



Country Survey Botswana: Gender Differences in the Usage of Formal Financial Services

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Abbreviations

ASCA	Accumulating Savings & Credit Association
ATM	Automated Teller Machine
BMZ	Federal Ministry for Economic Cooperation and Development
CEDA	Citizens Entrepreneurial Development Agency
CB	Central Bank
FHH	Female-headed households
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
LEA	Local Enterprise Authority
LIMID	Livestock Management and Infrastructure Development
MDI	Microfinance Deposit-taking Institution
MFI	Microfinance Institution
MFW4A	Making Finance Work for Africa
NBFI	Non-Bank Financial Institution
NGO	Non-governmental Organization
NPL	Non-performing Loans
PAR	Portfolio at Risk
ROSCA	Rotating Savings & Credit Association
VSLA	Village Savings & Loan Association
WIBA	Women in Business Association

I. Executive Summary

This study is part of a series on gender finance in Sub-Saharan Africa, conducted by GIZ and Making Finance Work for Africa (MFW4A). The study aims to explain the reasons for differences in the usage of financial products in Botswana, in order to inform policy makers and stakeholders about such reasons and to support them with practical recommendations for gender sensitive financial sector development interventions. The full set of countries under this study comprises Botswana, Malawi, Namibia, Rwanda, Uganda and Zambia.

The Botswana Country Report focuses on the analysis of the use of formal financial services (credit, savings, and insurance products). The primary data sources for the report were the 2009 Finscope survey in Botswana and the GIZ/MFW4A 2011 study ‘Gender differences in the usage of formal finance in six Sub-Saharan countries’¹, which provides a gender-disaggregated analysis of the Finscope data. This assessment was conducted through a small number of interviews with individuals in both urban and rural areas,² and in consultations with key stakeholders such as women’s associations, business associations, and financial institutions (FIs).

This study reviews how and why women and men are using credit, savings, and insurance products in order to explain gender differences in the usage of formal finance. The information collected through focus groups and individual interviews has been complemented with a review of the investment climate, financial sector, as well as gender roles in society.

Despite its limited size, our sample of interviewees was very diverse, by including women and men from different employment and education backgrounds, both in urban and rural areas. As a result, a variety of financial behaviors were identified. Overall, our key findings were the following:

1. Our research has highlighted that the greatest difference between women’s and men’s access to credit might be among those who are self-employed. While some FIs are now trying to target the small business sector to expand and diversify their clientele, their main target market remains the formal salaried sector. Bank lending products do not seem to be marketed well to women and are not sufficiently diverse. However, when targeting the salaried sector, the disparity in credit applications between men and women decreases;
2. Participation in government programs aimed at alleviating poverty and support businesses through a combination of financial and non-financial services seems to be more burdensome for women. Business registration is one of many requirements for opening business accounts and obtaining business credit from banks. Trade licenses, land surveys, business proposals, financial statements, and other documentation are necessary to apply for credit as well as for the Local Enterprise Authority (LEA) training and incubator programs. Women are generally more time-constrained than men due to their family duties, tend to have less financial resources, particularly when they are head of household and are less likely to have registered businesses. Hence, they will find it more difficult to comply with application requirements;
3. Cultural issues and gender roles within the household inevitably play a strong role in influencing women’s use of finance. Traditionally cultural attitudes seem to be changing more slowly than economic progress and development. Men are still considered the main providers and head of household, which means that many women would not apply for loans if their husbands are not supportive and do not approve of it. This is also exacerbated by the fact that spouses are

1 GIZ/MFW4A. 2011, published under <http://www.mfw4a.org/documents-details/giz-bmz-2012-gender-differences-in-the-usage-of-formal-finance-in-botswana.html?dl=1>

2 A total of 50 individuals were interviewed in Botswana.

usually required to co-sign loans. Similarly, stakeholders and individuals pointed to a bias in favor of men as they are considered more capable business owners;

4. Low levels of income restrict savings and particularly formal savings. While women seem to be very diligent in trying to save on a regular basis, more women than men indicated that their income did not allow them to save much and that the amount they could save was too little to justify a trip to the bank. Also, in case of married women, some might just keep their savings in their husband's bank account to avoid the hassle of opening a new account and to save on bank fees;
5. Overall, as in the case of usage of formal credit and savings products, the level of income and education are also key factors in determining the usage of insurance. For both, men and women, the awareness and understanding of insurance products increases with the level of education and income. When women can afford it, they seem more interested than men in health insurance packages as well as tuition insurance for their children. On the other hand, more men tend to be formally employed and more men own cars, which might explain the slightly higher number of men covered under health insurance as compared to women.

The report is structured into four main parts. Firstly, we present the research approach and methodology used to carry out this study. Secondly, we provide background information on Botswana's investment climate, women's role in society and the economy, as well as on its financial sector and mobile banking landscape. This was primarily based on an extensive literature review. Thirdly, we discuss our research findings by presenting the profile of women

and men interviewed as well as the specific findings related to their usage of credit, savings, and insurance products. Lastly, we propose our recommendations to policy makers and development partners to address identified gaps and challenges in women's usage of finance. The goal is to help meet women's financial needs and support them in reaching their full economic potential.

The key policy recommendations are presented below. As our findings indicate that the self-employed sector faces the greatest challenge in accessing and using formal financial services, proposed interventions focus mostly on easing the overall business environment and strengthening entrepreneurs' capacity to tap into the formal finance sector.

1. Support improved market intelligence

The collection of sex-disaggregated data from specific financial institutions as well as overall data on women's access to finance markets is crucial to gain a sound understanding of the sector at the national level and guide stakeholders' interventions.

2. Revise requirements and conditions of existing economic empowerment programs to increase outreach to women

It is recommended that requirements and conditions of existing programs be revised to be more effective in supporting women entrepreneurs. Specifically, any intervention that is serious about supporting women-owned small businesses would need to target those sectors of the economy with substantial women's involvement, such as retail and small trade. Additionally, there is also room to streamline and simplify the application process and documentation requirements to facilitate participation by women in business.

3. Explore creation of one-stop shops for business registration and licensing of women-owned enterprises

It is recommended that policymakers explore setting up one-stop shop for business registration to speed up and ease business registration of women-owned enterprises. By establishing a one-stop shop which coordinates the activities currently carried out by several agencies and ensures an effective flow of documents and information, applicants will have the advantage to deal with one single entity, save time and possibly reduce costs. As commercial banks usually require their business customers to be formally registered, this is likely to help women-owned businesses potentially access more bank finance.

4. Provide targeted capacity building to women entrepreneurs and promote mentoring and networking opportunities

It is recommended that policy makers and development partners promote and support the provision of targeted regular financial training and business development services for women entrepreneurs. Our research has highlighted that most current programs adopt a gender-neutral, rather than a gender-sensitive approach, which have been less effective in reaching out to women. Instead, we advocate targeted capacity building efforts that focus on specific needs of women in business.

5. Disseminate women in business' success stories

There is scope for promoting positive experiences of successful women entrepreneurs to break negative stereotypes regarding women's ability to manage businesses and finances, as well as promoting positive female role models. It is recommended that such activities target a wide audience – stakeholders, such as policymakers, financial institutions, and development partners active in the sector, as well as women entrepreneurs themselves.

6. Promote girls' participation in technical and vocational training and breaking gender stereotypes in education

It is recommended that policymakers promote higher participation of girls in technical and vocational schools, which are currently male-dominated. This is to try to break gender stereotypes that have confined girls and women into a limited number of professions and instead provide them with a wider range of opportunities into sectors that have traditionally been occupied by men, such as construction, IT, science, etc.

II. Research Approach

The assignment and field research used **individual and focus group interviews** as the main instrument to explore reasons for the results of the Finscope gender analysis. The fieldwork was preceded and complemented by a comprehensive literature review of the gender finance landscape in Botswana, which included an analysis of the investment climate, the financial sector, as well as gender roles within society and in the economic context. Our objective was to gain a deeper understanding of the roles men and women play in the economy, as well as in urban and rural households, and to gather all available information that might influence the use of financial services in the focus countries.

The following main themes have been explored through individual and focus group interviews:

1. **Access & Usage:** Are women and men accessing credit, savings, and insurance services?
2. **Priorities:** How are women and men using their loans and savings?
3. **Decision-making:** How do women and men make decisions about the use of their loans and savings?
4. **Benefits, Challenges and Barriers:** What have been the benefits and challenges of accessing credit and savings services? What prompted the choice between borrowing/saving formally or informally?
5. **Gender differences:** Do men and women access and use financial services at different levels and for different purposes?

Special attention was paid to investigating and probing those specific issues arising from the study *Gender differences in the usage of formal finance in Sub-*

Saharan countries (GIZ/MFW4 2011), for which no plausible explanation could be found in available secondary data and literature, i.e. why women were 12.5 percent less likely to use credit and 14.6 percent less likely to use savings than men.

The field research was carried out over a one-week period. To reach out to a larger number of beneficiaries in a cost- and time-efficient manner, we leveraged on women's associations and government institutions to contact interviewees. Specifically, the women's business associations facilitated interviews with their members in rural areas and the Local Enterprise Authority (LEA) with some of their beneficiaries in Gaborone. We also conducted random interviews in business centers and shopping malls to diversify our sample. We conducted 50 interviews in total, 38 percent of which were in urban settings and 62 percent were in rural areas. The experiences of two women have been selected as case studies. A detailed profile of interviewees is provided in section IV.

