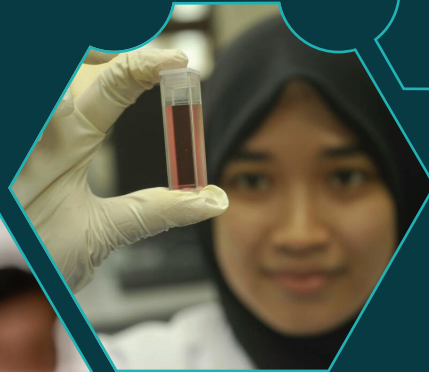




# ISLAMIC MICROFINANCE FOR WOMEN





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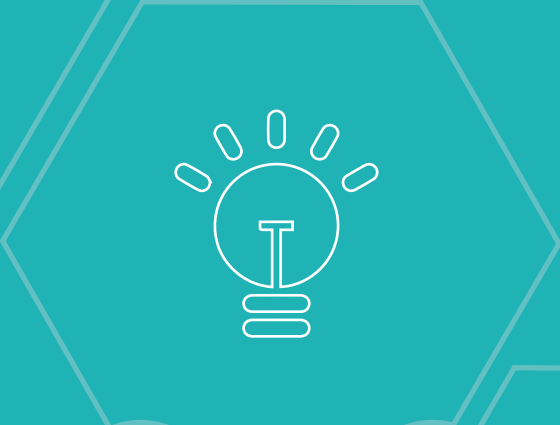
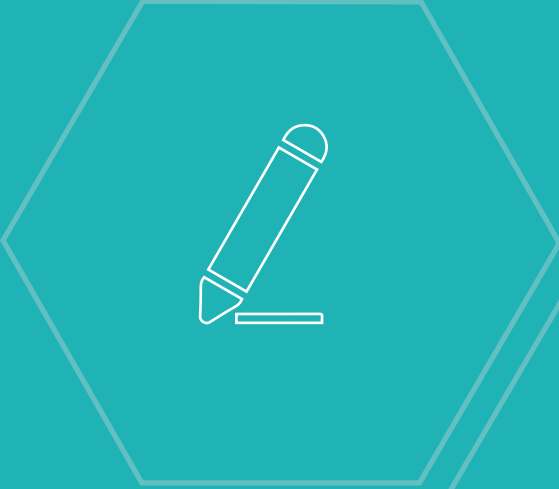
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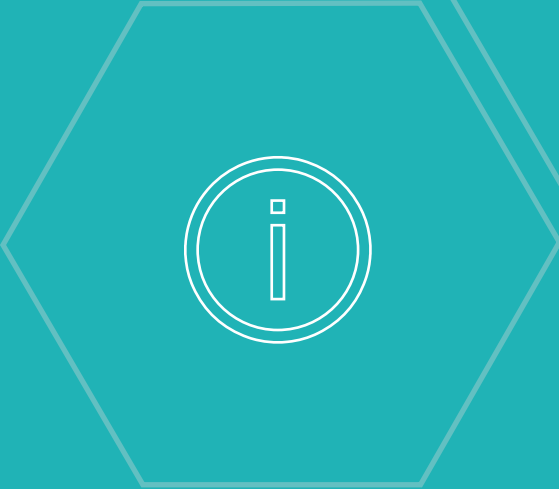


## ABBREVIATIONS

<b>AAOIFI</b>	Accounting and Auditing Organization for Islamic Financial Institutions
<b>BDS</b>	Business development support
<b>CPP</b>	Client protection principles
<b>GII</b>	Gender inequality index
<b>FSP</b>	Financial service provider
<b>ICD</b>	Islamic Corporation for the Development of the Private Sector
<b>IsDB</b>	Islamic Development Bank
<b>I-MF</b>	Islamic microfinance
<b>I-MFI</b>	Islamic microfinance institution
<b>MFI</b>	Microfinance institution
<b>SDG</b>	Sustainable development goal
<b>SHG</b>	Self-help group
<b>SPTF</b>	Social performance taskforce
<b>SSB</b>	Standard setting body
<b>WE</b>	Women's empowerment
<b>WEE</b>	Women's economic empowerment
<b>WFI</b>	Women's financial inclusion



# INTRODUCTION



# INTRODUCTION

Microfinance plays a significant role in providing sustainable livelihoods to disadvantaged groups all over the world. Although women make up the majority of clients of microfinance institutions (MFIs), they account for 56% of the world's 1.7 billion unbanked adults. Women are often excluded from having access to financial services as they face barriers in accessing opportunities in education, employment outside of the household, acquiring/inheriting assets and land ownership, and having control over their resources.

Many elements of microfinance are consistent with the broader goals of Islamic finance: they advocate for entrepreneurship and financial inclusion, and focus on developmental and social goals. However, Islamic finance principles have—due to the absence of interest, efficiency to lessen client's exposure to risk, and strong link to the real economy—a unique potential to unlock and enhance women's financial inclusion. Within this context, the Islamic Development Bank Group (IsDB) commissioned a research study to identify how Islamic microfinance principles can help address the barriers that prevent women from having access to financial resources. The study identifies innovative practices that could support women's financial inclusion and provides recommendations to Islamic micro-finance institutions on how to establish a more enabling and supportive environment for female clients. The main output of the study is this Research Guide.

This Resource Guide offers a range of tools and reference points for Islamic microfinance programs to actively contribute to women's financial inclusion

and broader economic empowerment, in particular through:

- Helping MFIs to understand the needs and challenges of female clients striving to make their microenterprise thrive;
- Giving MFI staff, especially client-facing staff, tools to provide better support for female entrepreneurs and establish safeguards to protect their exploitation;
- Developing and improving Islamic finance instruments that are more suitable/responsive to women's needs;
- Operating women's economic-empowerment-enabled microfinance operations from credit appraisal to impact assessment.

This document is divided in two sections: the first aims to help you understand how we can make microfinance really work for women beyond nominal "financial inclusion", while the second contains a few tools and resources to achieve this.

Throughout the Resource Guide, we will be signposting important issues using the following symbols:



**Definition**



**Example**



**Remember**



**Further resources**



**Tools for you to use**



## Glossary of key concepts

**Islamic finance or Sharia-compliant finance** refers to banking or a financing activity that complies with Sharia (Islamic law) and to its practical application through the development of Islamic financial products and services.

**Islamic microfinance** is the confluence of Islamic financing principles and the concept of financial inclusion. Commonly used are cost-plus sales (Murabaha), interest-free loans (Qard Hassan), but also forward sales (Salam and Ististna'a) and leasing (Ijara).

**Financial inclusion** means that individuals and businesses have access to useful and affordable financial products and services that meet their needs— money transfers, payments, savings, credit and insurance—and are delivered in a responsible and sustainable way.

**Microfinance** is a key process used to achieve financial inclusion ranging from “soft” interventions such as financial literacy education and business development support to “hard” interventions such as the provisions of loans, savings, insurance, and money transfers for entrepreneurs, small businesses, and individuals who lack access to traditional banking services.

**Micro-enterprises** defy a definition. Street vendors, carpenters, machine shop operators, seamstresses, and peasant farmers—micro-entrepreneurs come in all types, and their businesses in many sizes. They are the heart of many developing countries' economy and are often characterized by being informal (not incorporated), run by their owners, and if they provide employment it is mainly to family members.

**Gender analysis** represents a systematic methodology to examine social and economic differences between women and men. It looks at specific activities, conditions, needs, access to and control over resources, and access to development benefits and decision-making for men and women.

**Gender analysis** studies linkages between these and other factors in the larger social, economic, political, and environmental contexts.

Gender equity is the process of being fair to women and men according to their needs, social standing, and circumstances. The aim of equity is to achieve social justice and well-being.

**Gender mainstreaming** is a systematic approach of assessing the implications of policies/programs for women and men and integrating women's needs and perspectives in every stage of program/policy design, implementation, monitoring, and evaluation, with a view to promoting women's empowerment.

**Gender needs** include the differentiated needs of women, men, girls, and boys. Practical gender needs stand for basic needs for survival, while strategic gender needs stand for long-term needs, which if met can bring transformation in and advancement of women's and men's lives.

**Women's economic empowerment** is the process of women attaining access to and control over economic resources, and ensuring they can use them to exert increased control over other areas of their lives (Taylor and Pereznieta, 2014).

**Women's empowerment** is the process of expanding women's abilities and resources to make strategic life choices to fulfil their roles as equal members of society and ensure their participation in equitable and sustainable development. This has two main features. First, it is a process or a series of actions taken to achieve a particular end, and as such, it is country/context-specific (i.e., based on the situation of the country and its needs and priorities). Second, it requires women to be agents of change/development.

**Self-employment** refers to the livelihood of workers who, on their own account or with one or more partners, are working for themselves rather than an employer.







**PART**

**1**

**CONCEPTUAL  
UNDERSTANDING**



## PART 1: CONCEPTUAL UNDERSTANDING



### 1 Understanding how we can make Islamic microfinance work for women

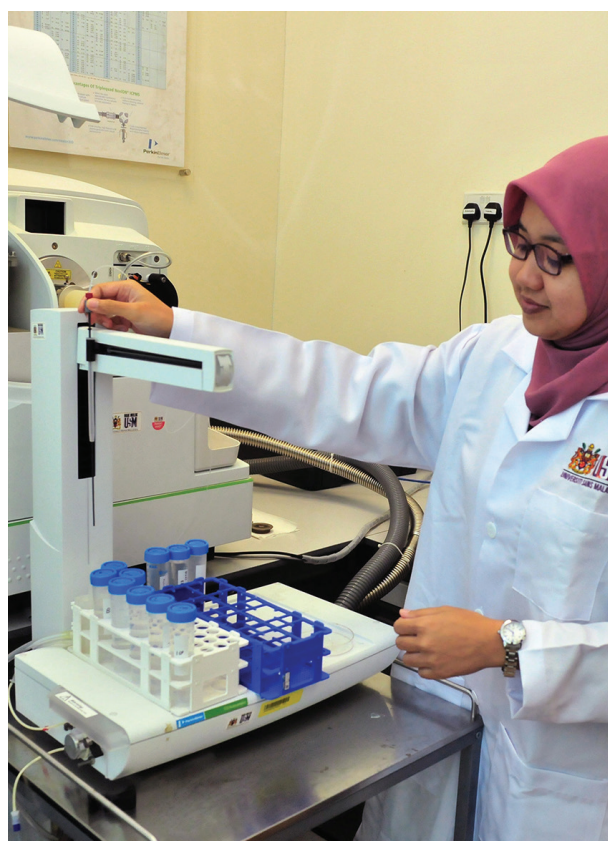


Islamic microfinance can best support women's businesses by first taking their needs into account. For that, Islamic microfinance products need to reflect women's roles and needs, and providers must tailor their services to support women's dual roles as entrepreneurs/business-owners and mothers.

