

- Kim, Julia, James Hargreaves, Benjamin M. Makhubele, Kalipe Mashaba, Linda Morison, Matshilo Motsei, Chris Peters, John Porter, Paul Pronyk, and Charlotte Watts. 2002. *Social Interventions for HIV/AIDS: Intervention with Microfinance for AIDS and Gender Equity*. IMAGE Study, Monograph No. 2: Intervention. Acornhoe, South Africa: Rural AIDS and Development Action Research (RADAR) Program.
- Lyby, Erik. 2006. *Microfinance and Gender Roles in Afghanistan*. Study conducted for World Bank. Washington, DC: World Bank.
- Mayoux, Linda. 2005. *Integrating Gender Policy in Micro-Finance: Community Development Centre, Bangladesh* ([http://www.genfinance.info/Case%20Studies/CODEC\\_genfinance.pdf](http://www.genfinance.info/Case%20Studies/CODEC_genfinance.pdf), accessed January 10, 2009).
- Mayoux, Linda. 2006. "Women's Empowerment through Sustainable Microfinance: Rethinking 'Best Practice' (Discussion Draft February 2006)." [http://www.genfinance.info/Documents/Mayoux\\_Backgroundpaper.pdf](http://www.genfinance.info/Documents/Mayoux_Backgroundpaper.pdf), accessed February 1, 2009.
- MISFA (Microfinance Investment Support Facility for Afghanistan). 2009a. *Gender Mainstreaming in Microfinance: Making a Positive Impact on the Lives of Afghan Women*. Report commissioned by MISFA and conducted by Afghan Management and Marketing Consultants. Kabul: MISFA.
- MISFA (Microfinance Investment Support Facility for Afghanistan). 2009b. *Sector Update January 2009* (<http://www.misfa.org.af/>, accessed February 18, 2009).
- Sabharwal, G. 2000. *From the Margin to the Mainstream – Micro-Finance Programmes and Women's Empowerment: The Bangladesh Experience*. Swansea: University of Wales, Centre for Development Studies (<http://www.gdrc.org/icm/wind/geeta.pdf>, accessed March 15, 2009).
- Schuler, Sidney Ruth, Syed M. Hashemi, and Shamsul Huda Badal. 1998. "Men's Violence against Women in Rural Bangladesh: Undermined or Exacerbated by Microcredit Programmes?" *Development in Practice* 8 (2): 148-57.
- United Nations. 2009. *Microfinance in Africa: Combining the Best Practices of Traditional and Modern Microfinance Approaches towards Poverty Eradication* (<http://www.un.org/esa/africa/microfinanceinafrica.pdf>, accessed March 10, 2009).
- World Bank. 2005. *Afghanistan: National Reconstruction and Poverty Reduction — the Role of Women in Afghanistan's Future*. Washington, DC: World Bank.
- World Bank. 2008. *Microfinance: Making a Difference in Afghanistan*. Washington, DC: World Bank (<http://siteresources.worldbank.org/AFGHANISTANEXTN/Resources/305984-1201489063036/4608353-1220998199117/MicrofinanceAug08.pdf>, accessed May 18, 2009).
- World Bank. 2009. *Gender Mainstreaming Stakeholder Consultation Workshop on Microfinance*. Kabul: World Bank.

### Production and Publication Arrangements

Authors: Jennifer Solotaroff, Nadia Hashimi, Asta Olesen



The Afghanistan Gender Mainstreaming Implementation Note Series is a product of the *Operationalizing Country Gender Assessment Recommendations in Afghanistan* program (2007-2009) of the Social, Environment and Water Resources Unit (SASDI), South Asia Sustainable Development, the World Bank, with Asta Olesen as Task Team Leader (TTL), Jennifer Solotaroff as co-TTL, and Nadia Hashimi as Team Member. The Series is published by the World Bank, Washington, D.C., USA and has been made possible by generous support from Gender Action Plan (GAP) trust funds of the World Bank's Gender and Development Group, Poverty Reduction and Economic Management Network.