Women comprise the overwhelming majority of the sample, about 80 percent, while men represent the remaining 20 percent. Including men in our interviews was important as it offered a different point of view on the reasons for identified gender differences in the use of formal finance. However, their share out of the total sample of interviewees was purposely limited to be able to focus more in-depth on the analysis of women's financial behavior, which is the main objective of this report in line with our goal to inform policy makers on how and why women are using specific formal financial services.

It is to note that while this study attempts to explain the reasons for gender differences identified by the 2009 Botswana Finscope surveys, resource constraints enabled us to interview only a very small sample in a restricted geographical area whereas

Finscope interviewed a large number of individuals across the national territory. Indeed, as this study covers six countries, only one week of field visits was allocated for each of them. In this context, our findings provide some anecdotal evidence of how women and men are using financial services but cannot be considered conclusive to draw general and definitive patterns about the population's financial behavior. Similarly, as different groups of people (salaried workers; self-employed; unemployed; rural; urban; married; single; educated; uneducated; etc.) use finance differently, our findings vary substantially across the spectrum of interviewees. For this reason, our analysis of women's financial behavior does not provide findings valid for the overall sample, but rather insights on each specific sub-group.

The primary and secondary research was complemented with information collected through consultations with key stakeholders, such as the Women in Business Association and other women's organizations, the Women's Affairs Department at the Ministry of Labor, regional international bodies, commercial banks, microfinance institutions, as well as economic empowerment government programs. These consultations provided better and deeper understanding of the cultural, legal, and economic environments that might be affecting women's financial behavior as well as attitudes towards financial services. Their points of view have also provided useful insights to complement information collected through interviews.

III. The Country Context

A. Investment Climate & Legal Environment

Botswana ranks fourth in the Sub-Saharan region according to Doing Business 2012, just behind Mauritius, South Africa, and Rwanda. Globally, it garners a respectable 54th ranking out of 183 countries. It obtains this ranking on the basis of performing middle of the group in many categories as opposed to having any one outstanding category. For example, the Registering Property, Getting Credit, Protecting Investors, and Resolving Insolvency categories were assigned 50th, 48th, 46th, and 28th rankings, respectively. Notable reforms over the past several years have helped it stay ahead, including easing business start-ups by making tax registration more efficient and streamlining processes for obtaining a license in 2010; computerization of trade documents and data in 2009; and introduction of case management and improved IT systems contributing to more efficient resolution of commercial disputes in 2010. The country remains a bright spot in the Sub-Saharan region due to its sensible regulatory environment, openness to foreign investment and trade, and relatively flexible employment regulations that promote competition. However, according to the World Bank, Botswana's top constraints affecting businesses include an inadequately educated workforce, access to land, and access to finance.³

The private credit bureau, which collects data on loans below 1 percent of income per capita, covers about 60 percent of the adult population, well above the Sub-Saharan Africa average (5 percent).

Botswana is a dual legal system, where common law exists side by side with customary law. In practice, the majority of Botswana are subject to customary law. Women's ownership of property is determined by the type of marriage contract they enter into. Under the Common Law, a couple may choose to marry in or out of community of property.

In community of property (joint estate), the property acquired by either spouse upon marriage and during marriage is held jointly. The Abolition of Marital Power Act, which entered into force in May 2005, gives equal rights of property ownership and inheritance to both men and women. In and of itself, it is a significant step forward in regards to the treatment of women. However, the reality is that a majority of marriages are still ruled by traditional law and, therefore, do not heed this legislation. Traditional laws place unmarried women under the guardianship of their fathers and, upon the father's death, under the guardianship of his heir[s], who is also granted ownership of the assets. Some traditional systems have relaxed this practice and now grant unmarried women legal inheritance rights to varying degrees. Women married under traditional law, or in common property, are considered legal minors and need their husband's consent for access to property other than land, access to bank loans and any other legally binding contract.⁴

The Government of Botswana has signed and ratified international conventions relating to gender equality, including the Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW) 1996; Optional Protocol to the Convention on the Elimination of all Forms of Discrimination Against Women (2000); African Charter on Human and Peoples Rights (1986), and SADC Declaration on Gender and Development (1997). In 1999, Botswana introduced a national gender program framework. The standalone Department of Women's Affairs in the Ministry of Labour and Home Affairs is currently the driving force/lead organization on women affairs.

³ World Bank, 2011

⁴ http://www.fao.org/gender/landrights/report/en/#bib_country_id=85

With respect to access to credit, there are no legal barriers to women's access to credit, however, discriminatory attitudes persist and our interviewees echoed this sentiment. While there are a number of government empowerment schemes, including the Citizen Empowerment Development Agency (CEDA), which provides low cost financing to MSMEs and the Local Economic Agency (LEA), which in turn offers technical assistance to SMEs, these institutions still fail to garner equal participation between men and women in business. A main problem of these programs, expressed in our discussions with stakeholders, is the absence of gender specific products aimed to reduce the inequitable share of financial service access.

B. Women's Role in Society & Economy

Botswana's economy is heavily reliant on the diamond industry, accounting for 55 percent of government revenues. Sound macroeconomic policies, good governance, well-functioning institutions and judicious management of diamond resources are the hallmarks of Botswana's remarkable economic performance. Real GDP grew by 5.1 percent in 2011 compared to 7 percent in 2010 due to a slowdown in diamond exports. With few resources, a small population, and a limited manufacturing base, Botswana depends heavily on its neighbors – particularly South Africa – for trade and essential commodities. About 70 percent of Botswana's electricity is supplied by South Africa. Similarly, despite the impressive economic performances, Botswana still faces high levels of poverty, inequality, and unemployment, as well as high HIV/AIDS prevalence rates.

Although there has been a decline in the proportion of the population living below the poverty line from 30.6 percent in 2002/03 to about 20.7 percent in 2009/10, the poverty level is quite high for a middle-income country and coupled with severe income inequality (Gini coefficient of over 0.6). Unemployment stands at 17.5 percent with youth unemployment being a major challenge in Botswana.⁵ According to the Labor Force Survey (LFS) of 2005/06, youth unemployment (age 12-29)⁶ accounted for 63.4 percent of the total unemployed labor force. Botswana's stability is achieved through distribution of rents from the diamond industry, mostly in form of welfare benefits for the largely subsistence population in rural areas and the low-income population in urban areas. These welfare benefits have created a culture of dependency and contributed to a lack of entrepreneurial spirit.⁷ It is estimated that about 20 percent of the rural population survives on government welfare support.

Overall, the formal sector employed an estimated 378,877 individuals as of March 2011. The government, including the Central Government (27.2 percent), Local Government (19 percent) and Parastatals (4.5 percent) was the largest employer, while the private sector accounted for 49.3 percent.⁸ There were 161,597 women and 217,280 men among the estimated paid employees in March 2011 (42.7 and 57.3 percent of the total, respectively).⁹ The highest proportion of men was employed in the Local Government sector (66.8 percent), followed by Parastatal (60.5 percent) and private sector employees (58.4 percent). Under the Ipelegeng Program¹⁰, male employees accounted for 77.3 percent. The proportion of employees by sex at industry

5 African Economic Outlook, 2012

6 The Botswana statistics office includes all individuals aged 12+ in the calculation of the economically active population.

7 CSIS, 2011

8 Central Statistical Office, 2012

9 Central Statistical Office, 2012

10 This government program is aimed at providing short-term employment support whilst at the same time carrying out essential development projects that have been identified and prioritized through the normal development planning process. Examples of projects financed under this program are: maintenance of primary and secondary schools facilities, health facilities, staff houses and government offices; desalting of dams and storm water drains; street sweeping; bush clearing and grass cutting in public places; debushing of roads and fire breaks.

level shows that males were dominant in Mining & Quarrying and Construction industries, with 89.3 percent and 85.2 percent, respectively. The highest proportion of females was found in Health & Social Work with 67.5 percent, followed by Hotels & Restaurants and Financial Intermediaries with 61.7 percent and 61.6 percent, respectively. A significant proportion (59.2 percent) of women worked in Education. Truly, women continue to be the backbone of the education sector, accounting for 64.8 percent of the total employees. However, their participation varies across levels and types of education. The majority of primary school teachers are female, accounting for 78.8 percent in 2003, while female instructors made up 34.6 percent of the total in vocational and technical colleges, and women accounted for 30.2 percent of University of Botswana lecturers.