Extensive literature presents a range of gains that women achieve through microfinance: enabling them to access financial services, open and develop businesses, increase skills and education, form collectives and take civic action to improve their communities. Financial interventions should be expanded to non-financial services to support women's holistic development and well-being. For example, non-financial interventions, such as developing entrepreneurial skills and raising awareness of women's rights, health education, and childcare support are important to challenge some of the barriers women face in accessing finance. Non-financial interventions should be an integral element of an emerging theory of change for women's financial inclusion.

Despite evidence that shows how microfinance can economically empower women, female clients can also be exposed to abuse, either at the hands of male relatives trying to get control over resources or by MFI staff who may seek favors. The former can curtail the impact on women's economic empowerment, despite nominal financial inclusion, by causing indebtedness for loans of no or limited benefit to them. The latter may involve harassment or other types of exploitation. Therefore, MFI's should take the necessary steps to ensure that measures and practices are in place to prevent the possibility that their female clients are subjected to any form of harassment and abuse while seeking

services from their institution. Accordingly, this Resource Guide offers some tools to assist I-MFIs when expanding and improving services for women, including adopting and enforcing a zero-tolerance policy to protect their female clients.





## 2 Toward a women's economic-empowerment-focused microfinance model

### 2.1 From financial inclusion to economic empowerment: A conceptual framework

The concept of microfinance as a poverty reduction stratagem is based on the neo-classical economic concept of providing financial inputs to the poor to engage in income-generating activities. This concept has been widely applied to women, based on Muhammed Yunus' (1999) argument that nutritional, educational, and broader family well-being objectives can be attained when microfinance targets women. This has often led to equating microfinance with women's empowerment. The concept of empowerment means different things to different actors, ranging from basic equity-of-opportunity to a more rights-based equality perspective.

Empowerment, however, is not the sole reason why women are the target market for the majority of MFIs globally. Women are found to be a more risk-averse investment for MFIs and, hence, offer a better business case. This is because women generally repay on time, compared to men, and are more susceptible to aggressive debt recovery methods, if used.

At the same time, the vast majority of these women face challenges such as a lack of collateral and business skills, as well as cultural norms regarding the role of women in public spaces in many Muslim-majority countries. Moreover, there are additional challenges:

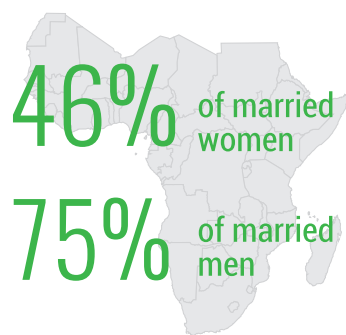
- women are not always the end users of the loans that they nominally receive, resulting in the transaction cost and risk being borne by the women but the male relatives benefiting from the loan amounts;
- a low proportion of women can fully focus on their microenterprise as they also carry the burden of fetching water, looking after children, cooking, and looking after the homestead;
- many women have to ask for permission from their husbands to obtain a loan and then have to urge their husbands to return the loan from often joint household cash.

(Kabeer, 2011)

Figure 1: Women's economic dependency in developing regions (source: World's Women 2015, UN)

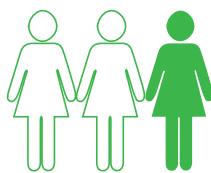
Women's access to own cash income is much lower than men's

Sub-Saharan Africa,



earned any cash labour income

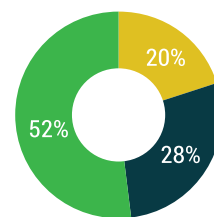
Many women are excluded from economic decision-making within their own households



1 in 3 women has no say about major household purchases

Existing statutory and customary laws restrict women's access to assets

Proportion of developing countries where:



- Law does not guarantee the same inheritance rights
- Law guarantees the same rights, but discriminatory practices against women exist
- Law guarantees the same rights for women and men



Over 80% of microfinance borrowers globally are female, thus women's financial inclusion in terms of access to financial services is not a problem per se. At issue is what happens after they access financial services, particularly whether this actually leads to an expansion of women's abilities and resources.

Women continue to be constrained by a number of factors, which means that the same input (loan size, tenure, etc.) and the same business activity may not produce the same outcomes for male and female clients. This also means that, with modified inputs and support with outputs, a level playing field that allows for women's economic empowerment—at least in its most basic form of increased assets and resources—can be created.

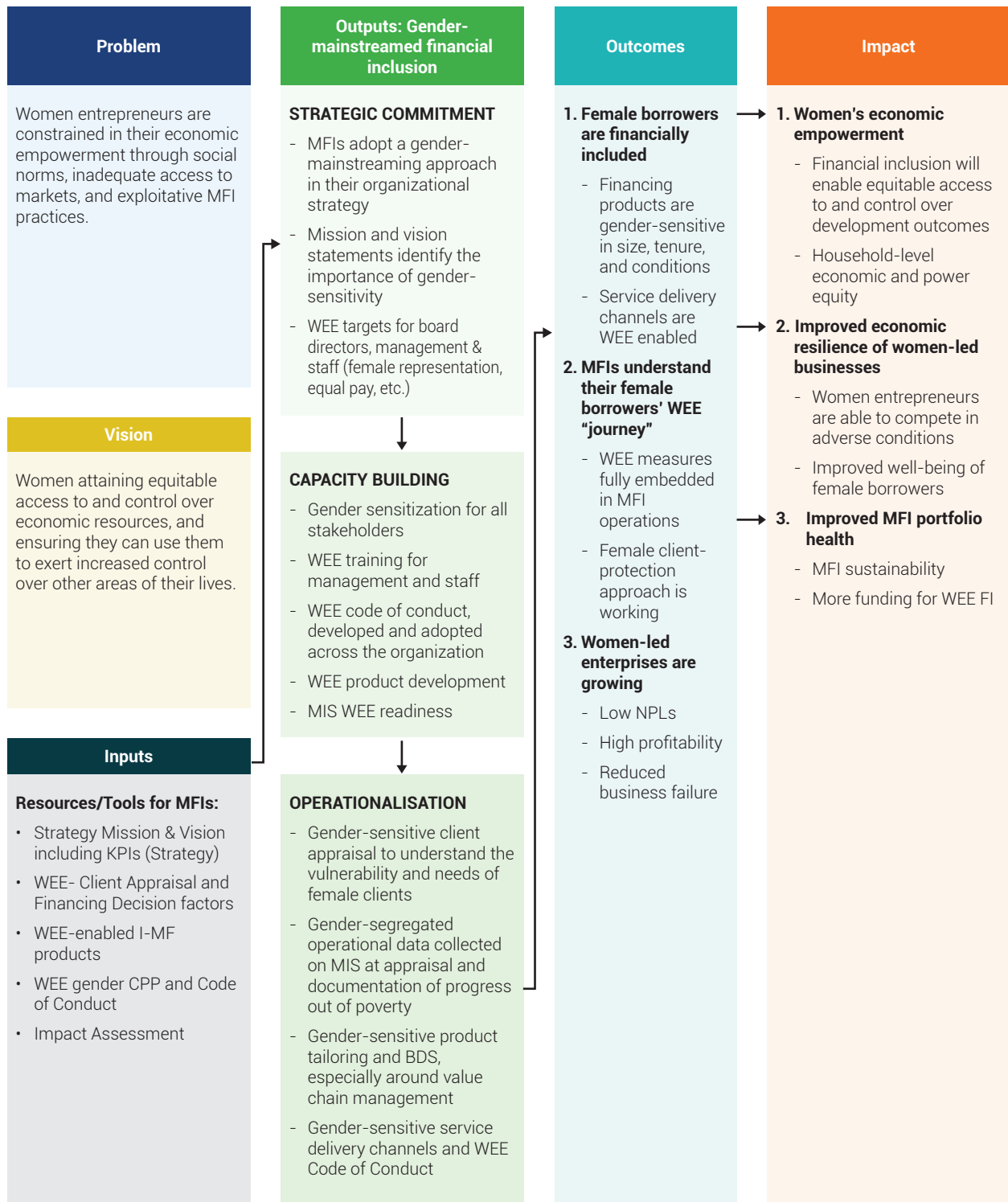
Whilst microfinance is often regarded as a single intervention, the same class of interventions (i.e., savings, credit, credit-plus, etc.) can have significantly different outcomes depending on the client (World Bank, 2014). Capital alone, as a small cash loan or grant, is often insufficient to grow women-owned

subsistence-level firms. Very poor women need a more intensive package of services than do less poor women to break out of subsistence production and grow their businesses. What works for young women does not necessarily work for adult women. Many of the additional constraints that women face can be overcome by simple, inexpensive adjustments in the program design that lessen family and social pressures. These include providing capital in-kind through, for example, Murabaha or making transactions through the privacy of a mobile phone, and providing secure savings accounts to nudge women to keep the money in the business rather than to divert it to non-business uses.

This means that a new theory of change (see Figure 2 overleaf) is required to make microfinance truly work for women, beyond nominal financial inclusion. To make this happen, the whole range of stakeholders—government agencies, multi-lateral development banks, regulators, and standard setting bodies—must make a concerted effort to create a conducive operating environment for MFIs.



