**  
Saint Matthew Institute

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## I. Executive Summary

The researchers sought to identify issues and challenges met by women-owned or driven micro, small and medium size enterprises (MSMEs), and formulate recommendations to address them. The researchers undertook to study the existing credit environment in which these MSMEs currently operate, the factors affecting the environment and the actors in it, and their impact on women entrepreneurs. The method of research included review of current literature, the conduct of an online survey and key informant interviews.

The researchers collected data and responses from two groups of women MSME entrepreneurs (MSMEEs): Group 1) Various MSME women network respondents, with some knowledge of the credit environment and opportunities, and Group 2) AHON SA HIRAP INC. (ASHI) respondents with little to no knowledge of the credit environment and opportunities. MSMEEs were also found in 4 settings: Urban and highly-urban, rural, far-flung/remote, and conflict areas.

The study identified two barriers to MSMEEs' full development: 1) There is a lack of accessible, comprehensive information on entrepreneurship with practical features targeted toward serving women; and 2) a lack of access to productive resources for women-owned and/or driven MSMEs.

What is interesting to note is that both groups of MSMEEs met with the same issues and challenges, albeit at different stages of their development. For Group 1 MSMEEs, the challenges keep them from expansion or diversification. For Group 2 MSMEEs, the challenges stall them at the beginning of their entrepreneurial journey – depriving them of capital for start-up, and no opportunity for diversification.

The study recognized that private sector will not venture in “greenfield” areas which are not commercially viable despite existing penalties for not extending credit to MSMEs. As such, government led initiatives will need to be in place in these “greenfield” areas so that once MSMEs have grown into a viable size and have become credit worthy, the private sector will be willing to extend credit for expansion.

In response, the researchers recommend that the government first be lobbied to set the policy, framework and guidelines for the development of a roadmap for women entrepreneurs to direct and harmonize government and private sector initiatives, to include the following: 1) Incentive Program for women MSMEEs, 2) Information Campaign for women MSMEEs, and 3) Entrepreneurial concepts and skills to be included in K-12 education.

Through tax incentives either in the form of reduced customs duties and tax rates at both national and local levels, the private sector (Banks and NGOs) should be encouraged to support and augment government initiatives, to ensure that guidelines and standards are met, and no one is left behind.

## II. The Philippine Economy, Finance and Microfinance

In the 2016 study by the International Monetary Fund, the Philippines counts among the emerging global markets as the 36<sup>th</sup> largest economy in the world. Its average annual growth rate over the past decade has held at around 6% and the study projects that at the current pace of development the economy can be the 16<sup>th</sup> largest in the world by 2050.

On the other hand, the country continues to deal with various challenges to development: disparity in opportunities and resources amongst socio-economic classes, fallout from disasters and environmental degradation, and what is largely perceived as an unstable political atmosphere both locally and by the international community.

The World Bank provides the following highlights in the Philippine Economic Update – 2015 edition:

- “Economic growth slowed down to 5.3 percent in the third quarter of 2014, due to weak government spending on the demand side and agricultural production on the supply side.
- Government consumption contracted by 2.6 percent while infrastructure spending fell by 6.2 percent. Contributing to weak government spending are the Supreme Court decision which found some provisions of the Disbursement Acceleration Program unconstitutional, budget execution bottlenecks, and slow disbursement for Typhoon Yolanda reconstruction.
- Despite the slowdown, more than a million jobs were created in October 2014, although the quality of jobs remains a challenge. The 2013 Annual Poverty Indicator Survey (APIS) finds that real income of the bottom 20 percent grew much faster than the rest of the population. The survey also confirms that the government’s conditional cash transfer program is reaching the poor, as reflected in the substantial growth of domestic cash transfers to the bottom 20 percent.
- Lower government spending, investment delays and slowdown, and weaker exports are likely to limit economic growth to 6 percent in 2014 and 6.5 percent in 2015. Provided that government can fully commit to utilizing the budget as planned, as well as accelerating reforms, achieving growth of above 6.5 percent can be achieved.
- Translating higher growth into inclusive growth can help the government achieve its poverty target of 18 to 20 percent by 2016.
- Eradicating poverty requires a commitment to implement key reforms in the areas of infrastructure, health and education; enhancing competition to level the playing field; simplifying regulations to promote job creation; and protecting property rights.
- Higher investments need to be supported by tax policy reforms as tax administration reforms are inadequate to fully fund the investment gap. Worsening port and road congestion and possible power shortages in 2015 underscore the need to urgently raise investments.
- Tax policy reform should aim for a more equitable, efficient and simpler tax system.
- Reforms to strengthen tax administration and improve the transparency and accountability of government are essential to make it a success. Key reforms include the passage of the Freedom of Information bill, which institutionalizes open data, enhancing budget reporting, and simplifying tax procedures and processes.
- Higher investments in infrastructure, health, and education need to be complemented by reforms to enhance competition. Essential reforms include crafting and implementing a clear competition policy, liberalizing key sectors of the economy to directly benefit poor Filipinos, and opening up the economy to more foreign competition.”

<http://www.worldbank.org/en/country/philippines/publication/philippine-economic-update-january-2015>

In the article, Entrepreneurship in the Philippines: Opportunities and challenges for inclusive growth (CIPE, 2013), former Executive Director of Universal Access to Competitiveness and Trade (U-ACT) Ryan Evangelista states, “... the solution lies in entrepreneurship which has the potential to create wealth, jobs and social empowerment.”

He adds that this was recognized and written into the 1987 Philippine Constitution, Article XII Section I which states among other things that “all sectors of the economy and all regions of the country shall be given optimum opportunity to develop. Private enterprises including corporations, cooperatives and similar collective organizations shall be encouraged to broaden the base of their ownership.