There are close to a million women in Botswana out of a total population of 1.94 million, and 71 percent of women aged 15 or older participate in the workforce. Botswana has made considerable progress with regard to gender equality, in that many previously discriminatory laws have been reformed and women enjoy reasonably equal access to jobs, education and health care. Nevertheless, women experience higher poverty rates than males, higher unemployment, and lower pay for similar work. It seems that cultural attitudes that hinder women's progress are changing more slowly than the formal legal environment. The 2005/06 Labor Force Survey data shows that women are less likely than men to have formal sector jobs and more likely to be involved with informal sector activities. Female unemployment stood at 19.9 percent compared to 15.3 percent among males in 2011. Nearly 70 percent of micro-

enterprises in Botswana are owned and run by women - quite a high rate compared to other developing countries. Women-owned enterprises are less likely to be registered with tax authorities partly because women entrepreneurs tend to be less educated than men. This is in line with the overall reality: the better educated business owners are, the more likely they are to register their businesses with tax authorities.¹¹

Women comprised 45 percent of senior management positions in 2009. In 2010 a number of women were appointed to CEO positions: in the Botswana Development Corporation, the National Development Bank, and the Botswana Insurance Company.¹²

Unemployment rates are highest among college graduates, suggesting that the education system has not been very successful in producing graduates with marketable job skills. Historically, government hiring practices have typically inflated wage expectations and placed a premium on graduates with liberal art or social science degrees over actual skills in demand in the private sector, thus influencing education choices and contributing to the skill mismatch in the labor market. The wage structure of the civil service has distorted the overall labor market and created unemployment as graduates line up to get a public sector job.¹³

In terms of education, literacy levels for women and men are the same at 83 percent of the population. School enrolment for females is also higher than for males at the secondary and tertiary levels, but remains considerably lower in vocational and technical education (at 39 percent compared to 61 percent

¹¹ World Bank, 2011

¹² SADC Gender Protocol, 2011

¹³ IMF, 2012

for men). There has been a significant increase in the number of women in key government positions and in parastatal organizations, including the appointment of the first woman Governor of the Bank of Botswana and the first woman Attorney General in October 2005.¹⁴ However, women's representation in politics remains elusive and is somewhat puzzling given the underlying institutions and policies in place that are meant to empower women. While women constitute the majority of those registered to vote, there is only 8 percent female representation in parliament and 19 percent in the local government. This is low even by Sub-Saharan standards.¹⁵

Traditionally, the role of Botswana women is that of caretaker and child-rearer. Women in general are also responsible for household tasks such as providing food and energy for the family as well as other care-giving duties, such as caring for children, the sick and the elderly. As a result, these labor demands clearly affect women's opportunities to work and earn income and, hence, to take part in social and political forums.

In rural communities, farming associations are mostly dominated by men. Women do not make any major decisions, as this is considered the men's role. Most women do not own land or other resources, such as cattle or boreholes, and access through purchase is very limited. Among the key constraints are lack of capital and lack of security to use as collateral when applying for credit or other services at banks and financial lending institutions.

C. Financial Sector

Botswana's financial sector features three broad categories: 1) commercial banks and other deposit taking institutions; 2) other financial corporations, which are supervised by the Non-Bank Financial Institutions Regulatory Authority (NBFIRA) and include insurance companies, pension funds, the Botswana Stock Exchange and stock brokerage firms, asset managers, micro finance institutions and collective investment undertakings; and 3) the offshore banking sector.

The banking sector is profitable, liquid, and well capitalized with capital adequacy ratios well above prudential norms. It is composed of 11 banks, with a total of 96 bank branches and 357 ATMs. The four largest banks (Barclays, First National Bank of Botswana (FNBB), Stanbic and Standard Chartered) dominate the sector, which suffers from a low level of competitiveness. Barclays is by far the bank with the largest branch network, with 40 branches and sub-branches, followed by Standard Chartered with 14. FNBB has the widest ATM network with 157 machines. Commercial banks hold almost the totality of deposits (98 percent in 2011) and a predominant share of the industry's total loans and advances (89 percent).

¹⁴ African Economic Outlook, 2012

¹⁵ SADC Gender Protocol, 2011

Table 1: Licensed Banks' Distribution Channels: 2009 – 2011*

Bank	Branches and sub-branches			ATMs		
	2009	2010	2011	2009	2010	2011
Barclays	40	40	40	100	99	103
Stanchart	13	13	14	43	46	54
FNBB	18	18	19	185	201	**157
Stanbic	9	11	10	16	18	18
Baroda	2	2	2	2	3	4
ABCB	2	3	4	0	0	4
BG	4	5	5	6	12	15
Capital	2	2	2	0	2	2
Total	90	94	96	352	381	357

Source: Bank of Botswana, 2011

* Botswana Savings Bank, Botswana Building Society, and the National Development Bank are not included

** Of the 157, 123 are full ATMs and 34 are mini-ATMs

The private sector credit to GDP ratio increased in 2011, showing increased intermediation in the economy. The increase in loans and advances to the private sector, was pushed by a reduction in Bank of Botswana Certificates. Household lending remains the largest component of the total bank credit sector at 53 percent, followed by credit to private sector enterprises at 43 percent and credit to public enterprises at 4 percent. Despite the high costs, personal loans represent with 68 percent the largest share of total loans and advances to households, followed by mortgage loans with 21 percent. Total households non performing loans were 60.9 percent of total industry past due loans in 2011. The difficult economic conditions have affected households' ability to repay their debts. Growth rate of total deposits decreased however in 2011, possibly due to the low interest rates offered by banks. There was also an increasing shift towards short-term deposit accounts, which constitute 62 percent of total deposit accounts.¹⁶

In 2011 the Central Bank (CB) introduced a standardized format classifying bank charges into groups of similar services/products offered by banks. Individual banks can still propose adjustments to such fee levels once a year and request the CB's approval. The cost of banking has increased from 2010 to 2011 (see table 2).

Table 2: Banking Industry Average Charges – 2010 and 2011 (Botswana Pula¹⁷)

Service charge category	2010	2011
Accessibility facilitation		
ATM charges		
(i) Cash withdrawal (own account)	1.59	1.80
(ii) Lost card replacement	40.70	49.65
Internet banking charges		
(i) Monthly fees	42.61	63.29
(ii) Transfers	2.01	2.41
Investment intermediation		
(i) Personal loan – arrangement fee	528.19	918.44
(ii) Vehicle /asset finance – arrangement fee	979.21	1 083.52
Trade facilitation		
(i) Commission on purchase of foreign currency	16.64	16.94
(ii) International SWIFT transfer	261.50	266.34
(iii) Advisory fees on letters of cCredit	193.81	269.79
Payment and clearing charges		
(i) Bank cheque	44.03	44.09
(ii) Unpaid cheque due to lack of funds	196.13	223.79

Source: Bank of Botswana, 2011

In the non-banking sector, life insurance companies and pension funds provide a wide range of savings and protection products and collectively constitute one of the largest and deepest non-bank financial sectors in sub-Saharan Africa. Botswana's non-banking financial institutions are also making headway, following the establishment of a regulator – The Non-Banking Financial Institutions Regulatory Authority (NBFIRA) in 2008. NBFIRA is in the process of strengthening the regulatory and supervisory framework for non-bank financial institutions from a compliance-based approach to a risk-based system.

Financial exclusion¹⁸ remains relatively low with estimates of financial exclusion at about 33 percent (number of adults without access to financial services), based on the latest Finscope survey. New prod-

ucts, such as micro, small and medium enterprises quick loans were introduced in 2011. The use of mobile banking services is also becoming more common in Botswana with several partnerships being set up between banks and mobile phone operators. FNBB launched its Cellphone Banking program in 2006, the first bank in Botswana to introduce mobile banking services. As of June 2011, about 65% of its customers use such services, which include transferring money between their own FNB accounts, buying prepaid airtime and making third party payments. Following FNBB, other major banks such as Barclays and Stanbic have also introduced mobile banking services. This is expected to increase financial inclusion particularly among the unbanked in rural areas, in addition to increased convenience for those already banked.

¹⁷ 1 Botswana Pula=0.12 US Dollar (as of Sept 25th, 2012)

¹⁸ Anyone who is not financially served is financially excluded which means they are not using financial products (formal or informal) to manage their financial lives – for example, they may simply be using cash.

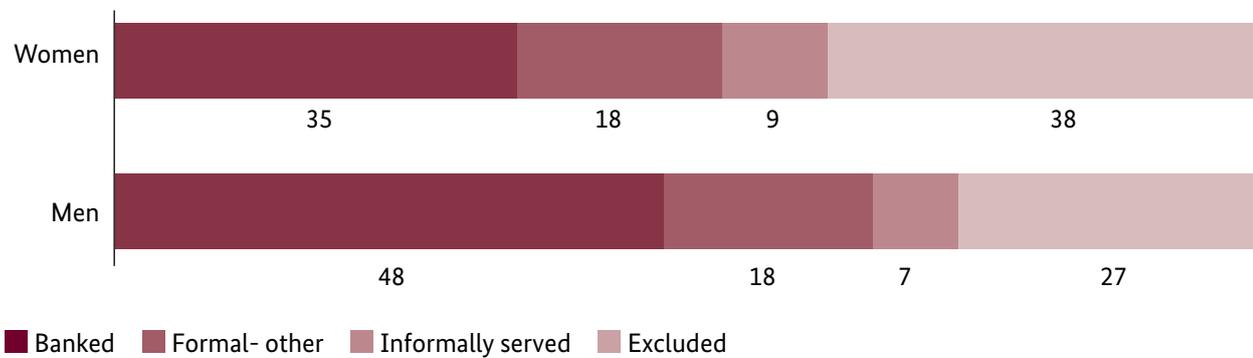
IV. Research Findings

A. Finscope Findings

The 2009 Finscope survey results indicate men are more highly banked¹⁹ than women and heads of households are more banked than non-heads of households. Overall, 41 percent of adults are banked leaving 59 percent unbanked. The use of informal financial products in Botswana is quite widespread. Indeed, 33 percent used no other financial product other than cash; 25 percent used informal saving products; 14 percent borrowed from informal sources; 25 percent used informal insurance products. There is also a considerable degree of overlap among users between formal and informal financial products: 37 percent of those with a loan from a formal financial institution have also an informal loan, and 42 percent of those with an informal loan have also a formal loan.