Figure 2: A Theory of Change (TOC): How MFIs can contribute to women's economic empowerment



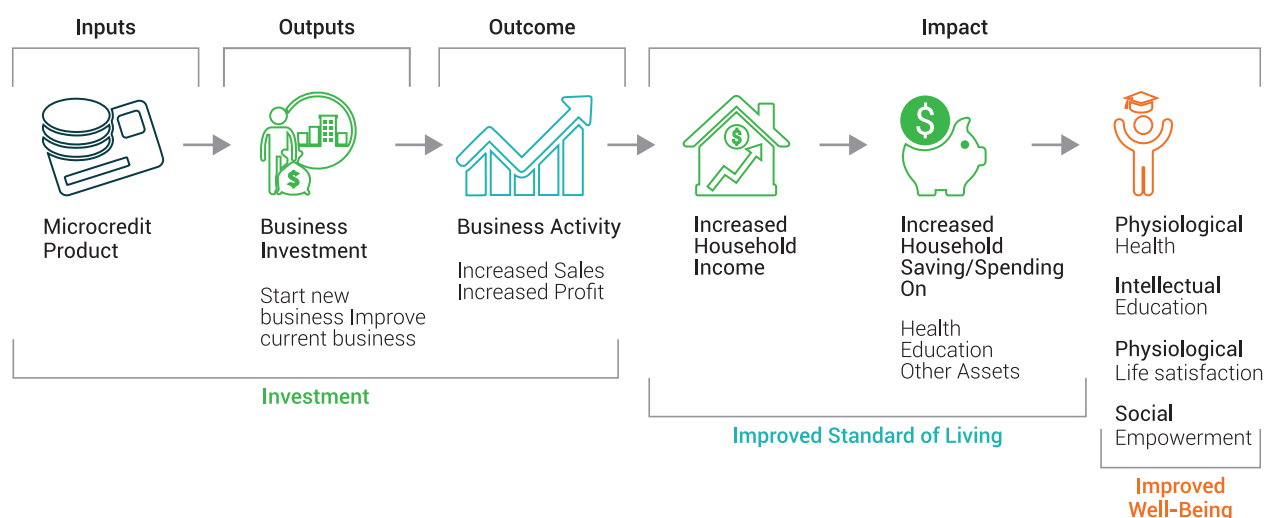
**Assumptions and external factors:**

- Whilst this TOC focuses on what MFIs can do, it is essential that standard setting bodies, funders, and regulators are committed to create a conducive environment
- The responsibility for making WEE happen does not solely rest with MFIs, which can only focus on the provision of financial services
- WEE-focused financial inclusion programs engage men and boys, male entrepreneurs, and borrowers who benefit from equitable microfinancial services

## 2.2 Building a new WEE microfinance program approach

The standard microfinance model (see Figure 3) assumes an almost linear relationship between financial inputs and well-being outputs, although it disregards that the “playing field” is not level, especially for female entrepreneurs.

Figure 3: A theory of change for microfinance, Jurczyk, S., Testa, F., Schumann, R., Bravo, J.P., Pastushchuk, T., Abi Hachem, T., & Zenin, S. (www.noun.project.com)



The main challenge to this albeit simplistic model is that there often exists a range of obstacles either on the investment side of the above process—for example, the lack of access to markets or that the improvements in well-being are not accruing in an equitable manner to all groups of people. The identified key obstacles, as discussed, are:

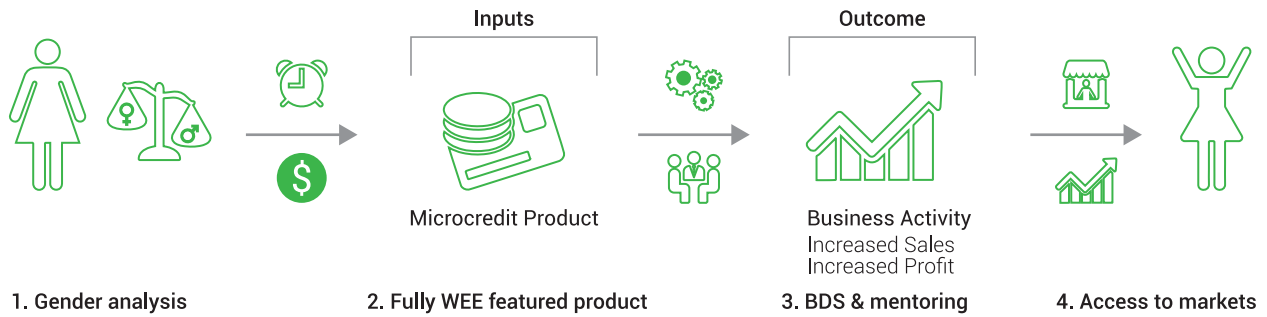
- structural; i.e., the rural-urban divide, geographic variances, road access
- legal; i.e., banking laws might discriminate against women holding bank accounts
- social; i.e., discrimination due to caste, religion, disability, gender, etc.

In order to promote women's economic empowerment through Islamic microfinance, a concerted effort is required by MFIs to integrate an understanding how gender impacts the outcomes of microfinancial service provision. In short, the concept of “gender” (men and women) as a signifier of a range of challenges and opportunities needs to be mainstreamed into Islamic microfinance.

“The main challenge to this albeit simplistic model is that there often exists a range of obstacles either on the investment side of the above process—for example, the lack of access to markets or that the improvements in well-being are not accruing in an equitable manner to all groups of people.”



Figure 4: A WEE-enabled microfinance model



Therefore, in a women's economic-empowerment-enabled MFI, the following are important:

1. Understanding the specific context and barriers which prospective female clients may encounter at the household and community levels (listed in points 3 and 4)
2. A fully gender-sensitive microfinance product to counteract challenges, for example, due to lower productivity as a result of women's dual responsibility for their micro-enterprise and family (specific delivery channels, such as digital finance, or family-friendly services may also be important)
3. Since access to finance is not the issue per se, women entrepreneurs may also need additional business development support and/or mentoring.
4. To overcome social constraints for women around access to markets, female entrepreneurs may require support with managing the value chain of their business. Skills development and

technology may also be critical. The support must specifically deal with the identified obstacles in order to assist female clients in developing/refining their business model under often constrained conditions.



Female entrepreneurs may require support with managing the value chain of their business. Skills development and technology may also be critical. The support must specifically deal with the identified obstacles in order to assist female clients in developing/refining their business model under often constrained conditions.

### 2.3 About the Resource Guide—Putting the Theory of Change into practice

The Resource Guide accompanying the study report "Making Islamic Microfinance Work for Women: A Survey of Linkages and Opportunities" offers a range of tools and reference points for Islamic microfinance programs to actively contribute to women's financial inclusion and their broader economic empowerment. It can be read as a whole or the user can pick a section of interest. The first section of the Guide looks at how microfinance can truly work for women beyond nominal financial

inclusion. This section introduces a theory of change (TOC) for WEE-enabled microfinance based on the findings of the study report. The second section provides practical tools and resources which explain how to apply the WEE TOC in practice.

The main study report discusses the barriers faced by women entrepreneurs and how Islamic microfinance addresses these challenges. For further details, see the "Making Islamic Microfinance Work for Women: A Survey Linkages and Opportunities" report.



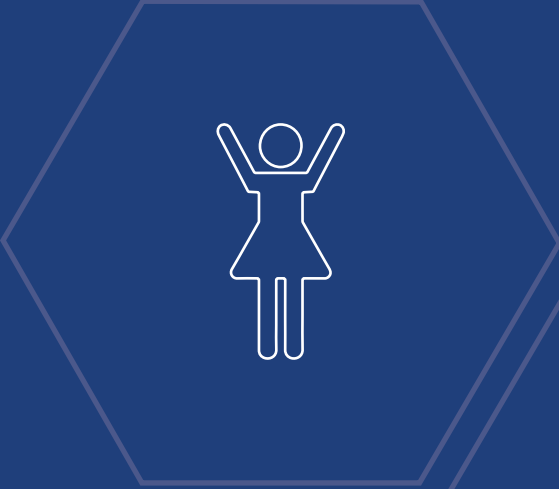


Kabeer, N. (2011) Conflicts over credit: re-evaluating the empowerment potential of loans to women in rural Bangladesh. *World Development*; 29:63–84.

Obaidullah, M. & Khan, T. (2008) *Islamic Microfinance Development: Challenges and Initiatives*. Islamic Research and Training Institute, Islamic Development Bank.

Yunus, M. (1999) *Banker to the Poor: Micro-Lending and the Battle Against World Poverty*.





**PART**

**②**

**WEE APPROACHES  
& TOOLS**



## PART 2: WEE APPROACHES & TOOLS



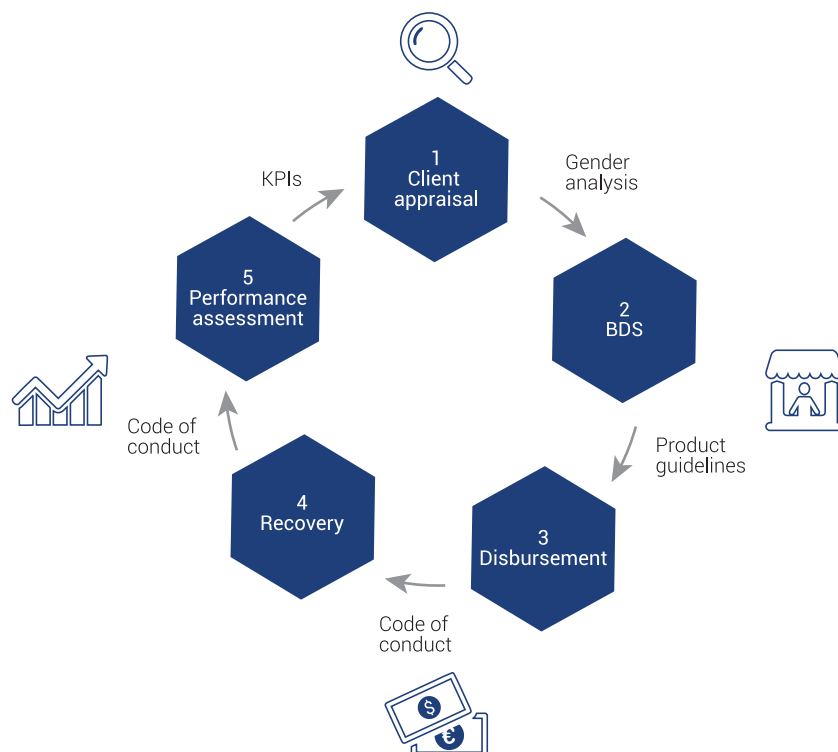
### 1 Making Islamic Microfinance work for women

Many of the constraints that women face can be overcome by simple, inexpensive adjustments in program design and delivery that lessen family and social pressures. In this section, we offer a range of ideas and resources that will help your MFI make microfinance work for women. This does not mean you should not offer financial services to men, rather the aim is to provide services that do not leave women behind.