<http://www.cipe.org/publications/detail/entrepreneurship-philippines-opportunities-and-challenges-inclusive-growth>

#### Government policies and systems

There are four departments within government which are directly involved in the growth of the economy, business and finance:

1. Department of Finance
2. Department of Trade and Industry
3. Department of Budget Management

#### 4. National Economic and Development Authority

These four departments in turn regulate Government Owned and Operated Corporations (GOCs) which have autonomous bureaucracies but are required to undergo periodic audit. GOCs directly involved in lending or providing assistance to SMEs are:

1. Al-Amanah Islamic Investment Bank of the Philippines (ISLAMIC BANK)
2. Bangko Sentral ng Pilipinas (BSP)
3. Cottage Industry Technology Center (CITC)
4. Development Bank of the Philippines (DBP)
5. Land Bank of the Philippines (LBP)
6. Livelihood Corporation (LIVECOR)
7. Masaganang Sakahan, Inc.
8. National Livelihood Support Fund (NLSF)
9. People's Credit and Finance Corporation (PCFC)
10. Philippine Export-Import Credit Agency (PHILEXIM)
11. Small Business Guarantee & Finance Corporation (SBGFC)

### **Government policy on credit, finance and the role of NGOs**

The Philippine government has long recognized the role of credit in national development. In 1993, under the Ramos administration, the Social Pact for Credit forged and established by a broad alliance of government, non-governmental, and people's organizations concerned with credit delivery to the countryside, recommended the rationalization of credit-delivery programs, especially as they cater to small farmers and other rural workers, fisher folk, urban poor, and small entrepreneurs via a rationalization mechanism. Consequently, Administrative Order 86 mandated the creation of the National Credit Council under the Department of Finance in order to rationalize and optimize government credit policy.

<http://www.chanrobles.com/administrativeorders/administrativeorderno86%201993.html#.WCCPsy197IU>

Another landmark legislation is the “Magna Carta for Micro, Small and Medium Enterprises (MSMEs)” enacted by the Philippine Congress in 1991 as RA 6977, amended by Republic Act 8289 in 1997, and further amended by RA 9501 in 2008. The Magna Carta defines the current national policy to promote, support, strengthen, and encourage the growth and development of MSMEs. The law is geared towards the development of the Filipino entrepreneurial spirit by providing a business environment conducive for MSMEs.

In 2000, the Bangko Sentral ng Pilipinas (BSP) was mandated by R.A. 8791 (General Banking Law of 2000) to recognize microfinance as a banking activity, and to draft the guidelines for its operations within the banking sector.

BSP states the “National Strategy for Microfinance” as “aiming for a viable and sustainable micro financial market that will help provide poor households and microentrepreneurs with greater access to micro financial services.”

BSP works on the following basic premise: that all deposit taking institutions - banks, cooperatives, and microfinance NGOs collecting savings greater than the compensating balance are subject to prudential regulation and supervision. Thus, banks with microfinance operations are under the regulation and supervision of the BSP; cooperatives are under the supervision and the regulation of the Cooperative Development Authority (CDA); and NGOs while not regulated, are encouraged to submit information to the Microfinance Council of the Philippine (MCPI).

It should be noted that the Department of Trade and Industry program, under the Barangay Micro Business Enterprises law (RA 9178) complements the national strategy by focusing on capacity building, social

preparation and business support services, which are crucial in the development of a vibrant micro enterprise industry.

According to the BSP website, Philippine policy has shifted the function of providing financial services directly to government financial institutions (i.e. Land Bank of the Philippines, Development Bank of the Philippines, etc.) that are competent to implement such programs. Government agencies (DSWD, DILG, etc.) previously handling these are to focus on areas of a greater competency such as capacity-building, social preparation, provision of infrastructure, etc.

Targeting a larger number of entrepreneurial poor, the BSP encourages the establishment of microfinance-oriented banks, and microfinance operations in existing banks. And while the BSP's mandate is to focus on the banking sector, its interest in the other sectors (i.e. NGOs and cooperatives) relate to the following: 1) transformation of non-bank MFIs into banks, 2) other infrastructure needed for microfinance development (i.e., developing uniform set of standards), and 3) promotion of best practices for sustainable operations within banks, NGOs and cooperatives.

**Table I provides a listing of current government microfinance and SME agencies and programs.**

Agency	Program
Microfinance	
Foundation for a Sustainable Society, Inc.	Microfinance Eco-Enterprise Program
GSIS Family Bank	GSIS Family Bank Microfinance Lending Program
Land Bank of the Philippines	Microfinance Program Cooperative Lending Program
National Livelihood Support Fund	Livelihood Credit Assistance Program
	Youth Entrepreneurship Financing Facility Program
	Credit Assistance for Coconut Farmers
	Special Tie-up
	Livelihood Development Program for Overseas Filipino Workers
Opportunity Microfinance Bank	Individual Micro Business Loans
	Group Micro Loans
People's Credit and Finance Corporation	Microfinance Program
Philippine Enterprise Development Program	Balikatan sa Kaunlaran (Partners for Progress)
SME Financing Programs	
Asia Trust Bank	Bank Carry Term Loan

	Short Term Loan
	Discounting Line/Receivables Discounting
	Domestic Letter of Credit/Trust Receipt
	Import Letter of Credit/Trust Receipt
Department of Science and Technology	Small Enterprises Technology - Upgrading Program
Development Bank of the Philippines	Credit Line for Micro, Small and Medium Enterprises
	Sustainable Logistics Development Program
	Environmental Infrastructure Support Credit Program II
	Kreditanstalt fur Wiederaufbau - Industrial Pollution Control Loan Project
	Credit Line for Solid Waste Management
	Education Sector Credit Program
Foundation for a Sustainable Society, Inc.	Coconut Business Integration and Development Program
Land Bank of the Philippines	Easy Pondong Pang-Asenso
	Special Financing to Small and Medium Exporters
	SME Unified Lending Opportunities for National Growth
	Accelerating Change in the Countryside thru Equity Sharing Strategy
	Retail Countryside Fund
	Countryside Loan Fund Program
National Livelihood Support Funds	Isang Bayan, Isang Produkto, Isang Milyong Piso
Philippine Business for Social Progress	Small and Medium Enterprise Credit Program
Philippine Export-Import Credit Agency	Special Credit Facility for Export Development
	Short Term Direct Lending Program
	Medium and Direct Term Lending Program
	SME Unified Lending Opportunities for National Growth
	Preshipment Export Finance Guarantee

	Post shipment Export Risk Guarantee
	Term Loan Guarantee Loan Program
	SME-Guarantee Resources for Agribusiness Investments
	SME Guarantee Lines for Anchor Industries
	Guarantee for Supplier of PEZA/BOI
	SME-Guarantee Undertaking of Industries in Livelihood Development Program
	SME-Funding Access for Short-Term Loans
	SME-Funding for Investments in Regional Markets
	SME-Equity Ventures Program
Social Security System	SME Unified Lending Opportunities for National Growth
	The SSS Special Financing Program
	Industry Loan Program
	Financing Program for Tourism Projects
	Special Financing Program for Vocational and Technical Schools
	Hospital Financing Program
	SSS Financing Program for Educational Institutions

Lastly, on July 27, 2015, at the 16th Philippine Congress, the Microfinance NGOs Act (R.A. 10693) was passed. It is aimed at pursuing the state's program of poverty eradication through work and partnership with qualified NGOs "in promoting financially inclusive and pro-poor financial and credit policies and mechanisms, such as microfinance and its allied services."