The difference between the percentage of women and men banked is quite high, at 13 percentage points. Twenty percent of the unbanked are deemed to be the *market enablement zone* – employed or earn a sufficient income that they would qualify for a bank account, but who either have never considered it or don't consider that it would be useful. These adults have access to banking products, but do not use that access. The second major segment of the unbanked is the *market development zone*, comprising 30 percent of the unbanked. These adults do not have access to banking as it currently stands, as products are not appropriately designed for their needs. Women are slightly more likely to be informally served than men. Overall 38 percent of women are excluded from the use of any type of financial services, while this is true for only 27 percent of men.

Chart 1: Botswana Access Strand by Gender (in percentage)



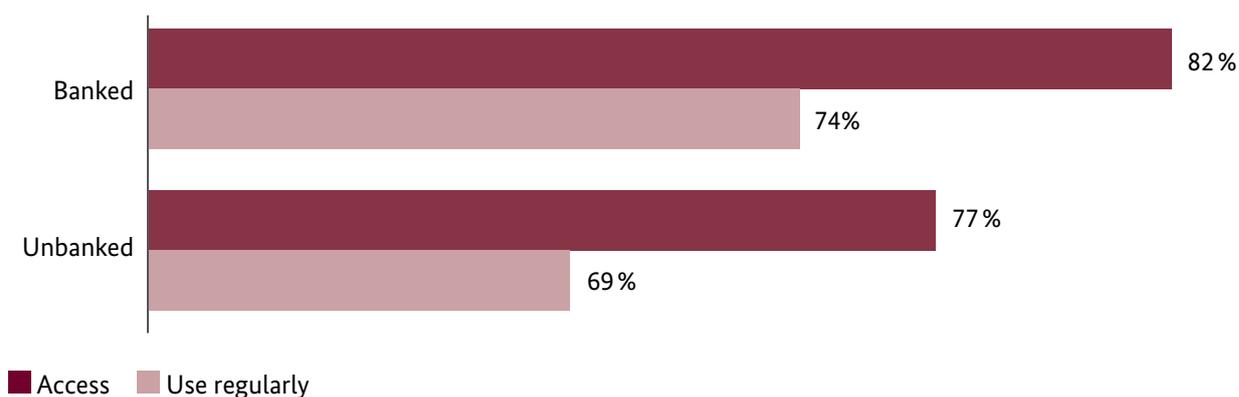
Source: Finmark Trust, 2009

A surprising result in comparing the 2009 and 2004 Finscope survey headline statistics is that access to banking has remained nearly unchanged at 41 percent. Finscope alludes to the slow growth in formal employment versus the economy as a whole (9 percent versus 15 percent) as one of the key reasons. As the correlation to banking and formal employment

is quite high, lack of growth in the formal employment sector translates into unchanged numbers of formally financially served. Many bank products are solely focused on those who are employed and/or have regular incomes, though some stakeholders indicated there has been recently a gradual movement to involve SME financing.

¹⁹ The formal sector is divided into a banked segment (the percentage of adults with a bank account), and a formal other segment (the percentage of the adult population with a formal financial product, such as insurance or a microfinance loan, but no bank account). Together, these two groups are defined as formally included. The informal sector comprises all the organizations that provide financial services but are not legally registered to do this business. The informally served category in the access strand represents the percentage of adults with an informal product but with no bank account or a product from another formal financial institution. By adding the informal segment to the formally included segment we can derive the percentage of the adult population which is financially served.

Chart 2: Botswana Cellphone Penetration



Source: Finmark Trust, 2009

Savings was cited as the most commonly used product with 54 percent of adults reporting some kind of financial savings product. Forty percent saved in a bank while 24 percent had some kind of informal savings product. These 15 were predominantly *metshelos* (informal savings club) – 22 percent of adults said they were members of such a club. Based on our field research, the real number of adults involved in *metshelos* might actually be much higher. Credit was the least widely used financial product with only 24 percent of adults engaging in some kind of borrowing from formal or informal sources. While formal institutions were the main source of loans, with 16 percent of the adult population accessing them, informal institutions also played an important role with 14 percent accessing these types of sources. Finscope highlights the fact that households are over-indebted, citing Bank of Botswana data showing arrears by households have risen steadily in 2008 and 2009.

Mobile money products have been introduced in Botswana by the major banks including FNB, Stanbic, Barclays, and Standard Chartered. Two cellphone companies, Mascom and Orange, have also introduced mobile money products. Cellphone penetration in Botswana is over 100 percent (there are more active simcards than there are people). Cellphone penetration is high even amongst unbanked adults as illustrated above.

B. Profile of Women and Men Interviewed

The sample of individuals interviewed is quite heterogeneous. It includes women and men of different ages, active in a wide array of employment sectors, as well as students and unemployed adults, with different levels of education and in urban as well as rural areas. Of the 50 interviews, 62 percent took place in rural areas and 38 percent in the urban area of Gaborone. Women comprised 80 percent of interviewees. A significant portion of the sample was ob-

tained through the organization Women in Business Association (WIBA) members who represent micro, small and medium women-owned enterprises in Botswana. Therefore generalizations and conclusions, in particular as it relates to educational levels, is not representative of the female population as a whole.

Table 3: Interviewees by Gender and Geographical Area

	Women	Men	
Rural	58%	4%	62%
Urban	22%	16%	38%
	80%	20%	

Source: A2F Consulting Botswana Survey, 2012

Based on our sample, Botswana appears to have a more educated population compared to other countries in our study. Close to 42.5 percent of the women interviewed had a first or a postgraduate degree, compared to 24 percent of males. Only 5.7 percent of men and 12.5 percent of women had an educational level at or below primary school. Educational levels of women in rural areas were not significantly different from women in urban areas though our sample size is too small to draw on statistically valid conclusions. Generally, as echoed in the Finscope 2009 survey, education levels in Botswana are high with most adults reporting having had secondary or higher education; 47 percent had attended secondary school (26 percent completed while 21 percent had dropped out prior to graduation) and 17 percent had received some kind of tertiary education. Most men interviewed are business owners of mostly small businesses with very few or no employees. Most male business owners in this category reported having some type of certificate or diploma corresponding to their line of work as did women.

Table 4: Interviewees by Gender and Level of Education

	Women	Men
Postgraduate	2.5%	10.0%
Degree	40.0%	14.3%
Certificate/diploma	15.0%	50.0%
Secondary	30.0%	20.0%
Primary	12.5%	5.7%
None	0.0%	0.0%

Source: A2F Consulting Botswana Survey, 2012

Overall, the majority of men interviewed were married (80 percent) while only 38.5 percent of women reported being married. The majority of women reported being single but in fact many of them might actually be separated or divorced. This might be due to a cultural preference, whereby divorce or separation is often looked down upon. It might also be that women reported to be single even if legally married (because their husbands had left for example) given that they effectively were on their own and had become the only provider for their children. Men might still report to be married even though they are actually separated. The large share of women-headed households would seem to support this explanation. In this sense, the percentage of single women might be overestimated as some of them might instead be separated.

Table 5: Interviewees by Gender and Civil Status

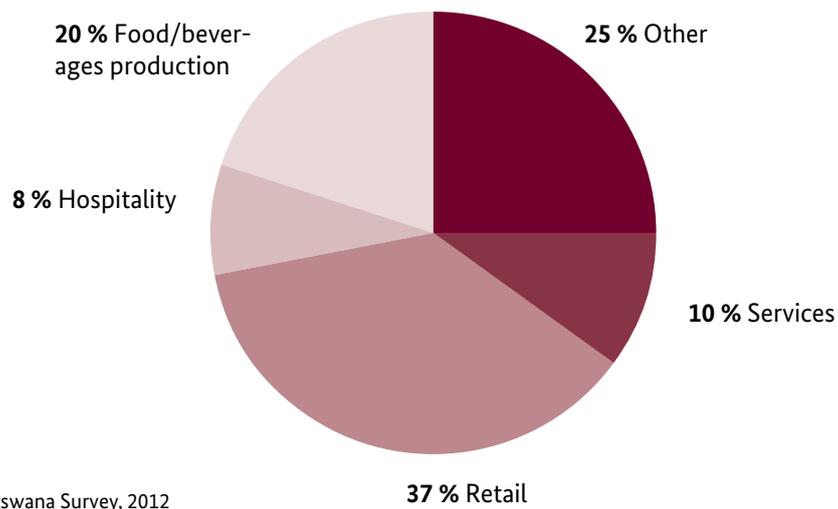
	Women	Men
Married	40.0%	80.0%
Single	50.0%	20.0%
Separated	10.0%	0.0%
Widow	0.0%	0.0%

Source: A2F Consulting Botswana Survey, 2012

Nearly all interviewees indicated that they are currently employed, with the exception of one woman (unpaid internship). The most popular sector for women is retail with 37.5 percent reporting either working as a salaried employee or owning a business in the sector. This was followed by the food/ beverage sector with 20 percent though this sector was dominated by micro and small women-owned businesses, particularly in the form of street vendors, and considered informal as most did not have a registered business.