The resources and tools offered in this guide follow the standard microfinance business cycle (see Figure 5) from the initial client appraisal (Step 1) to post-credit-recovery performance assessment (Step 5). Each step is held together by tools and resources that help you focus on getting the best possible outcomes for your female clients and their microenterprises.

Please note that in your MFI the sequence may be slightly different, you may use different terminology, or you may be doing some of the steps in parallel rather than in sequence.

Figure 5: Standard microfinance business cycle





Islamic microfinance operations can and should be at the center of the economic empowerment efforts for women. Nevertheless, it is also important to ensure that a focus on women's financial inclusion does not exclude male entrepreneurs from services, in order to foster equitable economic growth that leaves no one behind. In fact, engaging men and boys into WEE focused I-MF programs is essential to achieving women's empowerment.

In order to achieve WEE, the following key goals should be set:

1. Adopting an inclusive and gender-sensitive approach, wherein a range of instruments are offered to cater to the needs of all clients and FSPs pay attention to gender dynamics to redress the obstacles that female entrepreneurs face. Further product development can be done after carrying out a detailed beneficiary-needs assessment with gender analysis
2. Offering non-financial interventions that respond to the strategic gender needs of women, who are often more disadvantaged than men, such as building the capacity of beneficiaries through business skills sessions, basic accounting, and vocational skill enhancement including quality assurance, risk management, and training in marketing and sales techniques
3. Establishing value chains wherein beneficiaries in a singular value chain are linked for common benefit along with linking to vendors and markets to increase sales and growth in income

This resource guide will provide ideas and tools along the steps of the microfinance business cycle to WEE-enable your operations.

## 2 Developing a WEE-enabling vision and mission

Your vision is your dream. It is what your organization believes are the ideal conditions for your community; that is, how things would look if the issues important to you were completely, perfectly addressed.

There are certain characteristics that most vision statements have in common. In general, vision statements should be:

- understood and shared by members of the community
- broad enough to include a diverse variety of local perspectives
- inspiring and uplifting to everyone involved in your effort
- easy to communicate—for example, short enough to fit on a T-shirt

In the WEE context, a vision statement, for example, could be as follows:

"We envisage a world where there are equal economic opportunities for all"

"A future without financial and economic exclusion"

"Making microfinance work for all women and men"

The next piece of the puzzle is to ground your vision in practical terms. This is where developing a mission statement, the next step in the action planning process, comes in. An organization's mission statement describes what the group is going to do and why it is going to do that.

Mission statements are similar to vision statements in that they, too, look at the big picture. However, they are more concrete and they are definitely more action-oriented than vision statements. Your vision

**Your vision is your dream. It is what your organization believes are the ideal conditions for your community; that is, how things would look if the issues important to you were completely, perfectly addressed.**

statement should inspire people to dream; your mission statement should inspire them to act.

The mission statement might refer to a problem or goals and hint—very broadly—at how your organization might fix or reach them. Some general guiding principles about mission statements are that they are concise, outcome-oriented, and inclusive (source: Community Toolbox).

In the WEE context, a mission statement, for example, could be as follows:

“Our MFI will be at the forefront of positively transforming the lives of poor women and men”

“to contribute to the economic empowerment of all poor women and men”

“to deliver microfinancial services that respect the needs of women and men”

For obvious reasons, the development of such statements is very context and organization-specific, although there are tools available to assist you.



Community Tool Box: Developing Vision and Mission Statements—see <https://ctb.ku.edu/en/table-of-contents/structure/strategic-planning/vision-mission-statements/main>

On Strategy: Overview of the Strategic Planning Process—see <https://onstrategyhq.com/resources/developing-your-strategy/>

### 3 WEE-enabling microfinance operations along the business cycle

To actively contribute to the economic empowerment of your female clients, apart from making some adjustments to your operations, your whole organization—from board to junior staff—must embrace the idea that microfinance should leave no one behind. This means that the overall playing field must be levelled to allow for fair play or, in the case of female entrepreneurs, extra measures have to be put in place to ensure that their microenterprises can thrive in an environment that makes it difficult for women to own, run, and benefit from business.

Enabling MFIs to actively engage in women's economic empowerment requires mainstreaming

gender analysis into the complete microfinance business cycle. Mainstreaming gender needs of women and men is essential for the effectiveness and sustainability of women's economic empowerment beyond nominal financial exclusion.

Systematic mainstreaming of gender needs into MFIs will enable them:

- to identify women's needs and gender disparities,
- to capture the socio-economic disparities between women and men and amongst women,
- to address women's economic empowerment in the long-term.





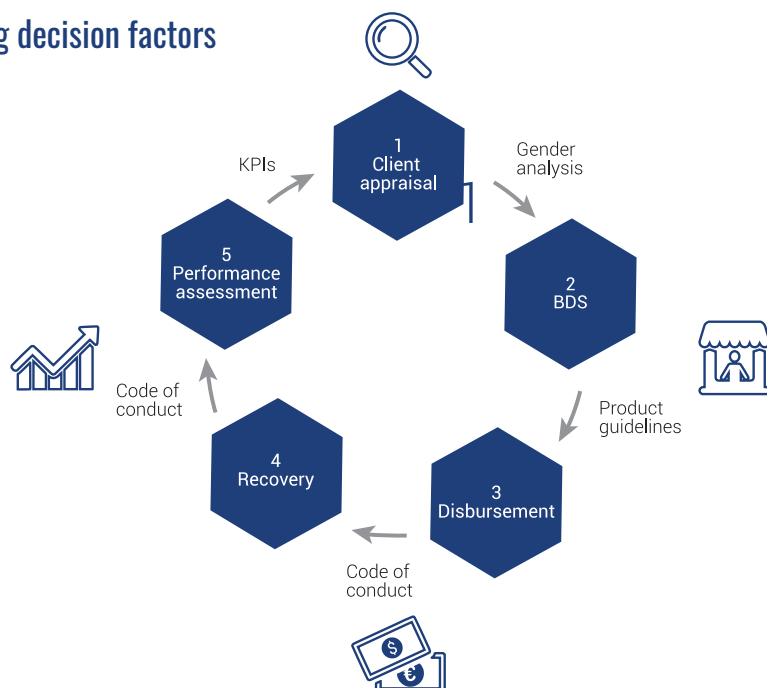


To develop and deliver WEE-enabled microfinance operations, we suggest that MFIs check themselves and their progress against the parameters below:

Activity	Relevant resource/tool	How it is used
Client appraisal	Sections 3.1–3.2: WEE client appraisal and financing decision	When sourcing clients, factors that identify suitable clients who will benefit from the financing should be considered.
Offering the right product & services	Section 3.3: WEE enabled I-MF products	Understanding product features and identifying business-related risks and safeguards for each product to tailor client support, including BDS
Disbursement and recovery	Sections 3.4–3.5: WEE gender CPP and code of conduct	The relationship between the MFI staff and the client should be carefully managed through the code of conduct policy which would be based on the CPP.
Performance assessment	Section 3.6: Strategy, mission, and vision including key performance indicators (KPIs) Section 2.7: Impact assessment	The KPIs targets would be regularly reviewed to ensure they are in line with the MFI mission and vision. The checklist helps management reflect on the impact of the MFI's operations.

### 3.1 WEE client appraisal and financing decision factors

In order to ensure that women are not left behind, standard client credit appraisal needs to be enhanced with a solid understanding of how gender roles affect economic empowerment. Understanding the needs of male and female clients allows MFIs to provide the best financial services possible. To mainstream women's financial inclusion and economic-empowerment needs into the MFI operations, we begin with a tool usually referred to as "gender analysis".







Gender analysis looks at gender roles, the relations between women and men, access to and control over resources and the basic (practical) and long-term (strategic) gender needs of female and male clients.

The aim of gender analysis, as part of situational analysis, is to:

- Identify the differences between the roles that women and men play in their communities and identify gender-based differences in access to and control over resources and different needs;
- Examine the different levels of power women and men hold, their differentiated needs, constraints and opportunities in accessing finance and growing their businesses;
- Determine how different members of a household will participate in and be affected by microfinance interventions;
- Understand how Islamic microfinance interventions can impact relationships in the family and community.

Gender analysis focuses on identifying and understanding different gender roles. These are

responsibilities and tasks women and men have and perform in their families and communities, including the four typical gender roles: production, reproduction, management of community activities, and constituency-based politics.

Through understanding gender roles, gender analysis seeks to better understand the practical (immediate) and strategic (long-term) needs of women, girls, men, and boys in accessing finance. Neither women nor men are homogenous groups; thus, different groups of women and men have differentiated needs.

Gender analysis in Islamic microfinance will entail the analysis of the opportunities and barriers in accessing finance and developing entrepreneurship specific to being a female or a male in a given context.

Gender analysis also examines the relations between females and males from a social, cultural, political, and economic perspective and how these may determine the access and usage of finances.



March, C., Smyth, I., & Mukhopadhyay, M. (1999) A Guide to Gender-Analysis Frameworks. Oxfam—see [www.ndi.org/files/Guide%20to%20Gender%20Analysis%20Frameworks.pdf](http://www.ndi.org/files/Guide%20to%20Gender%20Analysis%20Frameworks.pdf).

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Harvard Institute for International Development (1980) Harvard Analytical Framework—see [http://web.worldbank.org/archive/website01031/WEB/IMAGES/TDG\\_G\\_E\\_PDF](http://web.worldbank.org/archive/website01031/WEB/IMAGES/TDG_G_E_PDF)

### 3.2 How can MFIs integrate gender analysis in client credit appraisal?

Applying gender analysis to your client appraisal might not entail the use of a stand-alone gender analysis tool, although it is important to think through what the main challenges for your female clients are. Using a gender-sensitive standard credit appraisal will enable you to get some insights in the following key areas:

a) Can women have access to and control over economic resources?

b) What are women's and men's roles in production (agriculture, trade, etc.) and reproduction (childcare, household chores etc.)?

c) How do other factors influence the public roles of women and men (i.e., social mobility, distance to markets, public safety, cultural norms, etc.)?

Integrating in your client appraisal basic gender analytical questions as the ones above will help your MFI make microfinance work for women.