The findings, interpretations, and conclusions expressed in this document are entirely those of the authors and should not be attributed in any manner to the World Bank, to its affiliated organizations, or to members of its Board of Executive Directors or the countries they represent.



## The World Bank in South Asia

### Afghanistan Gender Mainstreaming Implementation Note Series, No. 3

### Helping Microfinance Work Better for Women



Women entrepreneur and microfinance client at her bakery baking bread (Source: MISFA 2009).

### In a Rapidly Expanding Microfinance Sector, More Room for Women

The Afghanistan Gender Mainstreaming Implementation Note Series disseminates the findings of sector work in progress and best practices to staff of the Government of Afghanistan (GoA), its implementing partners and agencies, and other practitioners, all of whom are responsible for developing and implementing government programs. The objective of this particular Note is to influence policy and program design to expand the outreach of Microfinance Institutions (MFIs) to rural women – who have not been sufficiently reached by current interventions, compared to men and urban women – and to improve client capacity to better manage, repay, and utilize loans for sustainable income-earning opportunities. Currently, 35–40 percent of microfinance clients (both male and female) come from rural areas, where more than 75 percent of Afghanistan's population resides (Greeley and Chaturvedi 2007). Limitations on women's productive use of microfinance, particularly in rural areas, result from a number of barriers which are outlined in the sections below. In discussing these barriers, this Implementation Note presents a range of recommendations for practical compensatory actions.

### Background

For rural women in particular, acquiring the capital necessary to start or expand a small business is a great challenge. In practice, women in Afghanistan lack ownership of, control over, and access to assets such as land, equipment, and materials. Their legal right to inheritance is usually bypassed, denying them the collateral that is essential for borrowing from commercial banks. Most commercial banks in Afghanistan are located in large cities and provide services – largely conventional loans – to qualifying people with collateral. Such practices tend to exclude low-income women, as they are the least likely to possess this necessary collateral. With the formation of the Microfinance Investment Support Facility for Afghanistan (MISFA) in 2003, rural women and others not well served by banks have gained access to formal credit through MFIs that are partners MISFA.<sup>1</sup> Table 1 displays an overview of the microfinance sector, indicating considerable growth in the recent past.

1. MISFA website: <http://www.misfa.org.af/>.



**Table 1: Overview of Afghanistan's Microfinance Sector**

Key Indicators	June 2006	June 2008
Provinces covered	20	24
Districts	93	113
Branches	183	276
Active Clients	204,277	448,307
Active borrowers	175,140	372,667
Gross Loan Portfolio, US\$ million	31.8	112.7
No. of Loans disbursed, (cumulative)	365,778	1,184,623
Amount of loans disbursed, US\$m (cumulative)	84.2	470.0
Client savings outstanding US\$m	3.3	12.3

Source: World Bank 2008.

As Figure 1 indicates, many of MISFA's partners have high percentages of female clients, with three MFIs focusing exclusively on providing microfinance to women. The degree to which use of microcredit empowers Afghan women is the subject of much debate, despite the fact that since 2006 roughly two-thirds of microfinance clients have been female (Lyby 2006). There is sufficient evidence, however, to support the hypothesis that microfinance, coupled with other

women-specific interventions (for example bringing women into savings and credit groups, and complementary services that teach more sustainable use of credit), does meaningfully enhance women's empowerment in economic and other terms (Lyby 2006; Greeley and Chaturvedi 2007; Kantor and Andersen 2007). According to the 2007 MISFA baseline impact study, the economic well-being of female clients was "significantly higher" than that of female non-clients and dropouts (Greeley and Chaturvedi 2007, p. 37).