RA 10693 is geared towards providing poor families considered as "unbankable" loan clients with the opportunity to tap government funding to open up small businesses. Aspiring small entrepreneurs who do not have access to financial products and services can link with accredited microfinance nongovernment organizations (NGOs) that will provide them with access to convenient, flexible and low-interest credit.

### III. Filipino Women Entrepreneurs



The 2016 MasterCard Worldwide Index of Women's Advancement shows the Philippines topping the region in 3 areas: (i) percentage of women business leaders – score of 47.5 percent; (ii) percentage of women who are able to fund their business through savings or borrowing – score of 45.3 percent, and (iii) women's motivation to be business owners as proxied by the percentage of females inclined to start their own business in next 5 years – score of 81.8 percent. According to MasterCard, these indicators make Filipina entrepreneurs likely candidates to be 'opportunity entrepreneurs' demonstrating the capacity to overcome traditional cultural bias against women playing an active role in the business world and motivated with the desire to escalate their position on the socioeconomic ladder. It is also notable that the 2014 Global Gender Gap Report published by the World Economic Forum ranks the Philippines the ninth most gender equal nation in the world, in a field of 142 countries.

In the conduct of this study, the researchers engaged with women entrepreneurs from different socio-economic backgrounds running a range of business - from sari-sari stores to neighborhood laundromats, to yoga studios.

## Supply and Demand

The researchers surfaced issues and challenges for women entrepreneurs seeking finance and credit information, tools and services. To augment available current information, the study also looked at inputs from two groups of respondents:

### A. Women entrepreneurs

Various MSME women respondents. At the forefront of advocacy for entrepreneurship for women, the Women's Business Council of the Philippines (WomenBizPH) was established in 1997 to provide a platform for women's issues in business and develop policies and services to address them. Through the help of WomenBizPH, various MSME women entrepreneurs from various networks answered an online survey developed by the researchers. Survey results show that this group can be characterized as having an awareness of the significance and opportunities for availing of credit. They also actively engage in the credit environment by seeking out opportunities for financing. They run SMEs with credit capital ranging from Php2-10M.

ASHI respondents. Information on the women entrepreneurs served by Ahon Sa Hiras, Inc. was sourced from a key informant interview. ASHI was established in 1989 following Grameen-based microfinance credit delivery to serve the poorest of the poor women entrepreneurs in the Philippines. As described by ASHI their clients can be characterized as having started out in business with little to no understanding of credit and finance opportunities for entrepreneurs. They come from families who live on as little as USD5/day and initiate micro enterprises with as little capital as Php5,000.

### B. Credit and Finance Institutions

The researchers investigated the resources and services provided by the following credit and finance institutions:

#### I. Government Owned and Operated Corporations

- a. Small Business Corporation (SBC). The SBE is an attached agency to the Department of Trade and Industry whose mandate is to provide financial services to services to Micro, Small and Medium Scale Enterprises (MSME) through capacity building. This may be either through financial loans or through training.
- b. Philippine Export-Import Credit Agency (PHILEXIM). PHILEXIM was created by presidential decree 1080 in 1977. In 2002, Executive Order 85 gave them their current name, and mission

to facilitate international trade by offering financial and other assistance to SMEs. It is also tasked with facilitating government projects that encourage international trade. Specifically, they provide exporters with financing services such as export credit guarantees, direct lending and trade credit insurance.

- c. Development Bank of the Philippines (DBP). In 2016, Executive Order 198 approved the merger of the Development Bank of the Philippines and the Land Bank of the Philippines. DBP's corporate mission states that it aspires to becoming a regionally-recognized development financial institution serving as a catalyst for a progressive and more prosperous Philippines by 2020.
2. **Private credit/finance institution.** Representatives from CITIBANK and Union Bank were interviewed for their respective programs for SMEs and women entrepreneurs.
3. **Non-government Organization.** AHON SA KAHIRAPAN (ASHI) took the Grameen Bank model to establish and grow centers to educate women in micro-entrepreneurship and provide micro-credit.

## IV. Challenges to women entrepreneurship

In "Challenges in the economic participation of women as entrepreneurs," Lucita Lazo lists the following barriers to be overcome for women entrepreneurs to reach their full economic potential (PIDS, February 2015):

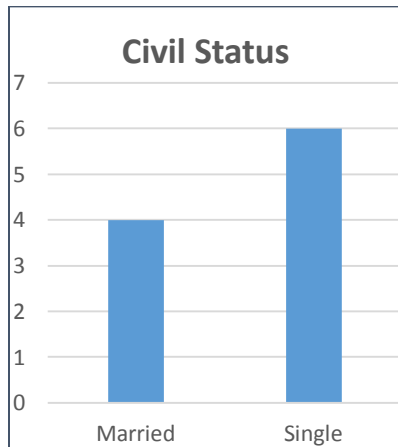
1. **Inadequate access to productive resources.** To date, most women in the informal economy and MSMEs are unserved by government financial institutions and microfinance institutions due to the high cost of service delivery and stringent requirements that include the minimum loanable amount, quality of collateral, repayment terms, number of years of business experience, submission of business plans, and consent of the husband. In addition, the lack of infrastructure and issues on peace and order also serve as deterrent to service providers.
2. **Difficulty to sustain and scale up enterprises.** It is a critical issue for enterprises to get beyond the start-up stage, stay in business and eventually expand. Around 40–50 percent of new businesses close down and this happens more often among women-owned businesses usually due to lack of financing, insufficient profitability, and family responsibilities.
3. **Lack of social preparation and technical skills for entrepreneurship and lack of readiness for global markets.** In developing economies of APEC, women micro entrepreneurs have yet to recognize market globalization. Their tendency is to be inward looking, with a limited understanding that the economic landscape is fast-changing – with both opportunities for development, and risks to the growth and continuity of their businesses.
4. **Voicelessness and lack of representation in governance and decision making structures.** Jarret (2013) conducted a survey of 3,054 companies from 1997 to 2010 in five APEC economies (Indonesia, Malaysia, Philippines, Singapore, and Thailand) which found women membership in corporate boards to be less than 10 percent. Such meagre representation shows how women are deprived of a voice in local development and governance structures where economic decisions are made. Likewise, both local and national policymaking structures miss out on crucial inputs from women entrepreneurs.