### WEE-based client appraisal tool

For a more systematic integration of gender and socio-cultural factors into a client appraisal, the following WEE tool will help your MFI assess under what current socio-economic conditions female entrepreneurs operate and how you could help with further WEE integration in your operation:

WEE indicators	Proxy question around women's needs and gender equity (through questioning the applicant or an observation)	Tick for "yes" or cross for "no"	Significance of the indicator in the appraisal (0-5)
<b>1. Business ownership/participation</b>	Will a female client/you own/co-own and actively participate in the business even if other persons would be involved?	<input type="checkbox"/>	4 <u>Rationale:</u> Ownership and participation in the business facilitates greater economic engagement.
<b>If yes, the MFI should support women's ownership of and participation in the business.</b>	If no, the MFI should promote business ownership or co-ownership of female client.		
<b>2. Legal status</b>	Can a female client/you sign business/financial agreements without a male guarantor?	<input type="checkbox"/>	3 <u>Rationale:</u> Ability to enter business agreements is essential for the functioning of the business and maintaining control over assets.
<b>If yes, the MFI should offer additional support to women entering business agreements to incentivize their business engagement and help maintain greater control over assets.</b>	If no, the MFI should promote and accept agreements signed by female clients without a male guarantor.		
<b>3. Access to resources</b>	Can a female client/you easily access productive resources (cash, credit, land, tools, etc.)?	<input type="checkbox"/>	2 <u>Rationale:</u> Access to productive resources is a means to economic participation, development, and growth of enterprises.
<b>If yes, the MFI should support them with financial products which promote the access of female clients to productive resources.</b>	If no, the MFI should design products in ways which provide access to productive resources to female clients.		
<b>4. Access to financial services</b>	Will a female client/you have access to banking and saving accounts?	<input type="checkbox"/>	4 <u>Rationale:</u> Delivering transfers electronically increases the probability of women solely obtaining the transfer (Aker et al., 2014).
<b>If yes, the MFI should support them with products and services which encourage the usage of banking and savings.</b>	If no, the MFI should design products in ways that maximize the female client's control, privacy, and access to banking.		
<b>5. Control over resources and assets</b>	Do any assets in the family belong to a female client/you?	<input type="checkbox"/>	3 <u>Rationale:</u> Women's control over household resources can encourage economic participation (Field et al., 2016).
<b>If yes, the MFI should provide products which can expand the pool of assets owned by female clients.</b>	If no, the MFI should require business assets to be registered/co-registered under the name of the female client.		

<b>6. Access to savings</b>	Will a female client/you have access to savings?	<input type="checkbox"/>	3 <b>Rationale:</b> Women's needs and savings requirements vary in time according to phases of their life (e.g., in adolescence, pregnancy, older age, etc.).
<b>If yes, the MFI should design savings products to address the specific needs of women at a specific phase of their life.</b>	If no, the MFI should encourage clients to save by adjusting savings products to the specific needs of women at a specific phase of their life.		
<b>7. Participation in decision-making in a household</b>	Does a female client/you make any decisions in the family or participate in shared decisions with a spouse?	<input type="checkbox"/>	4 <b>Rationale:</b> Decision-making power increases the likelihood of women having a say in their business activity and household expenditure.
<b>If yes, the MFI should provide products which can promote and strengthen women's intra-household decision-making power.</b>	If no, the MFI should design products in ways that help increase women's bargaining power and spending decisions; e.g., sensitize the community on women's status and the importance of women's contribution to family decisions.		
<b>8. Financial and business self-confidence</b>	Is a female client/Are you confident to run the business and manage finances?	<input type="checkbox"/>	2 <b>Rationale:</b> Maintained self-confidence levels boost women's economic participation.
<b>If yes, the MFI should harness the female client's confidence through ongoing training, peer support, and mentoring.</b>	If no, the MFI should support the female client with capacity building and training.		
<b>9. Mobility in public spaces, access to market</b>	Can a female client/you move around easily in public spaces, especially to markets?	<input type="checkbox"/>	2 <b>Rationale:</b> Enhanced mobility expands social capital and business networks.
<b>If yes, the MFI should support the female client's mobility plans, facilitate transportation to markets, and promote protection principles.</b>	If no, the MFI should ensure the business model respects women's mobility choices or provides support in extending mobility opportunities.		
<b>10. Participation in vocational/business training/mentoring</b>	Can a female client/you participate in business training and mentoring?	<input type="checkbox"/>	2 <b>Rationale:</b> Upgrading business skills and mentoring increases women's capacity to maintain business activity.
<b>If yes, the MFI should promote women's participation in business training and mentoring designed in ways which meet women's needs.</b>	If no, the MFI should provide female friendly business training and mentoring opportunities, and embrace extra measures to encourage participation in the trainings (e.g., permission to attend with a friend or family member).		
<b>11. Ability to negotiate/combine family and work responsibilities/ Access to affordable childcare</b>	Can a female client/you combine work at home and in the business/market? Is childcare available if needed?	<input type="checkbox"/>	2 <b>Rationale:</b> Competing demands of women's time and lack of childcare can constrain women's ability to access finance and work.
<b>If yes, the MFI should support female clients with products that allow them to integrate paid and unpaid labor.</b>	If no, the MFI should support access to childcare facilities or time-saving equipment and design products in ways that do not put a burden or create additional competing demands on women's time.		
<b>12. Spousal/family support</b>	Does a spouse/family support a female client's/your business and work plans?	<input type="checkbox"/>	2 <b>Rationale:</b> Women with supportive spouses tend to generate higher incomes from their businesses.
<b>If yes, the MFI should design products in ways that recognize the support of family members and help distribute labor in the family.</b>	If no, the MFI should design products in ways that help distribute labor in the family or engage other members of the family to support women's businesses and promote women's role in society through non-financial interventions.		

<b>13. Safety in business activities</b>	Is the business activity safe?	<input type="checkbox"/>	4 <b>Rationale:</b> Safety and protection are essential in safeguarding the health and well-being of women and encouraging business activity.
<b>If yes, the MFI should design financial products with special measures to control the safety of business activity and promote protection.</b>	If no, the MFI should monitor feelings of safety among female clients, establish procedures for reporting cases of abuse, unfair treatment, and exploitation, and conduct periodic risk assessments.		
<b>14. Awareness of potential vulnerability to abuse</b>	Are female clients/you aware of any risks of exploitation, discrimination, or abuse when running a business?	<input type="checkbox"/>	3 <b>Rationale:</b> Exploitation and abuse undermines women's ability to work and puts their life at danger.
<b>If yes, the MFI should prioritize safety and protection of female clients in product design and regularly monitor any protection risks.</b>	If no, the MFI should raise awareness of female clients on risks of exploitation and abuse when conducting business activity and sensitize the local community on protection from abuse in accessing and using financial products and services.		

**Working out your score:**  
 Add up the significance indicators for each question where you have scored "yes" to get your total "WEE conditions" score.

**What does your score mean:**

**0-9 = gender/WEE uncondusive socio-cultural conditions** 😞  
 → MFIs should put dedicated efforts to address women's barriers in entrepreneurship and business development, responding to their needs through alterations in product design.

**10-19 = gender/WEE partially condusive socio-cultural conditions**  
 → MFIs should address women's barriers through increased attention to women's needs through alterations in product design.

**20-29 = gender/WEE condusive socio-cultural conditions**  
 → MFIs should support women's economic participation and uphold attention to monitoring women's needs through product design.

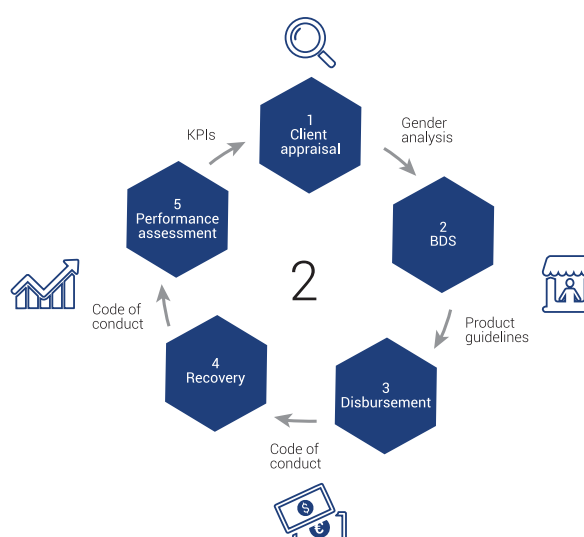
**30-40 = gender/WEE compelling socio-cultural conditions** 😊  
 → MFIs should continue to promote and celebrate women's economic participation and uphold attention to monitoring women's needs through product design.

The WEE client appraisal tool will also establish an important baseline against which your MFI can measure its progress—see section "2.8 WEE impact assessment."

### 3.3 Developing and using WEE-enabled Islamic microfinance products

The key to creating service delivery for female entrepreneurs is offering a diverse range of Islamic Microfinance instruments to the clients. As compared to conventional financing, which can offer only one product (i.e., cost + interest), I-MF offers a range of methodologies in which the MFI can interact with the client.

Islamic microfinance centers offer a smaller number of instruments than the wider Islamic banking sector and, according to CGAP (2012), Murabaha (70%) and Qard Hassan (20%) are particularly popular. There is no gender-disaggregated data available on these and less common instruments, but all may be playing different functions in women's businesses. Given the lack of typicality of women-led businesses,





apart from the key characteristics being defined by women's dual responsibility, which often forces them into low-value business activities, a number of generic product design features may be applied in conjunction with the specific Islamic finance instrument where possible:

- **Client centrality:** i.e., the client should be asked their exact need that a loan would be able to fulfil. In most cases, the need would be to purchase an asset; hence, Murabaha financing can be applied, which would reduce the overall burden of purchase on the client while also opening up the opportunity of a discount that the MFI might be able to avail from the vendor. Similarly, specific I-MF instruments should be utilized for various needs.
- **Financing modality:** profit and loss sharing or asset sale instruments may be advantageous for female entrepreneurs since they lock in the investment or asset in a way that can be better controlled against abuse or diversion.
- **Collateral requirements:** these are put in place by MFIs to manage credit risk but may be a significant obstacle to financing women as their control over household assets may be limited. Therefore, to attract poor female clients, collateral requirements ought to be kept to a minimum.
- **Tenure:** due to business size, female entrepreneurs may benefit from longer repayment periods to ensure that the debt burden does not stifle their potential to create successful businesses.
- **Pricing:** for female entrepreneurs operating low-profitability businesses, products should be priced either via a charitable mechanism, where operating costs are donor funded, or profit and loss sharing products may be preferable.