Most married interviewees indicated that they take household financial decisions jointly with their spouse when both of them work. If they are the main bread-winner, they usually still consult with the other spouse even if they end up making their own decisions. Better-educated women in high-income jobs tend to have higher levels of financial independence and control of financial decisions.

Chart 3: Women Interviewees by Sector



Source: A2F Consulting Botswana Survey, 2012

C. Usage of Credit

According to the 2009 Finscope Survey, only 24 percent of adults borrow from formal or informal sources. Formal financial institutions are the main sources of loans and are used by 16 percent of the adult population. Informal institutions were mentioned as important sources of loans with 14 percent of adults borrowing from informal sources thus indicating some overlap in the use of formal and informal financial services. This is in line with our own research where informal sources, usually from friends, family, or a loosely organized and unregistered cooperative, were cited as a source of credit for 18 percent of women and 20 percent of men.

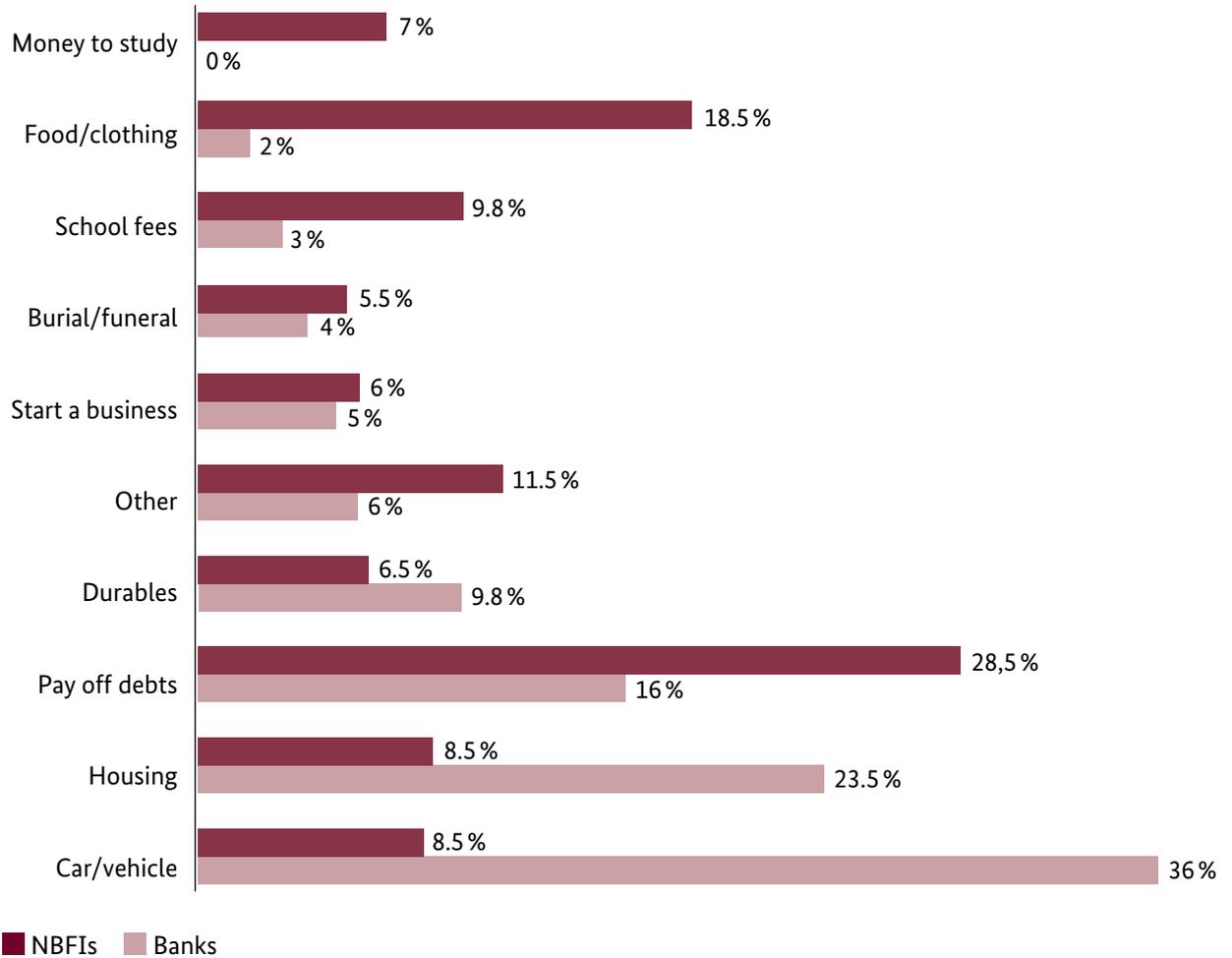
Consumer credit was the primary form of credit from banks in the 2009 Finscope survey with most indicating the purchase of a car or house as their main reason, followed by paying off debt and to buy consumables. The survey points to over-indebtedness as an underlying problem in Botswana. This is reinforced by the fact that 91 percent of borrowing from non-bank lenders is by people who are already banked. Indeed, based on discussions with a few Non-Bank Financial Institutions (NBFIs) in Botswana there is an emphasis on targeting the salaried workforce who by and large is already formally banked by the main banks in the country, notably Stanbic, Standard Bank, Barclays, and FNB.

Based on our research, credit is fairly common among the salaried population in Botswana as people tend to live above their means. Also, people are expected to contribute to needs arising within enlarged families and communities, often causing unplanned, additional expenses. This is particularly the case, given the high number of deaths due to HIV/AIDS, which has left many families and young children in need. In Botswana a popular saying is *no child is an orphan*, i.e. the community will take care of them. Many organizations provide loans to their employees as an alternative to borrowing from banks.

In our limited sample of interviews, more women than men have borrowed. Specifically, 47 percent of them have taken credit – 32 percent from a bank and 15 percent from a microfinance institution. In contrast, only 11 percent of men interviewed have borrowed – 4 percent from a bank and 7 percent from a microfinance institution. This large disparity in the percentage of women and men with access to formal credit might be correlated with the disparity in the level of education between the female and the male sample. The experience of the Finscope surveys across several countries has shown that access to formal finance seems to be highly influenced by an individual's level of education so that better educated people find it easier to access formal credit. In this particular sample, a much higher percentage of women than men have secondary or tertiary education and a larger share of women are salaried employees, which is another factor linked to easier access to formal finance.

The Finscope 2009 survey points to a great disparity in access to finance between men and women - a conclusion shared by our own research. The Finscope survey found that while 48 percent of males were formally banked only 35 percent of women were. However, both genders appeared to be using other formal institutions and informal financial products in a similar manner. In total, 38 percent of women were financially excluded compared to 27 percent of men. As previously stated, men dominate formal employment in the majority of sectors and by and large most banks and NBFIs operate under a cash flow based lending methodology. Inevitably, this will favor men in banking products.

Chart 4: Botswana Reasons for Borrowing



Source: Finmark Trust, 2009

Our research has highlighted that the biggest difference between women and men’s access to credit might be in the self-employed sector. While some FIs are now trying to target the small business sector to expand and diversify their clientele, their main target market remains the formal salaried sector. This is the case for commercial banks as well as for microlenders, such as Lethsego, Blue, and Bayport Financial Services, which tend to provide

mostly consumer credit. Also, conversations with stakeholders indicated that bank lending products are not marketed well to women and are not sufficiently diverse. Stanbic estimated that women comprise only 20 percent of SME loan applicants. However, when targeting the salaried sector, the disparity in credit applications between men and women decreases – at Lethsego 42 percent of borrowers are women (this mirrors women’s

participation in the formal sector as they represent 41 percent of government employees and 42 percent of private sector employees).²⁰

Several government programs were set up to promote employment and alleviate poverty, particularly focusing on the business sector. The Local Economic Authority (LEA) was established to promote and facilitate entrepreneurship and enterprise development in Botswana through training and business development services. The Citizens Entrepreneurial Development Agency (CEDA), which works closely with LEA, provides financing to entrepreneurs. The Livestock Management and Infrastructure Development (LIMID) offers grants to support economic activities, while the National Development Bank (NDB) makes financing available to the business community.

A recent assessment conducted by the Women's Affairs Department found out that these programs are mostly benefiting men. The exception seems to be LIMID, where 70 percent of grant recipients were women. Also, the youth empowerment program, which addresses unemployment among out of school youth, benefited 43 percent of women. In contrast, only about 10 percent of women accessed CEDA loans and less than a third NDB's financing products. It seems that their gender-neutral approach practically puts lending out of reach for many women. One of the key reasons for the small share of women benefiting from these programs is that they tend to target sectors or sub-sectors where men dominate. For example, most of the businesses financed by CEDA are farming businesses, such as small stock, horticulture, dairy, and cattle farmers. While 41 percent of all males who accessed grants are involved in farming, most women are involved in the retail business (24.8 percent) followed by farming (23 percent) and manufacturing with 16.7 percent. Similarly, the most popular NDB loan product is for farming and only 29 percent of those that accessed it were women.