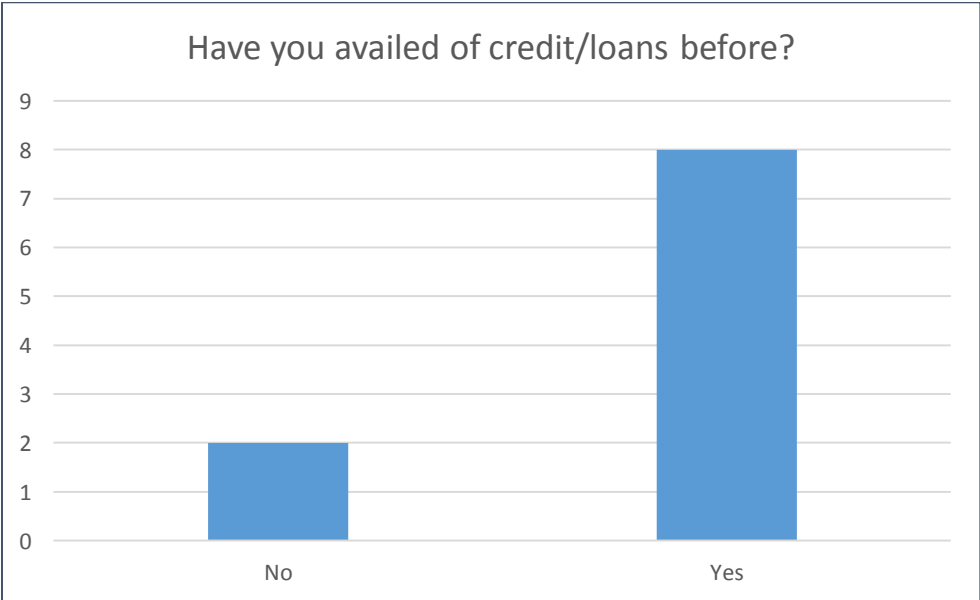
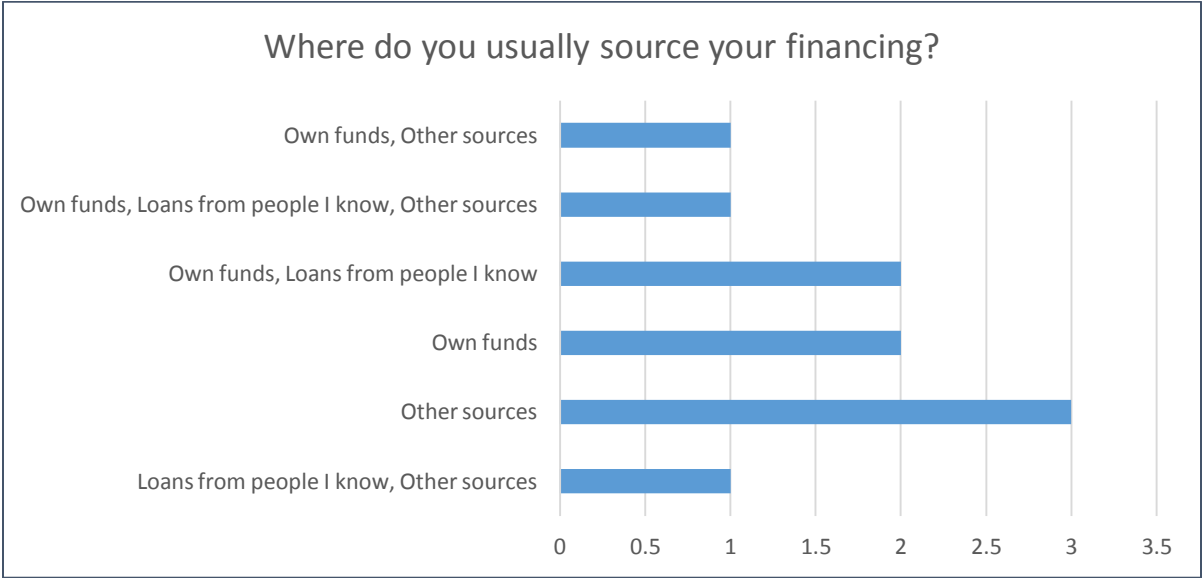
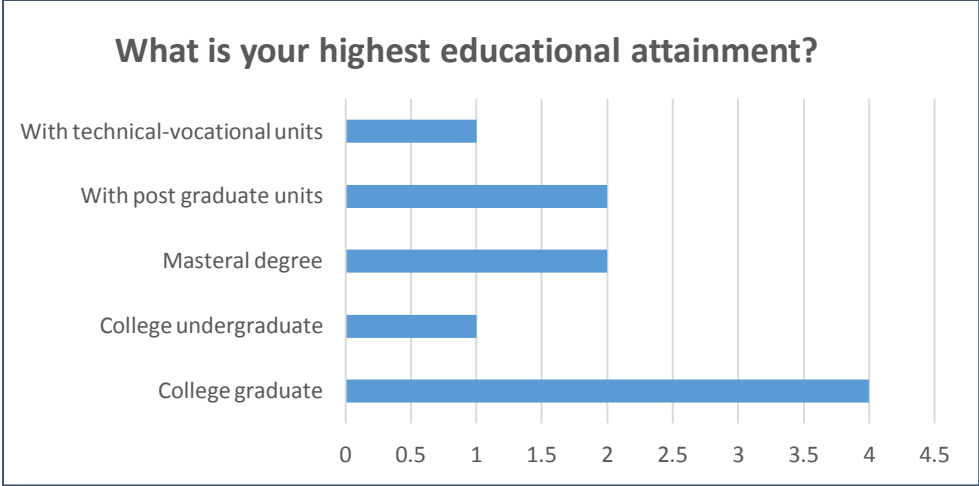
5. **Vulnerability and lack of access to health and socio-legal protection.** While business, in general is subject to continuous, variable pressures – uncertainty of the market, socio-political-economic instability, women entrepreneurs in particular, can be most vulnerable in times of illness, disability, work injury, maternity, unemployment, and old age.