### 3.3.1 Islamic microfinance products and women's economic empowerment benefits

Considering the constraints female entrepreneurs experience, Islamic microfinance instruments can offer a number of inherent benefits for women. Of particular relevance are:

#### **A: Charity-based financing due to its ability to specifically target women**

##### **Qard Hassan**

<b>Differentiating factor</b>	<b>How it helps women</b>	<b>Safeguards</b>
<b>- Zero cost of financing</b>	- Prevention of over-indebtedness; women benefit from zero cost of financing	The I-MFI must include gender analysis in client appraisal to ensure the benefit accrues to female clients.
<b>- No financing of harmful prohibited activities</b>	- Prevents women from engaging in any harmful activities such as growing tobacco, selling alcohol, gambling, etc.	The I-MFI must monitor loan use to control diversion.
<b>- A uniquely social loan aimed at the most vulnerable</b>	- Women benefit the most from social loans that are targeted to help the poor and vulnerable.	The I-MFI must use poverty scoring to ensure loan goes to the most needy.
<b>- Typically, no collateral is required as it is a social loan</b>	- The lack of commercial motivation behind the loan allows women to have access to such loans without any collateral.	The I-MFI must monitor loan use to control diversion.

## B: Trade-based financing due to reduced moral hazard and the potential for diversion of use

### Murabaha

Differentiating factor	How it helps women	Safeguards
- Ensures transportation and delivery of assets	- Assets are directly and safely received by women.	The I-MFI must ensure that asset delivery is guaranteed where agency arrangements are in place.
- The MFI takes ownership of the product before transferring it to women	- Helps ensure that women receive the asset ensuring the required quality and quantity.	The MFI must ensure quality controls.
- Economies of scale through negotiation with suppliers using bulk purchase or preferred supplier agreements	- Savings generated by lower cost prices are transferred and benefit women, also reducing the strains of commercial negotiations on women entrepreneurs.	The MFI pricing must reflect cost savings.
- Asset-based transactions ensure that diversion cannot take place easily.	- Prevents finances from being misused and misdirected by male relatives to other consumers or economic activities.	The I-MFI must monitor loan use to control diversion.
- No refinancing allowed and amount due does not increase even if repayment tenor is extended	- Prevents against over-indebtedness, as women who are unable to pay are typically more "genuine" defaulters— they default due to their "ability to repay" and not their "willingness to repay".	I-MFIs must have robust client appraisal and repayment capacity assessment to ensure that women can repay.
- No financing of harmful prohibited activities	- Prevents women from engaging in any harmful activities such as growing tobacco, selling alcohol, gambling, etc.	I-MFIs must monitor loan use to control diversion.
- Although allowed, the collateral is usually not taken, as MFI ensures that women will be able to generate an income from the purchased asset.	- Allows women to have better access to finances as they are less likely need assets to put up as collateral.	I-MFIs must make a repayment capacity assessment to ensure that women can repay.
- More emphasis on trade, less emphasis on credit allows for a lesser need for collateral.	- Prevents MFIs from taking household assets such as stoves as assurance that women will repay by MFIs having a better understanding of how the women will generate an income from the purchased asset.	I-MFIs must have strong BDS in place.
- Even if penalties are charged on late payments, they are limited and do not go to the MFI as profits	- Prevention of over-indebtedness: MFIs will not take advantage of women by as there is no motivation to make women pay penalties that they do not earn as revenue. Penalties merely act as a deterrence for their clients.	I-MFIs must make repayment capacity assessments to ensure that women can repay so that delays are minimized.

## Salam

Differentiating factor	How it helps women	Safeguards
- <b>Upfront cash received to allow for investment in production or out-of-season consumption</b>	- Ensures women have the resources needed (e.g., agricultural inputs) to farm or for consumption smoothing.	MFIs must carry out business appraisals to ensure women have the necessary technical competence.
- <b>Ensures a market for the assets produced through an advance purchase contract</b>	- Women don't have to rely on intermediaries, such as male relatives, to sell their products.	MFIs must have competent staff to deal with buying and selling rather than just underwriting loans.
- <b>Ensures better economies of scale through negotiations with buyers using bulk purchases or master contracts</b>	- Higher profits generated from buyers will be shared with the woman.	MFIs must have a good understanding of the market risks.
- <b>If a woman is unable to generate the promised production to the MFI, she is only required to return the purchase price she received from the MFI.</b>	- The MFI does not earn from the women's lack of production. The women's liability is limited to the amount she received from the MFI and not more.	The MFI, as a business partner, must invest in BDS.
- <b>No financing of harmful prohibited activities</b>	- Prevents women from engaging in any harmful activities such as growing tobacco, alcohol, gambling, etc.	MFIs should carry out Sharia compliance screening.

## C: Profit and loss sharing due to close working relationship between the I-MFI and the female entrepreneur

### Mudaraba/Musharaka

Differentiating factor	How it helps women	Safeguards
- <b>The MFI enters into a partnership with the client.</b>	- Since the MFI is an equity partner they share in the loss, high returns and provide the necessary business support to succeed in their businesses similar	MFIs must see the entrepreneur as a partner, not a debtor.
- <b>The MFI shares liability for loss.</b>	- The financier will ensure a careful study on the prospects of the business before financing it.	The MFI must carry out a business feasibility study prior to the investment.
- <b>MFIs may earn a higher return on the financing.</b>	- MFIs will take all steps needed to ensure that the business succeeds. They will support in terms of access to markets, know-how, technology, expertise, etc.	The BDS must focus on women's needs.
- <b>No financing of harmful prohibited activities</b>	- Prevents women from engaging in any harmful activities such as growing tobacco, winery, gambling, etc.	MFIs should carry out Sharia compliance screening.

## D: Rental-based due to control over usufruct (physical assets)

### Ijara

Differentiating factor	How it helps women	Safeguards
- Ensures transportation and delivery of assets	- Assets are safely received by women.	I-MFIs must ensure that asset delivery is guaranteed where agency arrangements are in place.
- Economies of scale through negotiations with suppliers using bulk purchases or preferred supplier agreements	- Savings generated by lower cost prices are transferred to women, who benefit from them.	The MFI's pricing must reflect cost savings.
- Asset-based transactions ensure that diversion cannot take place easily	- Prevents male relatives from misusing and misdirecting finances to other consumers or economic activities.	I-MFIs must monitor asset use to control diversion.
- Ownership remains with the MFI and not the client	- Women are relieved from ownership risks As lessees, women are protected from risks associated with the ownership of assets.	I-MFIs must monitor asset use to ensure usufruct is accrued to women.
- The MFI ensures that the asset is well-maintained so that it is productive throughout its lease life.	- Women can focus on productive use of usufruct without the burden of maintenance.	I-MFIs must monitor asset use to ensure no negligence or inappropriate use occurs.
- The MFI typically ensures that the asset is insured against major risks like theft, fire, etc.	- Women benefit from lower cost of Takaful since it is purchased by the MFI, which usually insures many assets and is able to source for competitive Takaful providers.	The I-MFI pricing must reflect the discounts.
- No financing of harmful prohibited activities	- Prevents women from engaging in any harmful activities such as growing tobacco, selling alcohol, gambling, etc.	MFIs should carry out Sharia compliance screening.

### 3.3.2 Support and Business Development Services

A range of non-financial interventions are necessary in order to strengthen the financial interventions and to bring about a greater impact. The following interventions are recommended for WEE:

1. Vision enhancement sessions: it has been observed that MF clients often do not want to leave their comfort zone in order to expand the enterprise. The vision enhancement sessions are a necessary factor in helping clients realize the potential of their enterprise and subsequently discussing steps to be taken to achieve that potential. This is vital for female entrepreneurs who may lack the confidence to grow their business.
2. Skill enhancement sessions: most MF clients already have a skill that they utilize in their enterprise; however, this skill can be mostly self-taught or a common family trait that has been passed down through generations. Due to this informal skills acquisition, clients are not always aware of the best practices they could adopt to manufacture a higher quality product. This is particularly true for female entrepreneurs for whom skill enhancement sessions might be critical in bringing their products or services on par with the rest of the industry by way of demonstrative learning.

3. Basic accounting: MF clients are often illiterate and innumerate and, therefore, unable to apply proper methods of accounting to their business. A basic accounting training would enable these clients to understand the difference between aspects such as: income and profit, capital injection and retained earnings, and household versus business income and expenses. This would enable clients to make more informed decisions in their businesses in the long run and also assist female entrepreneurs to access higher value finance or engage in profit and loss sharing with I-MFIs.
4. Marketing: the most common form of marketing adopted by the MF clients is word of mouth, whereby existing customers encourage others to become a customer of the business. This form, although cost-effective and efficient, cannot be controlled or quantified and comes with the hazard of negative marketing. Therefore, it is necessary for the clients to be trained in simple marketing tools starting off from branding their business and leading up to customer-centric marketing techniques. . Also, this can particularly help female entrepreneurs win new customers who may not be reached otherwise due to social norms that, in many conservative societies, prevent women from being visible in the marketplace.
5. Market linkages: most MF clients sell their products to intermediaries who take a large chunk of the profit that should have been earned by the clients. To avoid this, direct links to wholesalers and retailers should be developed, which would lead to an increase in the profit share for the clients. It would also enable clients to understand market trends and demands—essential to growing their business. For female entrepreneurs, setting up co-operatives might also be particularly helpful in accessing markets and increasing their purchasing power with suppliers of raw materials or other inputs.
6. Development of value chains: through its clients, an MFI normally works with various levels of a business' value chain. In order to provide benefit to all clients in a value chain, the MFI may organize them together for their common interest. This would enable the clients to be better equipped in running their enterprises. Especially where women are using Salam and Ististna'a, the benefits of value chain development would be afforded to them by the I-MFI.