Microfinance stands to bring extra gain to female clients compared to male clients when the benefits that appear to accrue to households of female microfinance clients, in addition to higher incomes, are taken into account. In the 2007 impact study, 80 percent of female clients reported an "improved attitude" from their husbands and other family members (both male and female); 91 percent of women clients with young children reported having immunization cards (compared to 79 percent of non-client women with children); and 77 percent of female clients reported seeking medical advice for children (compared to 59 percent of non-client women) (Greeley and Chaturvedi 2007). Although these data do not confirm a causal relationship between microfinance and the benefits mentioned above, qualitative research and anecdotal evidence suggest an overall improvement in the socioeconomic status of MISFA clients. As of October 2008, about 62 percent of microfinance clients were women who had borrowed money for activities such as commercial services, retailing, manufacturing, agriculture, and handicrafts (MISFA 2009b). Follow-up research to the baseline impact study suggests that, overall, microfinance is positively associated with women's decision making and household welfare, as women clients participate in nearly two-thirds of all household decisions related to business expansion (MISFA 2009a).

It is important to recognize, however, that the majority of women's income-earning activities financed by microfinance institutions tend to be labor-intensive and very traditional (for example sewing, embroidery, carpet weaving, and other activities performed in the home) and that there is no consistent market demand for products of these activities (World Bank 2005). The scope for business expansion and economic development thus remains limited. Despite improvements to socioeconomic status and other benefits that microfinance has brought to some women, there remain barriers to their meaningful access to and participation in formal financial markets. These barriers, outlined below, restrict women from utilizing the credit for more sustainable and profitable activities.

### Barriers to Women Accessing Microfinance Services

In Afghanistan, women are disproportionately excluded from formal markets for cultural and economic reasons. They face distinct barriers accessing and effectively utilizing microfinance services, even though the majority of those currently receiving microfinance loans are women. Below is a summary of these barriers.

#### Control over Loans

A 2006 World Bank study found that men often hold primary control over loan resources, even when credit is granted in the name of a female family member (Lyby 2006). Women also frequently join a group and



society organizations need to continuously work with them and through them to facilitate change in behavior towards women. The social mobilizers of MFIs could also help communities to develop a culture of women's participation in community development.

**Facilitate women's social interaction and skills development through participation in network organizations and events as a structure for mutual learning and information exchange.** Targeting women in savings and credit groups appears to have the greatest potential for impact in that it builds up women's networks and can significantly enhance their physical mobility. The Afghan women's business associations already established in many major cities of Afghanistan — particularly in Kabul and Mazar-e-Sharif, Balkh province — are strong examples of network organizations for women. Although their hubs tend to be located in cities, these business associations increasingly include female entrepreneurs in rural areas. These associations can be replicated in other provinces without much resistance; because they are women-only organizations, they will not face strong opposition by men. As these associations mostly include more successful and experienced businesswomen, perhaps as a next step they could be used to serve as mentors to women with less business experience. The use of group solidarity to empower women and benefit village communities, saving time and resources by working together, has been extremely effective among women in Cameroon (United Nations 2009). This is relevant to rural Afghanistan, where women are in need of social support to balance their household and outside-the-house obligations.

**Increase numbers of female staff in microfinance institutions.** Increasing the presence of women staff is important at higher as well as at local levels as a means of facilitating women's easy access to microfinance services. Increasing the number of women social mobilizers and extension workers in the field is a necessary step in changing the attitude of communities toward women. The female staff of MFIs can play a key role in raising awareness of communities about gender issues, and of local women about women's rights and values.

