Executive Summary

The Middle East and North Africa (MENA) region is at one of the most critical turning points in its modern history. The Arab Spring was driven by the desire for economic opportunity and justice in the face of poverty and unemployment. The development of strong economies that enable both women and men to enhance their livelihoods is crucial for the future of the region.

While there is limited data on the correlation between SME growth and job creation in the region, studies have shown that SMEs in middle-income economies generally contribute nearly half of employment and as much as a third of gross domestic product. SMEs often contribute more to employment growth than large firms. One global study found that as small firms (with 1 to 100 employees) grow, their rates of employment grow more than larger firms.

Accessing finance is a key hurdle to SME growth, regardless of gender. However, a 2011 study showed that women-owned SMEs grow more slowly than their male-owned counterparts. One of the key factors the study associated with slower growth rates was access to finance, which includes gender-specific challenges such as lack of collateral and less control over assets. The partners in this report identified an opportunity to further explore the nature of this barrier for women.

Over 75 percent of survey respondents in this report have fewer than 100 employees and want to grow their businesses. However, as shown in the findings, many women are not accessing commercial credit, an essential tool for business success. Based on World Bank Group Enterprise Surveys across developing countries, women-owned SMEs have unmet financial needs of close to $300 billion per year. Moreover, IFC’s work with the private sector has shown that many banks are unaware of the opportunity presented by women-owned SMEs. These women-owned SMEs are the “missing middle” in finance.
By understanding their needs and the critical obstacles they face in accessing finance, this report identifies real solutions to increase the economic contributions of women-owned SMEs. It also shows the aspiration of MENA women business owners to grow their enterprises. The report partners believe their growth will generate employment, addressing the region’s greatest development challenge.

This report surveyed 431 women business owners across 8 economies. All women surveyed are members of the MENA Businesswomen’s Network (MENA BWN) and the survey findings are representative of the larger MENA BWN membership.

**Key Findings**

**MENA BWN members are ambitious owners of established, growth-oriented businesses.** Members make strategic decisions about their business and growth trajectory, and 73 percent of respondents own at least half of their business. When asked to describe their goals over the next three years, the majority chose growth-oriented responses such as “growth through expansion into new markets” (49 percent), “growth through greater profitability” (42 percent) or “growth through merger or acquisition” (12 percent). These women business owners have a strong appetite for expansion and are poised to contribute to national and regional economies.

**Growth and economic viability were chief concerns.** The leading areas of concern to women business owners in the MENA region are: managing and maintaining business growth (83 percent); finding and keeping skilled employees (82 percent); and gaining access to new markets (81 percent). Access to capital, while a key business concern, comes behind growth management. Two-thirds (67 percent) of members surveyed say that access to capital is a very or extremely important issue. However, improved access to finance could also facilitate expansion and directly address the growth management concerns. With this in mind, women business owners’ access to finance is the key focus of this report.

**A majority of women business owners meet their capital needs through private sources, such as personal savings, family and friends (52 percent).** Most women business owners surveyed are “banked” – with 80 percent using personal checking accounts and 69 percent using business checking accounts. Just 18 percent report having a commercial bank loan and even fewer respondents (10 percent) have a line of credit for their business. Business earnings are also commonly used (36 percent). These conditions reflect that few women business owners rely on financial institutions or outside investors for business needs, but instead they act predominantly as private citizens. **MENA women business owners have access to financial institutions, yet they are not accessing formal finance itself. This is a significant and profitable opportunity for lending institutions.**
When asked specifically about difficulties seeking finance for their business over the past year, 64 percent of respondents had sought capital, and most — 41 percent overall — had encountered difficulties in accessing this needed finance. Women business owners ranked their difficulties in accessing finance as follows:

- 67 percent cite high interest rates as the major hurdle
- 36 percent had difficulties due to lack of collateral guarantees
- 31 percent found the process too complicated
- 17 percent lacked a business track record to secure financing
- 16 percent felt mistreated by banks due to being a woman business owner.

In addition to these individual difficulties, 70 percent of MENA BWN members agree that lending conditions in their economy are too restrictive and do not allow them to secure the financing needed for growth. These women business owners said they wanted a stronger relationship with their banks. Women surveyed felt that bank staff members often lack adequate knowledge and experience to handle SME customers. Over two-thirds (67 percent) say that they would like to meet more regularly with their banker so that bankers better understand their needs.

Despite challenges, women business owners are very interested in accessing finance for their business growth needs. In regards to specific financial products, women business owners are more interested in long-term capital than short-term capital, with interest in supply chain and equity financing as well. A majority of respondents said that long-term financing would be of greatest value to their business over the next year (70 percent would find it useful). Slightly fewer respondents (68 percent) said that short-term financing would be useful. One in five respondents overall would find supply chain financing and equity capital very useful (22 percent and 19 percent respectively).
Access to Information and Training

In addition to improved access to finance, women business owners expressed high demand for greater access to information and training in order to grow their businesses. Respondents said that learning about the following topics would be most useful in leading their business:

- General business management skills (76 percent)
- Using financial products such as SME lending products or equity capital (69 percent)
- Exporting (66 percent)
- Accounting and financial management (63 percent)
- Selling to large, multi-national corporations (60 percent).

As a majority of women business owners plan to expand operations and ramp up employment in the coming months and years, greater access to capital will be necessary to fuel this expansion. Targeted reforms and technical assistance for women-owned SMEs in the MENA region can have a powerful impact.

This report provides recommendations for key stakeholders representing the SME ecosystem, including lending institutions, international financial institutions, governments, women’s business associations, donors, non-governmental organizations, corporations and educational institutions. The recommendations address the need to improve access to existing sources of financing; develop tailored financial tools for women business owners; and overcome the barriers that prevent women from accessing finance. They include supply-side actions, such as partial credit guarantee programs, as well as demand-side actions, such as training to improve business skills or better manage finances. Taking action on the recommendations in this report is key to economic development in MENA.