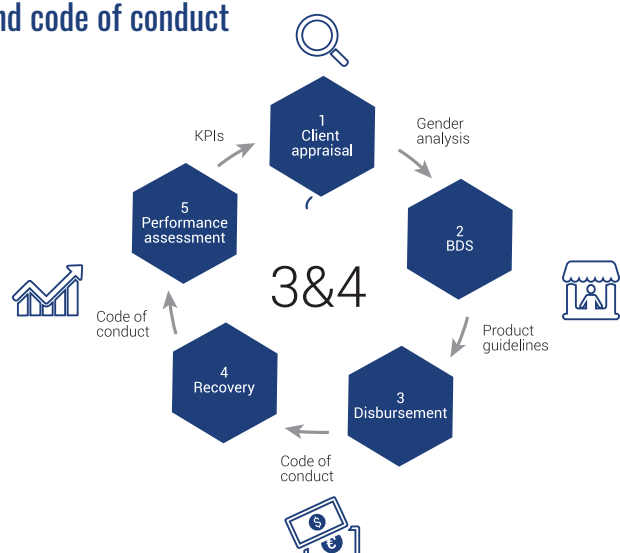


Given that a glass ceiling on the loan size for female applicants has been observed in research—primarily due to the lower absorptive capacity of women-led business caused by a number of obstacles to growth—credit decisions for women can also be policy-led to either provide BDS first or to provide concessional finance to lower the repayment burden.

## 3.4 WEE-integrated client protection principles and code of conduct

### 3.4.1 Disbursement

The disbursement process can open up female clients to vulnerabilities that need to be carefully circumvented. The MFI management has, of course, a general duty of care toward all clients and must particularly endeavor that male loan-officers do not pressure female clients in exchange for favors. Therefore, a basic female client safeguarding policy is a must for all MFIs engaging not just in WEE but in the entire financial service provision. This safeguarding policy must cover all staff, volunteers, and also suppliers—which are of particular importance in the context of trade-based products.





### 3.4.2 Credit recovery

Female clients often find themselves on the receiving end of aggressive debt recovery practices by MFIs that seek to capitalize on the weak protection afforded to vulnerable groups, including women, in many legal contexts. Therefore, it is critical that

Islamic MFIs should be trained on a code of conduct importance and follow through of gender sensitive code of conduct looking to promote women's financial inclusion or even empowerment are not falling back on such exploitative practices.

## 3.5 Building in WEE client protection

Critically, client protection has to be at the heart of the effort to harness the power of financial inclusion for women's economic empowerment. Client protection helps to prevent exploitative lending, pricing and credit recover practices that led to over indebtedness

This has led to a self-policed movement within microfinance that stresses that "responsible finance" must underpin inclusion efforts. The SMART Campaign, a key proponent of responsible financial inclusion, requires for its certification program that MFIs be fully transparent in the pricing, terms, and conditions of all financial products. It is about working with clients so they do not borrow more money than they can repay or use products that they do not need. Responsible financial inclusion employs respectful collection practices, treats clients according to high ethical standards, and offers them a way to

address their complaints so they can be served more effectively. Responsible financial inclusion ensures client data remains private and aims to protect clients, businesses, and the industry as a whole.

Responsible financial inclusion encompasses the core Client Protection Principles to help financial service providers practice good ethics and smart business. The Client Protection Principles are the minimum standards that clients should expect to receive when doing business with a financial service provider. These principles were distilled from the path-breaking work of providers, international networks, and national microfinance associations to develop pro-client codes of conduct and practices. There is a consensus within the financial inclusion industry that providers of financial services should adhere to these core principles:



- **Appropriate product design and delivery:** Providers will take adequate care to design products and delivery channels

in such a way that they do not cause clients harm. Products and delivery channels will be designed with client characteristics taken into account.

- **Prevention of over-indebtedness:** Providers will take adequate care in all phases of their credit process to determine that clients have the capacity to repay without becoming over-indebted. In addition, providers will implement and monitor internal systems that support the prevention of over-indebtedness and will foster efforts to improve market level credit risk management (such as credit information sharing).
- **Transparency:** Providers will communicate clear, sufficient, and timely information in a manner

and language that clients can understand so that they can make informed decisions. The need for transparent information on pricing, terms, and conditions of products is highlighted.

- **Responsible pricing:** Pricing, terms, and conditions will be set in a way that is affordable to clients while allowing for financial institutions to be sustainable. Providers will strive to offer positive real returns on deposits.
- **Fair and respectful treatment of clients:** Financial service providers and their agents will treat their clients fairly and respectfully. They will not discriminate. Providers will ensure adequate safeguards to detect and correct corruption, as well as aggressive or abusive treatment by their staff and agents, particularly during the loan sales and debt collection processes.
- **Privacy of client data:** The privacy of individual client data will be respected in accordance

with the laws and regulations of individual jurisdictions. Such data will only be used for the purposes specified at the time the information is collected or as permitted by law, unless otherwise agreed with the client.

- **Mechanisms for complaint resolution:** Providers will have in place timely and responsive mechanisms for complaints and problem resolution for their clients and will use these mechanisms to resolve individual problems and to improve their products and services.

As is evident from the above client protection standards, existing principles are gender-blind and do not take into account the differentiated needs of women and men. Client protection principles must be gender-sensitive to ensure that protection concerns specific to women and men are recognized and reflected in project designs. The gender-blindness of the client protection principles dictates that the standard setting bodies (SSBs) such as the SMART Campaign, with its certification regime, or the Social Performance Taskforce (SPTF), with its Universal Standards, do not recognize the gendered

vulnerabilities of clients and their needs, as they are primarily concerned with the management practices of FSPs. This is because, as part of a universal microfinance certification regime, these standards promote generic values, as opposed to focusing specifically on women's empowerment. Subsequently, existing principles are currently designed to be only adaptable, subjecting the evaluation of the FSPs to be concerned with financial client protection and the institution's management practices without specific regard for women's economic empowerment. Typically, such requirements can be expected to be observed through the lens of a financial regulatory authority. Yet, much of the evaluation is based on the FSP's mission statement and strategic goals.

Protection principles that safeguard the interests and well-being of participants are critical also for Islamic microfinance services. However, there is a gap in current MF industry standards, whether they offer client protection or based on social performance. Hence, a number of additional WEE-focused measures in the following areas would be important to create a more gender-sensitive climate:



- Women-friendly marketing communication, including community sensitization to female entrepreneurship
- Female staff at all levels of the MFI, especially those engaging with female clients
- Family-friendly branches or outreach to the homestead
- Capacity building by successful female peer entrepreneurs

### Toward a code of conduct



A code of conduct could be a critical element to translate both a strategic commitment by the MFI toward WEE-enabled microfinance and a safe-guarding policy into practical "dos and don'ts."

Such a WEE code of conduct should cover the following dos:



Marketing communication	... portray female entrepreneurs as capable entrepreneurs
	... promote the message that women have agency and can take decisions, including signing financing agreements without the approval of their father or husband, etc.
	... use appropriate language at all times
	... deploy various communication channels, accessible to illiterate clients as well, and include illustrations and translations
Client relationship management	... treat all clients fairly and respectfully
	... retain professional relationships with all clients at all times
	... ensure all clients are treated equally regardless of their background, including gender, age, race, ethnicity, religion, etc.
	... have female loan officers either visit women clients at home or ensure that male loan officers are accompanied by female co-workers on home visits
	... protect the dignity and well-being of all clients regardless of circumstances, in particular protect female clients from shaming practices in communities when recovering debt
Human resources	... ensure enrolment/onboarding processes for vulnerable female customers are straightforward and limit demands on time and assets
	... train all staff in recognizing symptoms of abuse, coercive control, and labor exploitation and equip them to be able to provide psychological first aid and referrals
	... ensure staff are recruited following adequate vetting processes
	... assign specific responsibilities for client protection among staff
	... integrate client protection policy into staff induction materials
	... ensure vulnerable female clients are attended by staff trained in vulnerability and protection
Recovery	... ensure systems to prevent and detect fraud cause no harm and protect clients' reputation
	... identify vulnerabilities of female clients and ensure MFI's management supports their resilience to repay and minimizes exposure to discrimination or abuse
Service delivery	... collect repayments in a safe, respectable, and non-threatening environment, causing no harm nor emotional or physical distress to clients
	... identify barriers in female clients' participation in financial services and mitigate these barriers by putting in place special measures to promote female clients' access and participation
	... create a positive customer experience for vulnerable female customers in branch offices, for example through providing chairs, water, fans, crèche for children, etc.
	... ensure female clients equitably participate in information dissemination sessions and financial services through appropriate opening times and location, etc.
Complaints procedures	... provide special measures to accommodate vulnerable female customers, for example pregnant women, breastfeeding women, older women, adolescent girls, etc.
	... ensure referral pathways are established in case female clients raise issues requiring specialist support, including gender-based violence, violence against children and others
	... ensure a whistleblowing and zero-tolerance policy relating to safeguarding concerns, including protection from sexual abuse and exploitation
	... ensure female clients can file a complaint to a female focal point if they wish
	... have an anonymous, trusted, and effective complaints system to encourage clients to report complaints, including issues of highly sensitive nature
	... conduct diligent investigations of all raised complaints and take disciplinary action under the grievance and complaints policy
	... have an effective anti-bribery policy and protection from sexual exploitation and abuse policy
	... report any concerns if staff or volunteers raise a suspicion about any incident of harassment
... inform community members about organizational protection and complaints policies in accessible ways for all, regardless of their language, abilities, and backgrounds	

**The Code of Conduct should also avoid the following "don'ts":**



Marketing communication	... depict women as helpless victims of poverty
	... make male relatives a pre-requisite for women's enterprises
	... belittle or patronize female clients
	... assume everyone will be able to read and understand the same marketing materials
Client relationship management	... establish social or other inappropriate relations outside the business context
	... favor any social groups of clients over more disadvantaged groups
	... restrict loan decisions to male staff only
	... use coercion or shaming of female clients to recover debts
	... expect all clients to attend lengthy processes and bear long waiting times
Human resources	... ignore staff training in recognizing clients' exploitation and abuse
	... hire individuals with a previous record of harassment
	... assume an uncoordinated approach to client protection
	... allow untrained staff to deal with most vulnerable clients
	... take any actions that may risk causing harm to clients' well-being and reputation
Recovery	... take any actions that may increase exposure to discrimination or abuse and undermine clients' business resilience
	... use intimidating methods to enforce repayments, causing emotional or physical distress to enforce repayments
Service delivery	... assume female clients have the same access to your services as male clients
	... run information sessions based on staff convenience of time and location, and assume community members will find out about your services from other community members
	... make vulnerable female customers feel unwelcome and unsupported when visiting a branch
	... allow vulnerable groups to be left behind through blanket approaches, targeting in general all segments of the community
Complaints procedures	... overlook the need for referrals to specialist support services
	... underestimate female clients' vulnerability to exploitation and sexual abuse
	... have just one channel to file a complaint in a non-anonymous way
	... neglect investigation of complaints and resist taking firm disciplinary action
	... overlook staff's exchange of money, employment, goods, or services for sexual favors or other forms of exploitative behavior
	... keep silent about any suspicions of harassment
	... assume community members will know your commitments to client protection



Agier, I. and Szafarz A. (2013 February) Microfinance and Gender: Is There a Glass Ceiling on Loan Size? In *World Development*, 42:165–181.