### References

- Aguilar, Veronica G. 2006. *Women's Participation in Microfinance*. Globenet (<http://www.globenet.org/archives/web/2006/www.globenet.org/horizon-local/ada/9905women.html>, accessed June 20, 2008).
- Ahmed, Maha. 2009. *Facilitating Women's Participation in the Afghanistan Rural Enterprise Development Program (AREDP)*. Study conducted for the World Bank. Washington, DC: World Bank.
- Baden, Sally, Cathy Green, Anne Marie Goetz, and Meghna Guhathakurta. 1994. *Background Report on Gender Issues in Bangladesh*. Report prepared for British High Commission, Dhaka. Brighton: University of Sussex, Institute of Development Studies, BRIDGE (Development-Gender) (<http://www.bridge.ids.ac.uk/reports/re26c.pdf>, accessed July 1, 2008).
- IFC (International Finance Corporation). 2007. *GEM Country Brief: Afghanistan 2007*. Gender Entrepreneurship Markets (GEM) Country Brief Series ([http://www.ifc.org/ifcext/gempepmena.nsf/AttachmentsByTitle/Afghanistan\\_GEM\\_Country\\_Brief\\_July+2006/\\$FILE/Afghanistan+GEM+Brief+Feb+24+2007.pdf](http://www.ifc.org/ifcext/gempepmena.nsf/AttachmentsByTitle/Afghanistan_GEM_Country_Brief_July+2006/$FILE/Afghanistan+GEM+Brief+Feb+24+2007.pdf), accessed August 12, 2008).
- Goetz, Anne Marie, and Rina Sen Gupta. 1995. *Who Takes the Credit? Gender, Power and Control over Loan Use in Rural Credit Programs in Bangladesh*. Brighton: University of Sussex, Institute of Development Studies.
- Greeley, Martin, and Mohit Chaturvedi. 2007. *Microfinance in Afghanistan: A Baseline and Initial Impact Study for MISFA*. Brighton: University of Sussex, Institute of Development Studies.
- Johnson, Susan. 1999. *Gender and Microfinance: Guidelines for Good Practice*. Bath: University of Bath, Centre for Development Studies ([www.gdrc.org/icm/wind/gendersjonson.html](http://www.gdrc.org/icm/wind/gendersjonson.html), accessed September 18, 2008).
- Kantor, Paula, and Erna Andersen. 2007. *Microcredit, Informal Credit and Rural Livelihoods: A Village Case Study in Kabul Province*. Case Study Series. Kabul: Afghanistan Research and Evaluation Unit.

esses and policies to create a system that mutually benefits MFIs and their clients—men as well as women. In addition, they should direct their inexperienced clients to business training services that develop the skills to run businesses that are supported by loans.

### Increasing Marketing Support and Complementary Services to Female Clients

**Provide special packages for women in socially valued nontraditional and more lucrative forms of entrepreneurship.** First, rigorous, reliable market research is required to identify microenterprises in which women have a strong niche and stand to gain solid financial returns. Women should then be trained in such microenterprises to enable them to engage in new economic activities. Providing support services will considerably reduce incentives for powerful male relatives to take over newly available resources and use them for their own benefit, especially if women work in groups for collective production and marketing. However, given that the staff of MFIs do not specialize in capacity building of clients, complementary services need to be provided by nongovernmental organizations and other capacity-building institutions. One way to ensure a systematic approach would be for MISFA to facilitate partnership opportunities, through the Afghanistan Reconstruction Trust Fund, between MFIs and vocational training and business development services so that clients can get the necessary trainings to start and run a business.

**Through market studies, identify products with provincial comparative advantages and promote those newly identified products to help women run lucrative businesses.** After identifying such products, MFIs should consider lending in-kind in provinces where paying interest on loans is not an acceptable practice among communities.

### Reducing Cultural Restrictions and Improving Information Dissemination

Gender equality can be promoted by using CDCs entry-points to communities and as platforms for discussion and information dissemination. Potential actions in this area include:

**Provide microfinance content training to both men and women in the community.** This measure can help ensure that communities understand the economic and social benefits of letting women engage in microfinance and invest in production. Training should be made available to both male and female clients, with attention to their differential access to microfinance (*Box 3*).