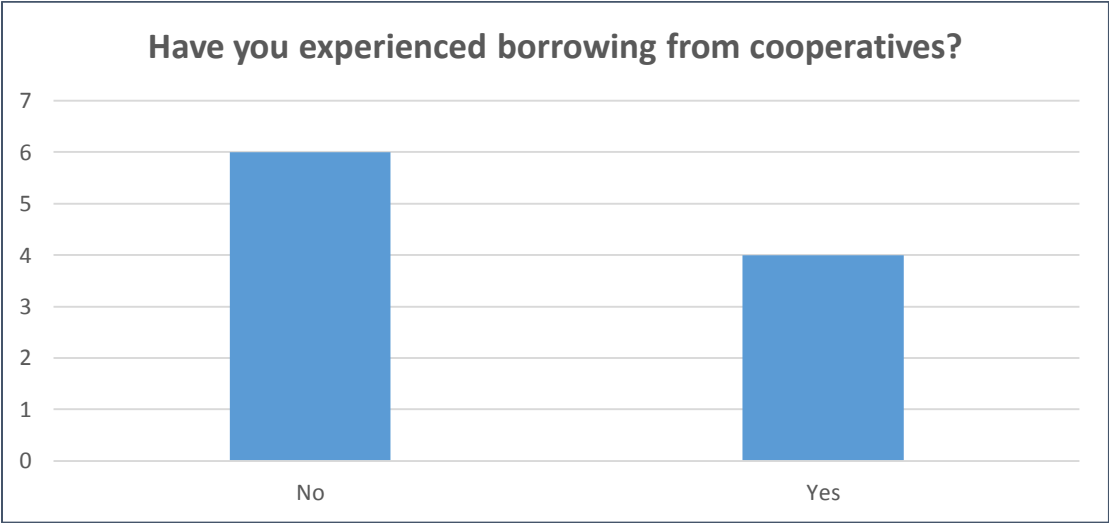
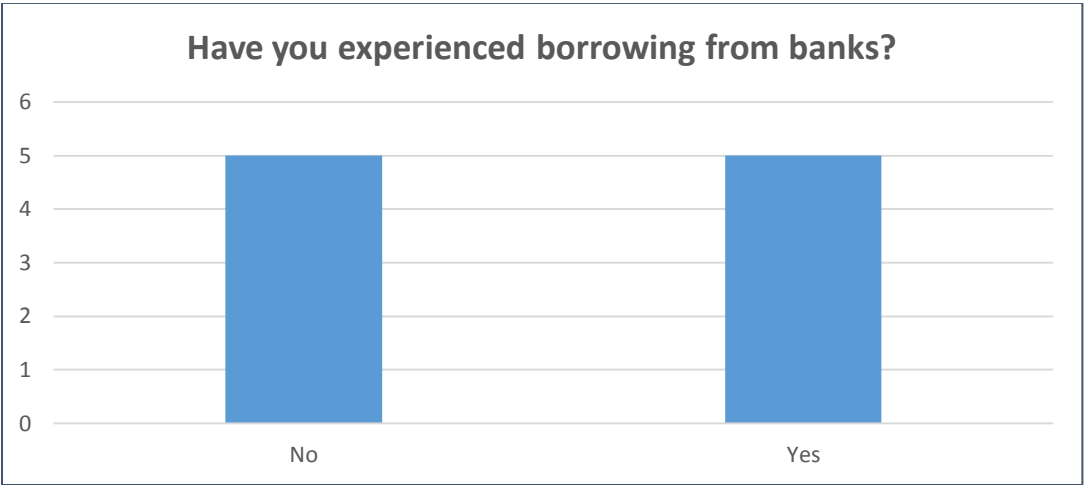
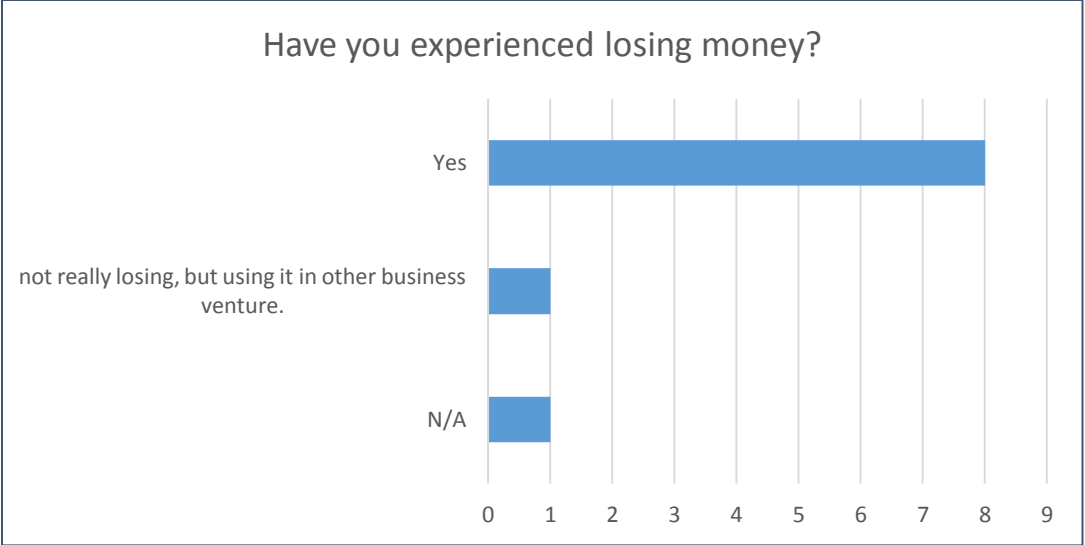
## Selected Respondent Inputs

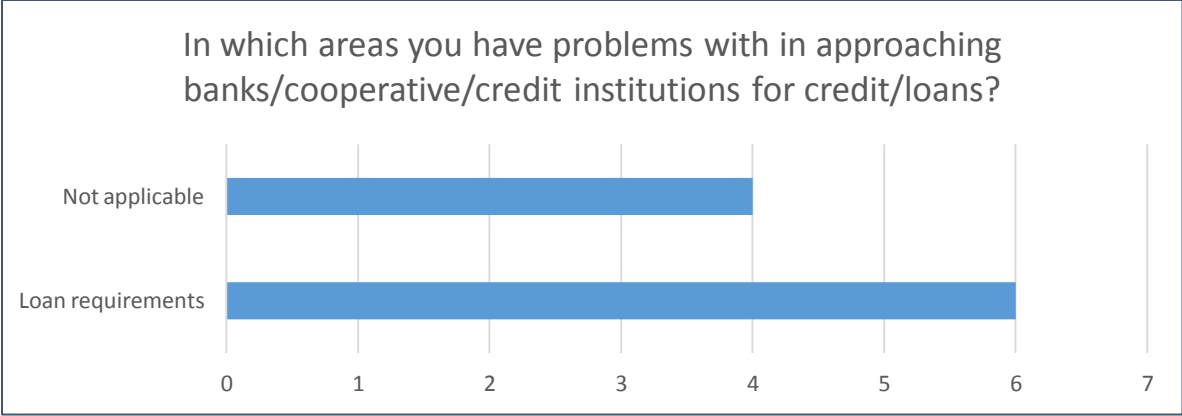
Over-all, findings from both the key informant interviews and survey responses provided evidence to support Lazo's identified challenges.