Kabeer, N. (2011) Conflicts over credit: re-evaluating the empowerment potential of loans to women in rural Bangladesh. In *World Development*, 29:63–84.

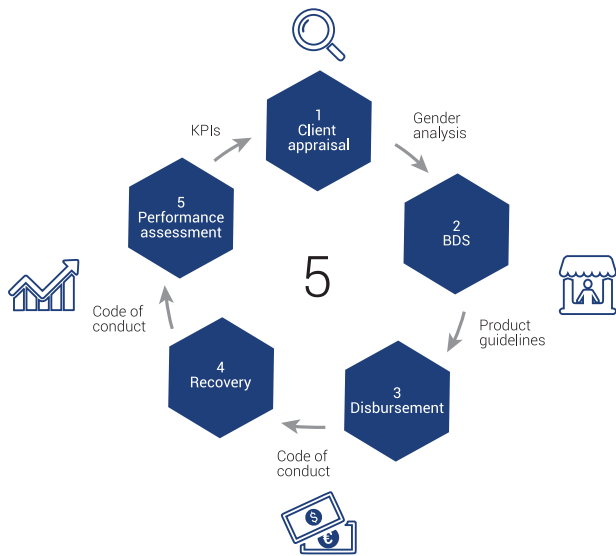
SMART Campaign Client Protection Standards—see <https://www.smartcampaign.org>

Social Performance Taskforce—see <https://sptf.info>

### 3.6 WEE impact assessment

Measuring the impact on women is an important indicator on the performance of the MFI. This requires gender-disaggregated data at every stage of the business cycle. Currently, most MFIs use only one measure of impact, i.e., the increase in income of the enterprise at the end of the loan.

This measure, although depicting the most basic indicator of impact on an enterprise, is insufficient in light of the various external factors that might impact on the growth of income, such as the increase in demand for goods/services offered by the client, change of target market, reduction in cost of labor, etc.



Therefore, it is recommended that MFIs adopt a unified measure of impact that would be comparable and also representable to the external viewer. A wide variety of such tools are available along with certain customized tools adopted at MFI and country levels. Some of these tools are:

- PPI, poverty probability index (the formerly “progress out of poverty” index)
- PAT, poverty assessment tool
- PSM, propensity score matching and DiD, difference-in-difference
- Financial evaluation (e.g., CGAP financial and social performance ratios)

In addition to social performance indicators, particular women’s economic empowerment indicators are imperative. For example, Women’s World Banking (WBB) offers Gender Performance Indicators to encourage identifying:

- The percentage of new women borrowers
- The women borrower retention rate
- The average loan size per woman borrower
- Women’s portfolio at risk of greater than 30 days
- Women staff retention rates

This will tell you how attractive your MFI is for female entrepreneurs, whether you’ve overcome the glass ceiling (and by proxy whether female-led microenterprises are overcoming absorptive capacity barriers) and whether your own MFI is a female-friendly work place.

Once data is fully gender-segregated in your MIS, you can run simple queries with the above indicators. This will determine your MFI’s performance and help you take corrective measures if necessary.





In addition, the following indicators—all disaggregated by gender and age—may be adapted to guide the development of strategy and in-depth WEE-monitoring frameworks:

- %/no. of clients reporting business ownership
- %/no. of clients reporting active participation in the business
- %/no. of clients reporting ability to sign business/financial agreements without male guarantors
- %/no. of clients reporting access to productive resources
- %/no. of clients reporting access to banking and savings accounts
- %/no. of clients reporting ownership of resources and assets
- %/no. of clients reporting access to savings
- %/no. of clients reporting participation in decision-making in a household
- %/no. of clients reporting financial and business self-confidence
- %/no. of clients reporting mobility in public spaces, access to market
- %/no. of clients reporting participation in vocational/business training/mentoring
- %/no. of clients reporting ability to combine family and work responsibilities/availability of childcare
- %/no. of clients reporting spousal/family support in business plans
- %/no. of clients reporting safety of business activities
- %/no. of clients reporting awareness of potential vulnerability/risks to exploitation or abuse

The appraisal tool and the corresponding above-listed indicators can be used to record baseline data, mid-term, and end-line data at the completion of the repayment scheme, in order to systematically monitor gender risks and evaluate trends or progress of Islamic microfinance products in facilitating WEE.



CGAP. Embedding Social Performance Management in Financial Service Delivery—see [https://www.cgap.org/sites/default/files/researches/documents/Brief-Embedding-Social-Performance-Management-May-2014\\_1.pdf](https://www.cgap.org/sites/default/files/researches/documents/Brief-Embedding-Social-Performance-Management-May-2014_1.pdf)

Poverty Assessment Tool—see <https://www.povertytools.org/>

Poverty Probability Index—see <https://www.povertyindex.org/>

World Women’s Banking: Gender Performance Indicators—see <https://www.womensworldbanking.org/insights-and-impact/select-five-gender-performance-indicators/>



## 4 Summary: WEE-enabled Islamic microfinance programming

The following checklist provides an overview of the approach that this resource guide offers to WEE-enable your microfinance program. MFI management can use the checklist to periodically measure progress in WEE-enabling its microfinancial services:

**Table 1 Checklist—WEE enabling I-MF programs**

<b>Integrating WEE into project design</b>	<b>Yes</b>	<b>No</b>	<b>Comments for improvement</b>
1. Is the objective of women's financial inclusion and/or economic empowerment reflected at a project outcome and output level?			
<b>Understanding differences between women and men</b>	<b>Yes</b>	<b>No</b>	<b>Comments for improvement</b>
2. Is gender analysis integrated into program design, monitoring, and evaluation?			
A. Are the different needs of women and men analyzed?			
B. Is information about different skills set, needs, and vulnerabilities collected?			
C. Are the differences in access to and control over resources identified?			
D. Are the barriers to women's economic participation identified (including men's attitudes at the community-level that prevent women from participating in decision-making and income-generating activities, e.g., childcare or other responsibilities)?			
<b>Adapting and designing I-MF interventions to meet the needs of all clients</b>	<b>Yes</b>	<b>No</b>	<b>Comments for improvement</b>
3. Are I-MF interventions adapted and designed to meet the needs of all clients?			
A. Are gender imbalances relating to access to information, education, employment, and resources identified?			
B. Does the design of the Islamic microfinance product meet the needs of female clients?			
C. Do I-MF interventions respond to the unique needs of various segments of the targeted community (including female-headed households, widows, divorcees, women who have been forced from their homes, older women and men)?			
<b>Ensuring access for all</b>	<b>Yes</b>	<b>No</b>	<b>Comments for improvement</b>
4. Does the design of the project provide equal access to all women and men regardless of their background?			
A. Is the client's use of funds monitored?			
B. Is women's and men's equal access to I-MF programs monitored through measures such as spot checks and discussions with communities?			

Mainstreaming gender equity and women's needs into I-MF programs	Yes	No	Comments for improvement
<p>5. Are gender equity and women's needs mainstreamed into I-MF programs?</p> <p>A. Are staff and partner organizations sensitized on women's economic empowerment and gender equity?</p> <p>B. Does the composition of the project team include female staff?</p> <p>C. Do I-MF partners and implementing agencies have clear commitments to women's economic empowerment and gender equity and awareness of client protection?</p> <p>D. Is the project coordinated with other partners to advance the equality of access to I-MF opportunities for all—including the most vulnerable—women of diverse backgrounds?</p> <p>E. Are plans developed to ensure I-MF interventions are working toward responding to women's needs, addressing social and structural inequalities?</p>			
Ascertaining equal participation	Yes	No	Comments for improvement
<p>6. Is equal participation promoted in the project?</p> <p>A. Do women and men participate in the project consultative meetings with equitable representation?</p> <p>B. Do provisions for childcare or family care allow women to access programs and training?</p> <p>C. Do women and men have equal opportunities to participate in identifying, planning, designing, implementing, and evaluating programs and projects?</p> <p>D. Are the special needs of vulnerable groups taken into account?</p>			
Addressing protection concerns	Yes	No	Comments for improvement
<p>7. Are protection concerns addressed in the project?</p> <p>A. Are programs monitored for possible negative effects of changes in power relations at the household and community level?</p> <p>B. Do workplaces address instances of discrimination, labor exploitation, and other types of abuse, including gender-based violence?</p> <p>C. Are any other negative unintended effects of I-MF recognized and addressed in a timely manner?</p>			
Collecting, analyzing, and reporting program monitoring data	Yes	No	Comments for improvement
<p>8. Are sex and age disaggregated data collected, analyzed, and monitored?</p> <p>A. Are sex and age disaggregated data (SADD) routinely collected, analyzed, and reported regarding program coverage, impact, and client satisfaction?</p> <p>B. Are gender indicators established in monitoring and evaluating mechanisms that can capture disparities between women and men in targeted communities?</p>			



📍 8111 King Khalid St.  
Al Nuzlah Al Yamania Dist.  
Unit No. 1 Jeddah 22332-2444  
Kingdom of Saudi Arabia

📞 (+966-12) 636 1400  
☎ (+966-12) 636 6871  
🌐 [www.isdb.org](http://www.isdb.org)

Women & Youth Empowerment Division  
Resilience & Social Development Department  
✉ [WYE@isdb.org](mailto:WYE@isdb.org)

Islamic Finance Investment Division  
Islamic Financial Sector Development Department  
✉ [ifi@isdb.org](mailto:ifi@isdb.org)