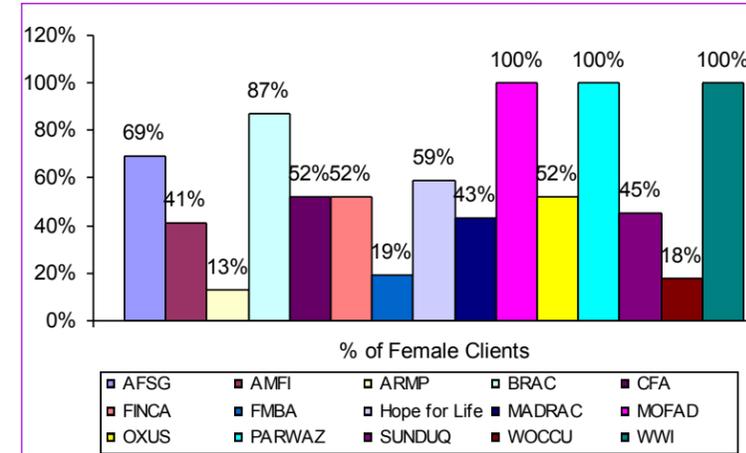
**Encourage male support of women’s control over loans by developing male role models and male networks for change.** This would work most effectively through identification of men who are more open minded and accepting of women’s participation in work outside the household. These men could become role models and start awareness-raising campaigns in their communities. Identifying such role models would require in-depth studies of communities through interviews with influential individuals, such as the local imam, *Wakel Guzar* (community representative), or heads of CDCs. Once role models are identified, the relevant civil

#### Box 3: Gender Balance in Microfinance: Case Studies

**CODEC, Bangladesh.** As a mixed-sex program, CODEC has proven successful in putting men alongside women to address cultural barriers to women in microfinance. The program established male and female village organizations (VOs), which jointly participate in CODEC’s skills training for income-generation activities and in organizational and human development. Issues concerning differences in women’s and men’s roles are integrated into training given to both male and female VO members alongside a support program to bring more funds from outside donors. CODEC’s experience is applicable to Afghanistan, where community members can be given training to facilitate women’s involvement in microfinance.

**Sisters for Life.** The trainings could also replicate the Sisters For Life training model by integrating a program of participatory learning and community mobilization into an existing microfinance initiative. The Sisters for Life approach comprises two phases: in the first phase a series of 10 structured training sessions are provided to women; and in the second phase an open-ended program allows the women themselves to develop and implement responses appropriate to their own communities (Kim et al.

Figure 1: Percentage of Female Clients among MISFA Partners



Source: MISFA 2009b.

roughly 80 percent of respondents turned funds over to male household members. A main reason for doing so, according to 30 percent of dropouts, was that “the loan was not productive”; women engaged primarily in traditional female activities, with relatively little value added (MISFA 2009a).

### Repayment of Loans

The World Bank study also has found that MISFA clients, especially women, often struggle with repayment (Lyby 2006). Women’s inability to repay loans could be directly linked with their failure to earn enough to extend and recover small loans appropriate to the scale of their business activities. In part because women’s income-generating activities tend to be restricted to the traditional female activities mentioned above – products for which there is low market demand– women produce lower-value products, with limited access to capital, labor, and technical inputs. Lack of skills training and access to inputs also limit their ability to expand their businesses. Generally, MFIs have been weak in examining women’s capacity to establish profitable businesses (World Bank 2009). As a result, low returns relative to loans make it difficult for women to repay loans on time. Moreover, the anxiety they experience over the inability to repay serves as a disincentive to pursue businesses and makes other women wary of applying for loans.

### Lack of Complementary Services to Female Clients

Research confirms that women’s economic participation is largely restricted to activities that can be performed inside the household (traditional crafts, especially tailoring and carpet weaving), as defined by gender roles (World Bank 2009). Women might not choose these activities if given a range of options; however, lack of support to female clients regarding which investments to make, and how to maintain and improve new investments, is a barrier to women’s profitable and sustainable participation in microfinance. Study results indicate that women show interest in any kind of skills upgrade to help them use microfinance loans for nontraditional activities. Skills training, supplemented by women’s improved status as the loan recipient and membership in a women’s group, can by itself lead to developing women’s confidence in their capabilities.