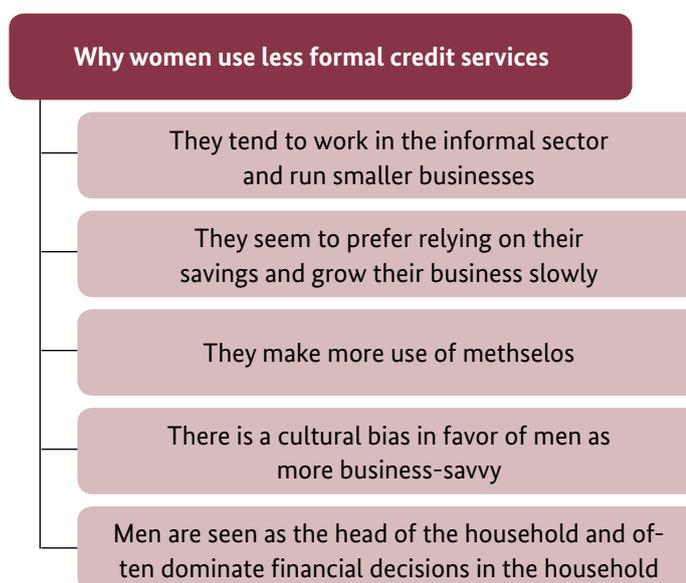
Another reason is that women seem to have less capital to co-finance their businesses. Even within LIMID, women were mostly in the small stock, chicken, and guinea fowl rearing sectors. Not many women appear to seek access to predominantly male sectors, such as drilling, equipping, purchasing of boreholes and water reticulation, and the required contributions as well as the amount of the grant might be among the discouraging factors.

Additionally, participation in these government programs seems to be more burdensome for women. Business registration is only one of many requirements for opening business accounts and obtaining business credit from banks. Trade licenses, land surveys, business proposals, financial statements, and other documents are necessary to apply for credit as well as for LEA training and incubator programs. Women who are more time-constrained than men due to their family duties, and who tend to have less financial resources, particularly if they head their households, are less likely to have registered businesses and will therefore find it more difficult to comply with application requirements.

As mentioned earlier, women tend to comprise seventy percent of informal businesses. Many women are doing business to survive and to support their children, therefore, they often stay informal as they have neither extra time nor money to spend for the registration process. Sometimes, they run their businesses on a part-time basis, thus they might not see much need or advantage to formalize their business. Most women were active in the retail business, such as truck-stops, food outlets, and general dealerships. These are often small businesses that do not yield much profit compared to wholesalers. Overall, more women were engaged in projects that do not require large amounts of starting capital, but as a whole do not generate as much income as enterprises men are engaged in.²¹

²⁰ Based on 2011 data from the statistical office Botswana.

²¹ Government of Botswana, 2009

Chart 5: Possible Reasons for Gender Gap in Usage of Formal Credit Products

Source: A2F Consulting Botswana Research, 2012

Operating in the informal sector clearly limits women's individual ability to access business financing. Women's Finance House, a microfinance institution based on the Grameen methodology, together with grant programs offered by the Women's Affairs Department, seem the only ones targeting the small female informal sector. However, their requirements of frequent meetings and repayments as well as preference for group loans can also end up being quite cumbersome for many women, unless they work close-by – time spent in meetings is less time they can dedicate to their businesses.

Overall, it seems that women entrepreneurs are more comfortable starting small and growing a business slowly with their own savings rather than borrowing from a bank. Our research indicated that it is more common for women to belong to *methselo* groups, which is another easy way to access loans when needed.

Cultural issues and gender roles within the household inevitably play a strong role in influencing women's use of finance. Men are still considered

the main providers and head of the household, which means that many women would not take credit if their husbands do not approve it. This is also exacerbated by the fact that spouses are usually required to co-sign loans. Similarly, stakeholders and individuals pointed to a bias in favor of men as they are considered more capable business owners. While this cultural bias appears to dissipate among younger generations, it is still very prevalent and might be the key factor in leading women to being more risk-averse and less confident in business matters. In fact, consultations with entrepreneurs indicated that women are often involved in the businesses but their names are not listed as shareholders. Particularly in the case of couples, the business is often registered under the man's name only. As we were told, men want to be at the forefront while women take a more secondary role (concept of man being the *head of the household*).

While confirming reasons for the disparity in credit services highlighted in the Finscope findings is challenging from an empirical standpoint, we can conclude that qualitative data from our limited

sample set and interviews with relevant stakeholders point to the reasons mentioned above. Collateral requirements affect both genders but women tend to be more time-constrained than men and have less time to gather sufficient information on available financial services as well as the documentation needed to approach a bank. This, combined with the

fact that men are still widely regarded as head of the household, leads to a reality where many women particularly in the low-income bracket and those financially illiterate and without collateral would rely on their husbands or male relatives for accessing credit services.



Case Study: Rocklane lodge

After Lulu dropped out of high school because of her pregnancy, she engaged in several activities to earn a living. Since she did not have a passport to travel, she first ordered clothes from South Africa through a catalogue to re-sell them at twice the price in neighboring towns. She also opened a kiosk in her hometown and got a license to sell beer. Meanwhile, she was working full-time at a brewing company.

At the age of 22, she managed to acquire a piece of land for free through the local authority and built a bar, which she self-financed with the savings accumulated through her full-time job and clothing business. A few months after she built the bar, she met her future husband, who helped install electricity on the premises. She had previously relied on a generator. Once married, she followed her husband for about six years to the United States where he had been transferred for work. From there, she kept up her clothing business by buying second-hand clothes in the US and shipping them to Botswana. She saved enough to build a few stores in her hometown and rented them out, together with the bar she had built, and the family house.

When she moved back, she converted the stores that had been rented out to grocery retailers and took a loan out from the National Development Bank to build a

nightclub on the piece of land that she had acquired years back. Unfortunately, the nightclub did not go as well as she had hoped and she found herself struggling to keep all her activities afloat. She turned to a close friend and borrowed BWP 20,000 (about USD 2,650 at Sept 14th exchange rates) to buy stock for her grocery stores. It took her seven months to re-pay the full amount, at no interest. Her friend also encouraged her to apply for government tenders to supply groceries to orphans and the destitute. Lulu liked this idea, leveraged her grocery stores to open a catering business, and started supplying for government events. As her business picked up again, she took back the management of the nightclub and converted it into conference rooms in 2009. This fit well with her catering business as she was able to provide both conference facilities and meals. The next step was to build accommodation on site, so that conference participants could stay over night. She sold the grocery stores and started building a few rooms with the earnings from the sale and her savings. When she realized that this was not sufficient to complete the fourteen rooms she had planned, she approached the Citizens Entrepreneurial Development Agency (CEDA) for a loan. She borrowed BWP 1.8 million (approx. USD 240,000 at Sept 14th exchange rates) at the highly subsidized rate of 7 percent per year in 2010. This allowed her to build and furnish all rooms so that now her complex offers conference, accommodation, and catering facilities. She employs 27 individuals to help her run the business.

Lulu has a savings account at First National Bank of Botswana, although she admits that she services it only to show that her business is stable in case she might need to borrow again. Otherwise, she finds investing in stock or other assets a better way to secure a good return on her savings. Her property is insured, including her personal and business vehicles. She also has private medical and funeral insurance.

D. Usage of Savings

Our survey sample indicated that most working adults save in either formal or informal ways. This is corroborated by the 2009 Finscope survey that showed that savings are the most commonly used financial product - 54 percent of adults have some kind of financial savings product. Most of these (40 percent) save with a bank or similar financial institution, while 24 percent save informally. These are predominantly *metshelo* or similar savings clubs - 22 percent of adults are members of such informal group schemes. A small proportion (10 percent) uses both banks and informal savings, but the majority of users of informal products are unbanked. This suggests that informal savings mechanisms are important in pushing out the frontier of access and providing financial services to the unbanked.

According to our interviews with individuals, informal savings have a few distinct advantages over formal products. One is the avoidance of maintenance fees and transaction charges. Banks charge high fees and offer low interest rates, so not surprisingly, many individuals look for alternatives to keep or invest their hard-earned cash. *Metshelos* are a very popular choice. They essentially work as informal cooperatives, where members (usually a few friends or colleagues) agree on regular contributions and can also lend out some of these resources to either a member in need or outside people who have obtained a voucher from an existing member. Lending rates are quite high, often exceeding 20 percent per month, and the interest earned is reinvested in the pool, thereby generating greater returns for everyone in the cooperative. Similarly, whenever a member does not deposit her/his contribution on the agreed date, this is considered as a new loan and the same lending interest is applied to every day past the regular contribution date. Individuals interviewed seem to like *metshelos* because it forces

them to make regular deposits (as opposed to bank accounts) and because they garner a return on their money much greater than the 2-3 percent offered at formal institutions. Additionally, members have access to quick and easy credit in case of emergencies. In our sample, close to 30 percent of women were involved in a *metshelo*. Our talks with stakeholders indicated a higher percentage of women belong to one but probably are too shy to admit it.

