

To get the most out of a loan scheme for women, start with some family-based training

Papua New Guinea

SHARE

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Getting a head start in business sometimes needs an injection of cash, and taking out a loan can be the way to achieve this. But loans require security and paperwork, which historically has put women at a disadvantage. With lower levels of literacy and education than men, the bureaucracy of applying for a loan with a bank often excludes them. Women are also far less likely to own land, which can be used to secure a loan, limiting their negotiating power with the banks.

In recent years, there has been success in widening financing for women through creative micro-finance initiatives. In Papua New Guinea, two *Pacific Women* projects are trialling methods to help women obtain loans: CARE supports village savings and loans associations and FHI 360 is partnering with a financial institution.

While these are different models to achieve the goal of giving women the finance they need, both projects have shown the importance of first providing family-based financial literacy, budgeting and savings training.

CARE piloted village savings and loans associations in the Highlands as part of its Coffee Industry Support Project in 2017. The model aims to improve women's access to and control over income. In 2018, CARE adapted and rolled out the model in Eastern Highlands and Simbu Provinces.

The project uses family-based approaches to improve family business management practices, so smallholder coffee farming families work together more effectively. This enables the whole family to benefit from increased coffee production and income. Before participating in a village savings and loan association, women and men participate in financial training together in their families.

A review of the CARE village savings and loans association pilot identified a high demand for the associations. Members had increased financial knowledge and confidence. There was strong local ownership and a strong commitment by communities for the associations to continue. Significantly, the review also identified increased acceptance within families and communities of women as money managers and equal decision makers. In only nine months, the 240 members of ten associations saved and earned almost PGK 50,000 through the associations.

As part of its *Komuniti Lukautim Ol Meri* project, FHI 360, partnering with Papua New Guinea Microfinance Limited, rolled out a micro-finance scheme to improve women's financial inclusion in Mt Hagen. Before providing any finance, FHI 360 engaged Pacific Adventist University to conduct family-based financial literacy training for potential borrowers.

Twelve of the 22 women who have taken loans have made their husband their guarantor. The husbands are supporting their wives to have businesses that thrive and, as partners, are ensuring that the loans are repaid on time. The family-based literacy model gave the families the knowledge and tools to support each other.

Research by the Australian National University found that increasing women's income does not necessarily lead to greater bargaining power within the household. Economic empowerment includes the ability to make decisions over how that income is accumulated and spent. By learning about financing and budgeting together with their husbands, women are get the kickstart – and the familial support and encouragement – they need for their businesses to flourish.