### Exclusion from Markets

Even when Afghan women enter financial markets through microcredit, they face major obstacles in accessing other types of markets that are necessary to make productive use of loans, such as labor and product markets. Most of these obstacles are rooted in constraints on women’s physical mobility, which in turn interferes with their ability to build personal networks and to avail themselves of training opportunities that would help them to expand their businesses (IFC 2007). The unstable security situation, combined with norms that restrict movement, is especially limiting for women seeking access to markets where they can sell products (Aguilar 2006).

2. Women in Bangladesh face similar problems in retaining control over their loans. A study of the Bangladesh Rural Advancement Committee’s (BRAC) credit program for women-owned restaurants revealed that in almost all cases, women’s husbands took over management of loans and activities (Baden et al. 1994; Goetz and Gupta 1996).

## Gender-Based Stigma

A study by the Afghanistan Research and Evaluation Unit in Kabul City found that both male microfinance clients and non-clients showed discomfort with the writing of women's names in MFI documents and the mobility required of female clients (Kantor and Andersen 2007). This suggests the need for interventions that help both men and women overcome cultural barriers and stigma regarding women's mobility and their acceptability as clients. A gender imbalance has also been identified in the staffing practices of MFIs, with fewer women in senior-level and decision-making positions due to their lack of technical skill at organizational and program levels (World Bank 2009). Insufficient numbers of women extension workers also undermines the capacity of MFIs to address cultural constraints on women clients. MFIs that have actively sought out more gender-balanced outcomes in staffing and clients have been relatively successful, particularly when utilizing culturally sensitive approaches.

## Information Dissemination

Women are often not aware of MFIs' official information dissemination meetings or general information about MISFA's microfinance opportunities.<sup>3</sup> Information dissemination presents a daunting challenge in Afghanistan, where women's access to information is very limited, particularly in rural areas lacking in infrastructure and in conservative areas where women do not often leave the household. Women usually hear about microfinance opportunities after formal meetings, and from less official or unofficial sources, such as at wedding parties and funerals. Table 2 summarizes the barriers to microfinance services faced by women in Afghanistan.

**Table 2: Gender-Based Obstacles to Microfinance in Afghanistan**

	Individual	Household	Wider community/national
Financial	Women lack access to financial services in own right	Men's control over cash income; men's expenditure patterns	Men control money and loans
Economic	Women undertake activities that produce low returns; women have a heavy domestic workload	Unequal gender division of labor, access to and control of land, control of joint household produce and income	Women underpaid for equal work; stereotypes of roles for women in the economy; women lack access to markets for inputs/outputs and mobility constrained due to social norms
Social/cultural	Women not literate or educated; girls education not prioritized; higher illiteracy levels and lower school enrollment for girls than boys	Limited role for women in household decision making	Banks and financial institutions do not view women as a potential market; women's mobility constrained by social norms
Political/legal	Women lack confidence to claim political/legal rights; formal political rights granted at national level, at local level through Community Development Councils (CDCs)	Women's legal rights to jointly own household assets exist but social norms to the opposite effect mostly prevail	Women's legal rights are defined in law but local customs tend to neglect this, with varying practice across regions

Source: Adapted from Johnson 1999.

## Recommendations: Rethinking Good Practices for Gender-Sensitive Interventions in Microfinance

### Increasing Control over Loans

Conditions of microfinance delivery should be set to maximize women's ability to increase control over loans, income, and resources. Evidence indicates that women's ability to use microfinance to increase incomes and control these incomes is also affected by the conditions of microfinance delivery. Facilitating and supportive conditions include the following:

**Register property and assets purchased with loans in joint names (both women and men).** This would act both as insurance against default and as a means of increasing women's control over assets. In some cases, however, it may not be in women's best interest to register property in their own names only, as this may create tension between men and women in the family (Box 1). To make this more applicable to the Afghan context, the assets, from larger loans, could be registered in joint names to adhere to cultural norms and to reinforce men's responsibility for the household. In addition, there could also be a requirement of joint loans, registered in both women's and men's names, especially with larger loans for house purchase, land

acquisition, or other productive assets such as taxis or public call offices.