Some women mentioned that instead of keeping their savings in a bank, they buy insurance policies that impose a strict deposit schedule and offer them higher interest rates. A popular insurance product among salaried, better-educated women interviewees seemed to be the education package that provides for their children's schooling expenses.

Every formal registered business owner or wage earner we interviewed had a savings account at a bank. While many expressed frustration over the low interest offered, the predominant motivation for saving was to establish a relationship with financial institutions to build rapport and establish a credit profile to potentially borrow at some point in the future. Safety was also a reason often mentioned to keep savings in a bank. Interestingly, no man indicated to belong to a male-dominated *metshelo*. According to the male respondents, this is because men are not as cooperative or trusting as women. Women like to form supportive clusters as opposed to men who prefer the do-it alone approach. That does not mean men do not join *metshelos*. One of the men we interviewed belonged to one as an outside member - he was referred by one of the women in the *metshelo* and allowed to borrow from the group. He indicated that this is often the way men get involved in informal savings clubs.

While the costs of saving formally are seen as a barrier to finance, there is a relatively high level of confidence in the banking system. According to the 2009 Finscope survey, 42 percent of respondents said they would deposit large sums of money not spent on essential needs in the bank while 38 percent said they would keep it at home. Public confidence is therefore not an issue in Botswana. Basically, for

those not earning sufficient income to significantly exceed costs, if they could save, they would. This makes intuitive sense. Since fees are charged irrespective of transaction size, formal banking primarily benefits higher earners and does not make financial sense for low-income earners. Thus, women are more disadvantaged because of their involvement in smaller enterprises.

Chart 6: Possible Reasons for the Gender Gap in Usage of Formal Savings Products



Source: A2F Consulting Botswana Research, 2012

According to the 2009 Finscope survey, 64 percent of adults are not saving for retirement, which means implicitly they intend to rely on the state pension scheme, which provides a relatively small monthly income. Fifteen percent of adults have a pension or retirement fund provided through their employment. If including life insurance policies, 20 percent of adults have some kind of long-term savings or insurance product. Perhaps reflecting the low level of the state pension, 65 percent of adults report that they would be prepared to contribute towards a mandatory state pension scheme.

Overall, our survey showed that formal savings decisions are driven by prospects of access to credit. People bank to keep accounts active for credit purposes and, if they can, they open several accounts to increase their opportunities to borrow. At least in urban areas, where the highest concentration of salaried employees works and resides, having a savings account seems quite common, particularly among small & medium-sized business owners, private sector, and the public sector. Generally, the perception among all interviewees is that opening an account is quite easy. Physical access does not

appear to be a significant burden, especially since there are many brick & mortar institutions in urban and rural areas. Mobile banking is also quite popular, especially among informal metshelos, for remittances, and business-to-business banking. Thirty-six percent of women and 40 percent of men indicated they used mobile banking, the highest penetration rate in the six countries sampled. Notably, 86 percent of rural women interviewed used mobile banking – though such a result is not typical given the high percentage of WIBA members interviewed in

rural areas. The main impediments to savings for the very low-income earners point to financial literacy (in that women do not fully understand the benefits of having a savings account and are slightly intimidated by formal banks) and perceived costs – both implicitly (time) and explicitly (fees). Also, in the case of married women, some might keep their savings in their husband’s bank account to avoid the hassle of opening a new account and to save on bank fees.



Case Study: Mogomotsi

Mogomotsi is a mother of three in her late-thirties and lives in Molopolole, about 60 km out of Gaborone. After finishing secondary school, she started working as shop assistant and waitress in her hometown. She worked hard to keep both jobs and save as much as possible as her goal was to set up her own business and become her own boss.

Once she managed to put some money aside, she opened a small hair salon. She ran it full-time and hired shop assistants on commission whenever she needed to. After four years, she had saved enough to open a second salon. Mogomotsi was adamant about not asking for a loan to finance her business. While it would

have allowed her to expand at a faster pace, she had always been afraid of borrowing for fear of not being able to repay the loan and losing her property. She also did not feel comfortable with the bank’s application requirements and felt overwhelmed by the amount of documents required. Although interested in attending a business training by LEA, she got intimidated by the application form and backed out.

Over time she was able to open a small restaurant in her hometown and one additional hair salon in Gaborone, employing a total of 20 employees. She also built a small house, which she rents out. All of these operations were financed through her savings, as she never took out a loan. Additionally, she also tenders to government contracts to supply food to various events through her restaurant in the capital city. This provides her with a good and relatively reliable extra source of income.

Mogomotsi keeps checking accounts at both Barclays and FNB, although she reinvests most of her earnings into her business. She is currently considering traveling to China to buy additional stock for her hair salons and is looking at financing options. She was encouraged by her friends to approach CEDA for a loan but her long-term fear of financial institutions is stopping her.

E. Usage of Insurance

According to Finscope 2009, insurance is widely used in Botswana, with 31 percent of adults having some kind of insurance product. The dominant type of insurance product is a funeral policy, which is held by 26 percent of adults, followed by long-term insurance products, medical aid and short-term insurance (e.g. car insurance). Our sample showed a high penetration rate for insurance products with 20 percent of men and 49 percent of women indicating they had some type of insurance product. Our sample corroborated these findings as we found a high penetration rate for funeral insurance products as well as car insurance. Insurance policies are quite affordable in Botswana, which is the reason why they are quite common, even outside the main cities. However, to get an insurance policy one has to demonstrate to make the minimum salary required for a specific policy. Small informal business owners who usually do not keep books, might hence not be able to obtain insurance. One of the street vendors interviewed tried to get funeral insurance from Botswana Life but could not prove that she earned the requested amount - minimum was BWP 2000/month (Approximately USD 265) so she was turned down.

Every formal business owner we interviewed, irrespective of gender, had business insurance mostly covering fire and theft. Generally, we found that most people interviewed seemed to understand the risk management principles of insurance and potential benefits. However, similar to interviewees in other countries, insurance takes a back seat to savings and having discretionary income. The insurance product receiving the least responses in our survey was life insurance (10 percent).

The Finscope results suggest that the way in which people deal with insurance is quite different to the way in which they deal with banking. A substantial proportion – around 50 percent of people with in-

urance are unbanked, and the majority of people with insurance are unemployed. This is likely to be because insurance is taken on a household basis (e.g. if a working household member has medical insurance, all family members are likely to be covered), whereas banking is conducted on an individual basis.

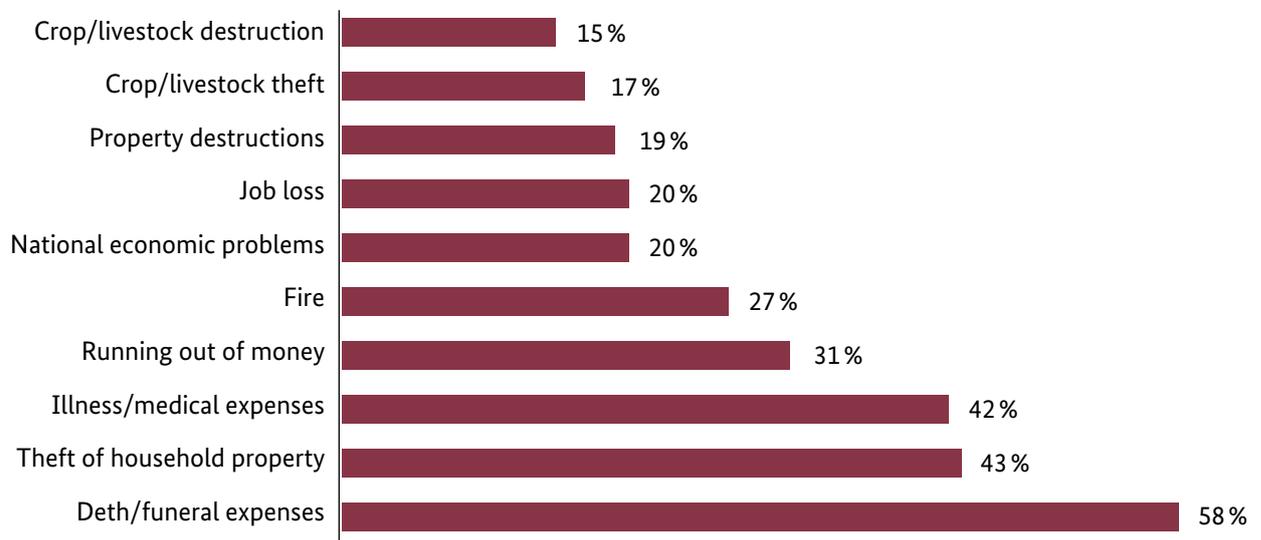
The Finscope 2009 survey highlights the fact that long-term insurance is a form of savings. These results suggest that the *perceived wisdom* of Botswana not being savers may be wrong or at least the true picture is more complex. Results suggest that many Botswana do save in the form of contractual savings; it is discretionary saving that is low; in addition, savings are offset by high levels of borrowing, therefore net savings are lower. The Finscope 2009 survey also concludes that informal insurance seems to complement formal provision; of those with formal insurance products, some 76 percent also have an informal insurance product. Similarly, 78 percent of those with informal insurance products also have a formal product. The informal sector therefore provides a channel for *double insurance*, rather than significantly extending access to insurance to those who would not otherwise have it.