1. Small Business Corporation.
  - No loans have been given to Region 9 and the ARMM because of issues on safety and difficulties due to cultural differences. Ms. Albay said, "Muslims have a different attitude towards borrowers and lenders."
  - Prospective clients are encouraged to open checking accounts in Landbank. They are also required to accomplish the 4-5-page loan agreement which is in English. Clients find it most difficult to comply with requirements for financial records. A Php4,000 commitment fee is also required. An account officer goes through the agreement with the prospective client and informs them of available (free) seminars on credit and finance. However, attendance in these seminars is not required.
  - The percentage of "non-performing" or clients who default on loans is in the double digits.
2. Union Bank.
  - There is consistent demand from small businesses for financing.
  - Some reasons for non-approval of loans applications are: Applications for capital for start-up ventures - this is not a market of the bank as there is preference for established businesses; the capacity for repayment cannot be established; there are adverse findings in payment history with other institutions.
3. Ahon Sa Hirap, Inc.
  - ASHI operates on the understanding that women from the poorest of the poor are among the most vulnerable to socio-economic pressures, with little to no representation in their community.
  - ASHI targets these women entrepreneurs as clients because they are the least served by banks and conventional credit and finance institutions and systems.
4. Results from survey of various MSME women network respondents (10 respondents, total)

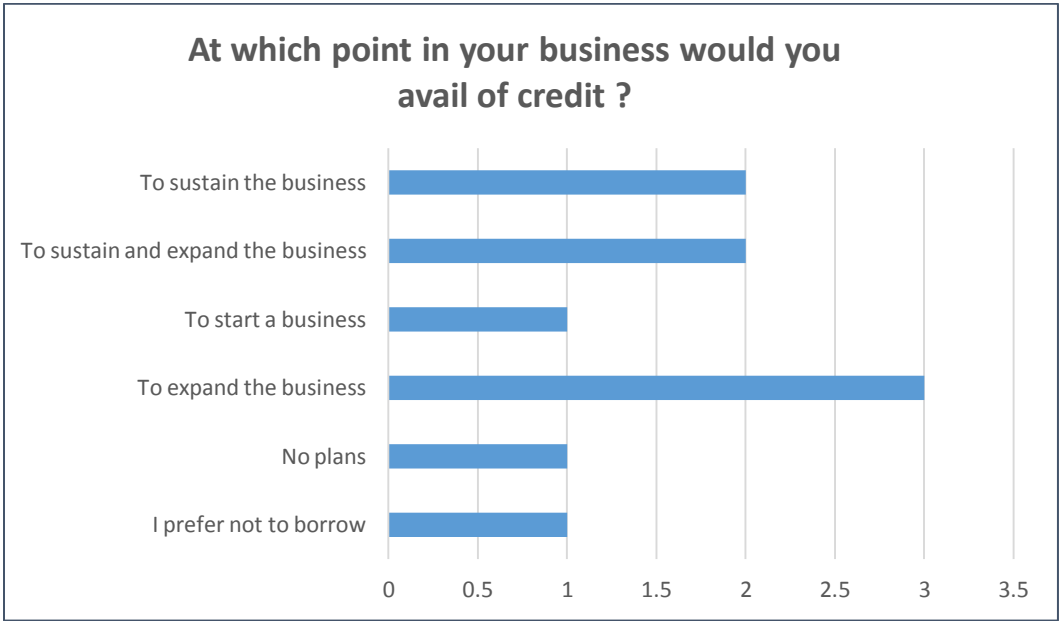








How many times have you availed of credit/loans?
No answer
Less than 5 times
Twice
Less than 5 times
Don't remember - regularly do so
More than 30 times
Many times
No
No answer
If needed



## V. Survey of Interventions

What follows are narratives of selected initiatives from key informant interviews.

1. Ahon Sa Hirap, Inc. takes its model from the Grameen Bank, a Nobel Peace Prize-winning microfinance organization and community development bank founded in Bangladesh in 1976. The bank originated the release of small loans known as microcredit or “grameencredit” to the poor without requiring collateral. In the Philippines, ASHI began life in January 1989 as an action-research project led by Prof. Generoso Octavio of the College of Economics, University of the Philippines Los Baños (UPLB) with initial funding from Asia Pacific Development Center (APDC) based in Malaysia. Two years after its inception, ASHI was registered under the Security and Exchange Commission (SEC) as an NGO. ASHI’s current minimum microcredit amount is Php5,000. Their current credit ceiling is Php100, 000.

Except for recent agricultural loans, where men are allowed to borrow, all ASHI members are women. Each member must have 6 months’ residency, and aged 18 to 65 years to be able to apply for their first loan. Established members can apply for loans up to their 90<sup>th</sup> year.

ASHI recognizes that impoverished women are an untapped force for socio-economic growth and development. Thus, their model for service delivery includes:

- a. Actively seeking out and recruiting target beneficiaries. This is accomplished through research, engagement with the local government unit – the barangay, and site visits.
- b. Creating a culture of collaboration and accountability. The first step is the recognition of the beneficiary as a “member” of ASHI instead of a “client.” Members are then organized into groups to encourage both peer pressure and support. Groups undergo mentoring on financial literacy, loan products and transparency from ASHI and provided with a working structure (chairperson, secretary, members). They are required to start up a group fund, and meet regularly. Groups are then tested for readiness before they are allowed to join a “Center.” The center has a chief and a deputy-chief, who also meets on a regular basis and groups also pay a regular tithe to the center. Groups and centers make recommendations on loans. Likewise, in the event that a member defaults on a loan, the co-members become responsible for repayment. When a group defaults, the center becomes responsible for repayment. Credit rating of members is based on their attendance in group and center activities, repayment record and the health of their business.

ASHI utilizes “Development Officers” to seek out the women, shepherd them into groups, and set up the centers. All members are insured by ASHI. At present ASHI operates with a staff of over 300 and 200 Development officers. Today, ASHI has 2000 centers in Calabarzon and the National Capitol Region, Western Visayas, and indigenous people’s communities in Antique and Tanay. They count 41000 active members.