**Create incentives for formation of savings and credit groups.** This measure would save time and resources and enhance empowerment, and could help women gain better control over the use of loans by other family members, as the women are operating in a group. Given the current need for

### Box 1: Grameen Bank in Bangladesh

Grameen Bank and the Bangladesh Rural Advancement Committee (BRAC) have taken a strong stance on registering property by making it mandatory for assets to be registered in the name of the woman. For example, a housing loan from BRAC and Grameen Bank requires the land and the constructed house to be the legal property of the woman borrower (Sabharwal 2000).

income generation, the formation of savings and credit groups has had a low level of success in Afghanistan; however, as a long-term measure, MFIs and the government of Afghanistan have initiated the creation of such self-governed group models to give women access to wider information and support networks for economic activity. In the long run, savings and credit groups can transform into village-level savings and loan associations, to disburse loans at the community level, especially in rural areas (Ahmed 2009). Separate groups of males and females should be created to allow women to fully participate in group decisions because men tend to dominate the group decisions if joint groups are created (Ahmed 2009). Savings and credit groups can provide actual support services for enterprises to develop and function, including market research, market linkages, and training. Groups also can support women in disputes within the household and community. Evidence suggests, however, that even in financially successful groups, increases in empowerment are often limited. Active pressure for change by women may increase tension within the household; in rural Bangladesh, the challenging of gender norms by women clients was found to increase the incidence of domestic violence (Schuler, Hashemi, and Badal 1998). In addition, while women spend their earnings on the household, men retain more of their earnings for their own use, which means that women may tend to absolve men of their household responsibilities.

### Box 2: Repayment Schedules Appropriate to Women's Needs: Case Studies

Community Development Centre (CODEC), Bangladesh. Women working in the fishing industry preferred declining balance repayments, which enabled them to immediately pay back any money they earned and prevent earnings from being diverted for other purposes by their husbands. Interest rates were calculated quickly on a calculator in front of borrowers by program staff that they trusted. CODEC also used fixed individual repayment schedules with borrowers and rewarded or penalized performance in relation to the agreed schedule. This flexibility had a positive impact on both repayment and incomes and also encouraged borrowers to take a more strategic approach towards loan use (Mayoux 2005).

Gatsby Trust, Cameroon. Women preferred fixed rates they could calculate themselves, as they were more familiar with fixed-rate interest and their own groups were expected to take on the burden of loan repayment without individual staff supervision (Mayoux 2006).

### Improving Repayment of Loans

**Maximize impact on incomes through monthly flexible payment schedules and lower interest rates.** Just as important as interest rates are repayment schedules and methods of interest calculation. These have a critical impact on women's ability to profitably use loans and to control loans and incomes. Participatory consultations can provide insights into which repayment schedules and methods of interest calculation are preferred by women (Box 2). Afghanistan's MFIs could adopt international best practices to make microfinance repayment schedules more suitable to the needs of the community. Flexibility regarding women's needs does not imply being soft on defaulters; rather, it improves borrowers' repayment rates and maximizes benefits to borrowers. It is possible to fix repayment schedules with borrowers and reward or penalize performance in relation to the agreed schedule. MISFA holds that MFIs should allow early payments and focus on on-time payment rather than imposing penalties for late payments, as the effectiveness of penalties is limited in Afghanistan.

**Enhance the capacity of MFI staff to explain to clients their responsibilities and other pertinent information on loan use and repayment.** MFIs should improve their proc-

3. Revealed through focus group discussions with women's *shuras* during a World Bank scoping mission for the Afghanistan Female Youth Employment Initiative (FYEI), February 2009.