It is interesting to analyze the perception among people regarding which risks might warrant insurance usage. The following chart, taken from Finscope 2009, illustrates to what extent people are concerned about unexpected events. Interestingly, insurance is not at the forefront of most people's minds, which indicates a lack of understanding of the product or poor marketing that has left people uninformed of alternatives. In our sample, most women indicated that death and illness were the events that most affected them. Indeed, 26 percent of women interviewed indicated they had either funeral or medical insurance coverage.

According to Finscope 2009, the most common ways of responding to unexpected events include borrowing from family or friends, or using savings. A substantial proportion of the population reported that their incomes were insufficient to regularly purchase basic consumption items. Thirty-eight percent of

adults reported that at some point over the past 12 months they have not had enough money to buy decent clothes and shoes, while 36 percent report that sometimes they do not have money to buy enough food.

Chart 4: Botswana Reasons to Purchase Insurance



Source: Finmark Trust, 2009

Overall, as in the case of usage of formal credit and savings products, the level of income and education are key factors in determining the usage of insurance. For both men and women, the awareness and understanding of insurance products increases with the level of education and income. When women can afford it, they seem more interested than men in health insurance packages as well as tuition in-

surance for their children. On the other hand, as more men tend to be in wage employment and more men own cars, this might explain the slightly higher number of men covered as compared with women.

Based on Findex data, the percentage of women that personally paid for health insurance is less than for men (4 percent vs. 6.6 percent, respectively).

V. Conclusions and Proposed Interventions

For the purpose of this report, which is to inform policy makers and financial sector stakeholders on possible reasons for some of the gaps in women's use of formal financial services, we will focus exclusively on interventions that have the potential to address some of women's current challenges in accessing formal finance. As our findings indicate that the self-employed sector faces the biggest challenge in accessing and using formal financial services,

proposed interventions focus mostly on easing the overall business environment and strengthening entrepreneurs' capacity to tap into the formal finance sector.

The following is a framework to reinforce the women's access to finance work currently undertaken in **Botswana**:

Table 6: Proposed Policy Recommendations Framework

Target group	Type of intervention
Financial institutions/ policy makers	<ul style="list-style-type: none"> • Support improved market intelligence • Disseminate women in business success stories • Revise requirements of existing economic empowerment programs to increase outreach to women • Explore creation of one-stop shops for business registration and licensing
Women	<ul style="list-style-type: none"> • Promote the regular provision of targeted capacity building
Other beneficiaries	<ul style="list-style-type: none"> • Promote girls' participation in technical and vocational training

1. Improve collection of gender-disaggregated data

This would include both the collection of sex-disaggregated data from specific financial institutions as well as overall data on women's access to finance markets to gain a sound understanding of the sector at the national level and guide stakeholders' interventions. Our research has revealed that collecting disaggregated data from financial institutions, even those that seem to be more active in reaching out to women clients, is difficult. When available, the information is also quite limited, providing only a partial picture on women's financial behavior and usage of finance.

A full set of data would include: key gender-disaggregated personnel indicators relating to current work force statistics, recruitment, retention, promotion and professional development, as well as gender-disaggregated portfolio data by loan size, geographical area, new/repeat clients, portfolio at risk, type of product; and number of training days received by training type, as a minimum.

Having this data and making it visible is a crucial step toward understanding men and women clients' behaviors and attitudes and it is important that internal reporting systems are structured in such a way as to capture and provide insights on women's specific financial patterns, and guide FIs in developing appropriate products and services. This could help introduce new products, such as supplier finance, where financial institutions could explore the option of negotiating preferential conditions and making payments directly to suppliers' accounts. This would likely have an immediate positive impact in expanding qualifying women entrepreneurs' access to finance. Simply providing data on the percentage of women borrowers as a total of an institution's loan portfolio is not sufficient to do so.

Similarly, improving market intelligence is key to developing a better understanding of the market and to assist development partners in prioritizing interventions. Practically, this effort would require liaising with other development partners and or-

organizations active in the region to possibly join efforts and/or raise funds to support gender baselines and other relevant gender finance studies. Market segmentation studies and efforts to quantify women's economic contribution in Botswana would be particularly useful.

2. Revise requirements and conditions of existing economic empowerment programs to increase outreach to women

As indicated earlier, several of the government programs aimed at promoting local businesses through access to financial and non-financial services have inadvertently been more beneficial to men than women. Their gender-neutral approach has proven to be more burdensome for women. It is recommended that requirements and conditions of existing programs be revised to be more effective in supporting women entrepreneurs. Specifically, any intervention that is serious about supporting women-owned small businesses would need to target those sectors of the economy with substantial women's involvement, such as retail and small trade. Additionally, as in the case of LIMID, women find it more difficult to co-share program costs and therefore smaller contributions should be requested from women entrepreneurs to ease their participation. As per our discussions with LEA incubator manager, there is also room to streamline and simplify the application process and list of documents required to make it easier and quicker for women in business. Improving access to capacity building programs that help women become more *bankable* is likely to have a direct positive effect on their ability to access finance through formal financial institutions.

3. Explore creation of one-stop shops for business registration and licensing of women-owned enterprises

It is recommended that policymakers explore setting up one-stop shops for business registration to speed up and ease business registration of women-

owned enterprises. As discussed in the report, women tend to be more time-constrained than men due to their double family and income generating responsibilities, thus find it more difficult to go through the several and time-consuming steps required to register and acquire a business license. As banks usually lend only to registered businesses, many women-owned enterprises are not able to tap into this source of finance. By establishing a one-stop shop, which coordinates the activities currently carried out by several agencies and ensures an effective flow of documents and information, applicants will have the advantage to deal with one single entity, save time and possibly reduce costs.

4. Provide targeted capacity building to women entrepreneurs and promote mentoring and networking opportunities

We also recommend that policy makers and development partners promote and support the provision of targeted regular financial training and business development services for women entrepreneurs. Our research has highlighted that most current programs adopt a gender-neutral rather than a gender-sensitive approach, which have been less effective in reaching out to women. Instead, we advocate targeted capacity building efforts that focus on specific needs of women in business in view of strengthening their businesses and increasing their chances of accessing bank financing options, for those who seek to raise capital. Specifically, we have identified the following key training needs: a) financial literacy courses to increase women's ability to budget, book-keep, prioritize and make business decisions; b) breaking negative stereotypes when it comes to women's ability to manage businesses and finances; and c) mentoring and networking opportunities, where women can share their business experiences, learn from others, and develop valuable business contacts. International experience has shown that promoting regular networking and mentoring opportunities can be an effective way to support women in business.

5. Disseminate women in business' success stories

Our research has identified several examples of successful businesswomen that have set up impressive operations from scratch. However, the general perception encountered when talking to stakeholders, including financial institutions and government agencies, as well as the general public, is that women entrepreneurs run very small businesses, mostly at the micro level, while the large enterprises are virtually all male-owned and managed. There is scope to promote positive experiences of successful women entrepreneurs to break negative stereotypes regarding women's ability to manage businesses and finances, as well as to boost positive female role models. It is recommended that such activities target a wide audience – stakeholders such as policymakers, especially financial institutions and development partners active in the sector, as well as women entrepreneurs themselves. Introducing and disseminating a more positive view about women's business achievements might have a direct positive impact on their ability to access formal finance as banks learn to understand and value this market segment. Additionally, it is suggested that positive experiences of women in business are shared in school and target both girls and boys – see *Point 6* below.

6. Promote girls' participation in technical and vocational training and break gender stereotypes in education

It is recommended that policymakers promote higher participation of girls in technical and vocational schools, which are currently male-dominated. This is to try to break gender stereotypes, which have confined girls and women to a limited number of professions, and instead provide them with a wider range of opportunities in sectors that have traditionally been occupied by men, such as construction, IT, science, etc. Additionally, we propose that policymakers attempt to reduce the skill mismatch in Botswana by improving the quality of education

spending, in order to support: a) public-private partnerships for skills development, b) vocational and technical training, c) building information and communications technology skills, and d) graduates' internship programs. By doing so, women will likely be better equipped to compete with men in both the paid employment as well as in the self-employed sectors. As a result, diversifying women's participation in the economy and strengthening their technical skills might make the female self-employed sector more attractive to commercial banks and improve women's ability to access formal financial services.

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Programme Promoting Financial Sector Dialogue in Africa:
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Dag-Hammarskjöld-Weg 1-5
65760 Eschborn, Germany
T +49 61 96 79 - 0
F +49 61 96 79 - 11 15

MFW4A@giz.de
www.giz.de

Edited by
Programme Promoting Financial Sector Dialogue in Africa:
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Authors
A2F Consulting

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Postal address of BMZ services
BMZ Bonn
Dahlmannstraße 4
53113 Bonn, Germany
T +49 228 99 535-0
F +49 228 99 535-3500

poststelle@bmz.bund.de
www.bmz.de

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