Table 3 below shows ASHI’s loan products:

Type of Loan	Features
General Loan	<ul style="list-style-type: none"> <li>• 1<sup>st</sup> level: first loan that can be applied for</li> <li>• Can be used to provide working capital for business</li> <li>• Takes 50 weeks to process release (inclusive of recruitment, organization into a group and into a Center, mentorship by Development Officer, testing, proposal development, submission, assessment and approval)</li> </ul>
Incentive Loan	<ul style="list-style-type: none"> <li>• 2<sup>nd</sup> level: can be applied for if record for repayment of 1<sup>st</sup> loan is acceptable</li> <li>• Can be used for education and repairs</li> </ul>



Emergency Loan	<ul style="list-style-type: none"> <li>• Can be used for illness</li> <li>• Is the loan that is fastest to process</li> </ul>
<p>Payments are made on a weekly basis and can take from 6 months to 2 years to complete. New loans can be applied for as soon as 75% of the previous loan is paid. ASHI can boast only a 2% rate of default on payment.</p>	

2. ILAW (Inclusive Lending for Aspiring Women) Entrepreneurs Program is a credit facility developed by DBP in cooperation with WomenBizPH that addresses the financing needs of women-owned and managed enterprises in the establishment and/or operation of income-generating activities. The program aims to: 1) empower women by enabling women entrepreneurship; 2) grow small businesses beyond microcredit; 3) create jobs and build local economies; and, 4) tap into the network of women organizations and experts.

To qualify for the ILAW Program, borrowers may be single proprietorships with women principals; partnerships having at least one woman partner; corporations with a woman CEO or COO; or cooperatives where majority of the members are women.

Business entities with asset size of not more than P100 million are eligible for funding. ILAW finances up to 90 percent of the total project cost but with a minimum loan amount of Php300, 000. The loan may be used for working capital such as financing of confirmed purchase orders, letters of credit, acquisition of fixed asset, purchase of raw materials and other expenses related to production or render of service.

ILAW advocates free trade operations. While assistance to priority sectors acts as catalyst of growth and development, ILAW advocates that these interventions should not remain for long periods of time. The slow economic growth of many industries is rooted in the extended periods of protectionism that hampered efforts to keep grounded and realize real growth in these sectors. When interventions ended, previously protected industries found themselves in unfavorable conditions. To recall, the National Cottage and Industry Authority (NACIDA) provided extensive support to cottage industries which it was not able to sustain and remain operational. With the dissolution of NACIDA, many micro, small and medium enterprises who had become largely dependent on support had to close down, as well.

ILAW believes serious women entrepreneurs can be the best agents of MSME development as their skills for management and attention to detail enables them to work effectively on all aspects of running a business. ILAW believes that interventions such as training in management, marketing, production and financial management may continue to be provided, but should be subject to regulatory standards. In the past, lower standards and softer regulations were allowed to elevate micro and small business earnings. However, such accommodations have proven detrimental to business in the long term. High standard values formation is needed to ensure truly empowered entrepreneurs.

3. Union Bank. The interview with Union Bank revealed the suggestion to have a “community approach” to improve the chances for loan approval by applicants of MSMEs. It was suggested that whether as an individual or a group, the borrower should team up with a strong economic partner - a supplier, distributor, customer, consultant/developer or another financial institution, when applying for a loan. In order to meet stringent credit requirements, the economic partner can then guarantee or recommend the MSME women borrowers. Thus, the burden of proving financial stability is circumvented.

**Table 2 below provides a quick look at the available finance/credit services and tools of the six institutions covered by the study:**

Institution	Clients	Finance/Credit services and products	Credit features
GOC: SBC	<ul style="list-style-type: none"> <li>Serves clients with banking history/documentation; and interest in sourcing credit from government</li> <li>Serves small, medium and micro-entrepreneurs</li> </ul>	Provides <ul style="list-style-type: none"> <li>Credit</li> <li>Access to credit</li> <li>Information on credit products and services</li> </ul>	Provides: <ul style="list-style-type: none"> <li>Direct loans to MSMEs</li> <li>Loans given through their partner banks and cooperatives</li> <li>Consultancy on risk-based lending to rural banks</li> </ul>
GOC: PHILEXIM	<ul style="list-style-type: none"> <li>Serves clients with banking history/documentation; and interest in sourcing credit from government</li> <li>Serves clients with focus on export-related industries</li> </ul>	Provides <ul style="list-style-type: none"> <li>Credit</li> <li>Access to credit</li> <li>Information on credit products and services</li> </ul>	Provides <ul style="list-style-type: none"> <li>Short and long-term loans</li> <li>Wholesale direct lending</li> <li>Focuses on priority areas identified by government</li> </ul>
GOC: DBP	<ul style="list-style-type: none"> <li>Serves clients with banking history/documentation; and interest in sourcing credit from government</li> </ul>	Provides <ul style="list-style-type: none"> <li>Credit</li> <li>Access to credit</li> <li>Information on credit products and services</li> </ul>	Provides ILAW (Inclusive Lending for Aspiring Women) Entrepreneurs Program, a credit facility specifically developed to address the financing needs of women-owned and managed enterprises
Private /CITIBANK	<ul style="list-style-type: none"> <li>Serves clients with banking history/documentation</li> </ul>	Provides <ul style="list-style-type: none"> <li>Credit</li> <li>Access to credit</li> <li>Information on credit products and services</li> </ul>	Provides programs for micro enterprises through Corporate Social Responsibility policy/initiative <ul style="list-style-type: none"> <li>Citi Microentrepreneurship Awards</li> <li>Citi Microenterprise Development Center</li> <li>Citi-Hapinoy Incubator</li> <li>One Stop System for Growing Microentrepreneurs</li> </ul>
Private /Union Bank	<ul style="list-style-type: none"> <li>Serves clients with banking history/documentation</li> <li>Indirectly serves small, medium and micro-entrepreneurs</li> </ul>	Provides <ul style="list-style-type: none"> <li>Credit</li> <li>Access to credit</li> <li>Information on credit products and services</li> </ul>	Provides: <ul style="list-style-type: none"> <li>Strong cash management and loan programs for borrowers who directly lend to women entrepreneur</li> <li>A mobile money system for loan releases and for weekly loan</li> </ul>

			collection actively used by women doing micro-businesses.
NGO/ ASHI	<ul style="list-style-type: none"> <li>• Serves poorest of the poor women entrepreneurs (age 18 - 90 yrs.; from families subsisting on US\$5/day)</li> <li>• Serves micro entrepreneurs</li> </ul>	<p>Provides</p> <ul style="list-style-type: none"> <li>• Credit</li> <li>• Access to credit</li> <li>• Information on credit products and services</li> </ul>	<p>Provides a credit access system following the Grameen Bank model featuring:</p> <ul style="list-style-type: none"> <li>• Active recruitment of membership/clients through research, LGU engagement (barangay level) and site visits</li> <li>• Group solidarity (collaboration and accountability)</li> <li>• Specialized loans</li> </ul>

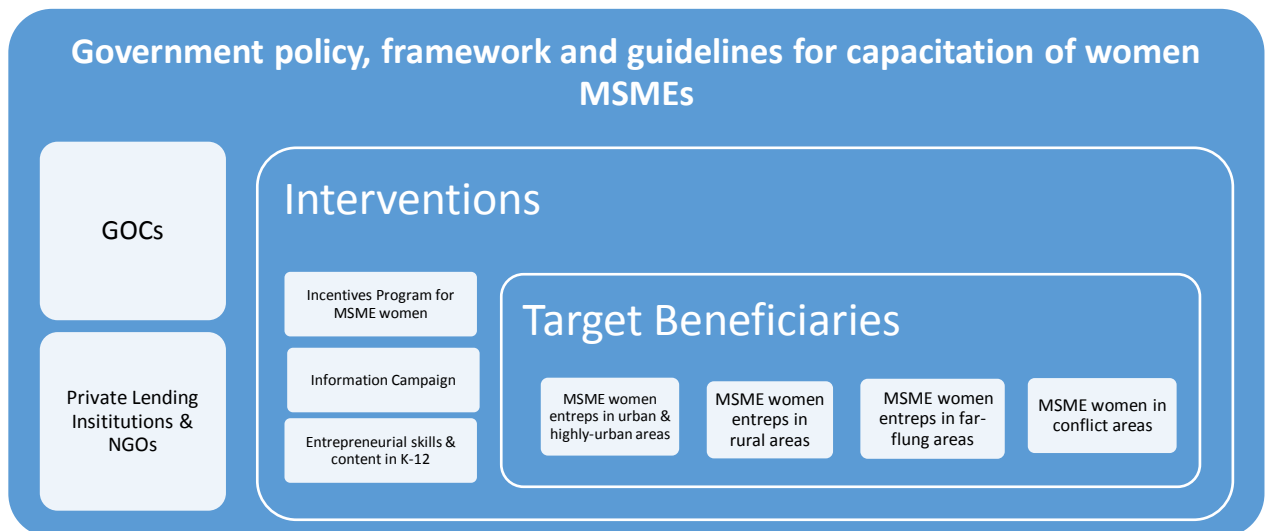
## VI. Recommendations

The current challenges to MSME women entrepreneurs may be seen as gaps to be filled in:

- 1) There is a lack of accessible, comprehensive information on entrepreneurship with practical features targeted toward serving women; and
- 2) A lack of access to productive resources for women-owned and/or driven MSMEs.

### A. Government Sector

In order to fill in these gaps, Government should first be lobbied to set the policy, framework and guidelines for the development of a roadmap for women entrepreneurs to direct and harmonize government and private sector initiatives. The roadmap should be informed by current data gathering and analysis, and include a component on continuous research, monitoring and evaluation. Thus, standards are ensured, and interventions become strategic, with clear end-goals and timelines.



Some initial Government-led activities are recommended:

- I. Provision of an incentives program to actively encourage the start-up, growth and expansion of MSME women entrepreneurs in four settings: urban and highly urban areas, rural areas, far-flung/remote areas and areas of conflict.
  - a. Enterprise feasibility studies can be funded and/or conducted and/or published for “bidding” to encourage start-ups.

Bids can be awarded to candidate entrepreneurs with the best profile for success. It should be noted that the Department of Social Welfare will be key in providing information on the location and profile of potential MSME women entrepreneurs.
  - b. Replication of the Grameen-type model of financing (micro-credit) to scale in areas not covered by ASHI and other microfinance institutions.

This incentive should be time- or output-bound to discourage long-term dependence by the MSMEs. Some initiatives that government may consider:

- To encourage avilment of credit and address aversion towards borrowing money, the initial loan amount extended by Small Business Corporation of Php 15,000 will need to be lowered to an amount that will be more attractive and within reach of startup MSMEs, say Php 5,000.
  - Lowering loanable amounts will definitely impact the existing credit and collection activity at SBC once the transactions increase. Hence, business process improvement initiatives in the credit and collection activity should be undertaken to streamline the process for credit processing.
  - Similar to the Grameen-type model, a culture of group collaboration and accountability can be initiated at the barangay level. Local government units, e.g., barangay, can identify would be startup MSMEs, organize them into peer or credit groups, encourage entrepreneurship and educate them on becoming credit worthy.
- c. In addition to what is already in place, special tax incentives can be devised for growing and/or expanding MSMEs to replace micro-credit support. This may be in the form of reduced customs duties and tax rates both at the national and local level.
2. A comprehensive Information Campaign can be launched and delivered. It can include the following:
- a. Publish and distribute a toolkit for women entrepreneurs in four settings: urban & highly urban, rural, far-flung, and conflict areas. The toolkit will provide a how-to for MSME stages of development (aspiration-start-up-growth-maturity-aspiration).
  - b. An online portal for women entrepreneurs co-hosted by the DSWD, DTI, TESDA, and the Philippine Information Agency and linked to social media pages (FB, Twitter, etc.) can deliver updates on the local/regional/global market, innovation, capacitation programs, legal advice, health and safety issues, etc.; this portal should also link to accredited/validated NGO initiatives. Similarly, software applications can be developed to make the portal accessible via mobile device. For areas without connectivity or power, audio material should be produced for broadcast on radio.
  - c. The conduct of periodic women entrepreneurs “fairs” or “caravans” (similar to “job fairs”) can be done to drum up interest and support for advocacy on MSME women entrepreneurs.
3. Entrepreneurship concepts and skills can be provided through the K-12 curriculum, with content specifically for girls/women for delivery both through formal and informal settings (Alternative Learning Systems).

#### B. Private Sector (Banks and NGOs)

The study recognized that private sector will not venture in “greenfield” areas which are not commercially viable despite existing penalties for not extending credit to MSMEs. As such, government led initiatives will need to be in place in these “greenfield” areas so that once MSMEs have grown into a viable size and have become credit worthy, the private sector will be willing to extend credit for expansion.

Since the current penalty provisions have not been found effective, government should instead support the private sector in the form of tax incentives, both reduced customs duties and tax rates, both national and local level, to ensure increased private sector participation in extending credit to MSME and that no one is left behind.