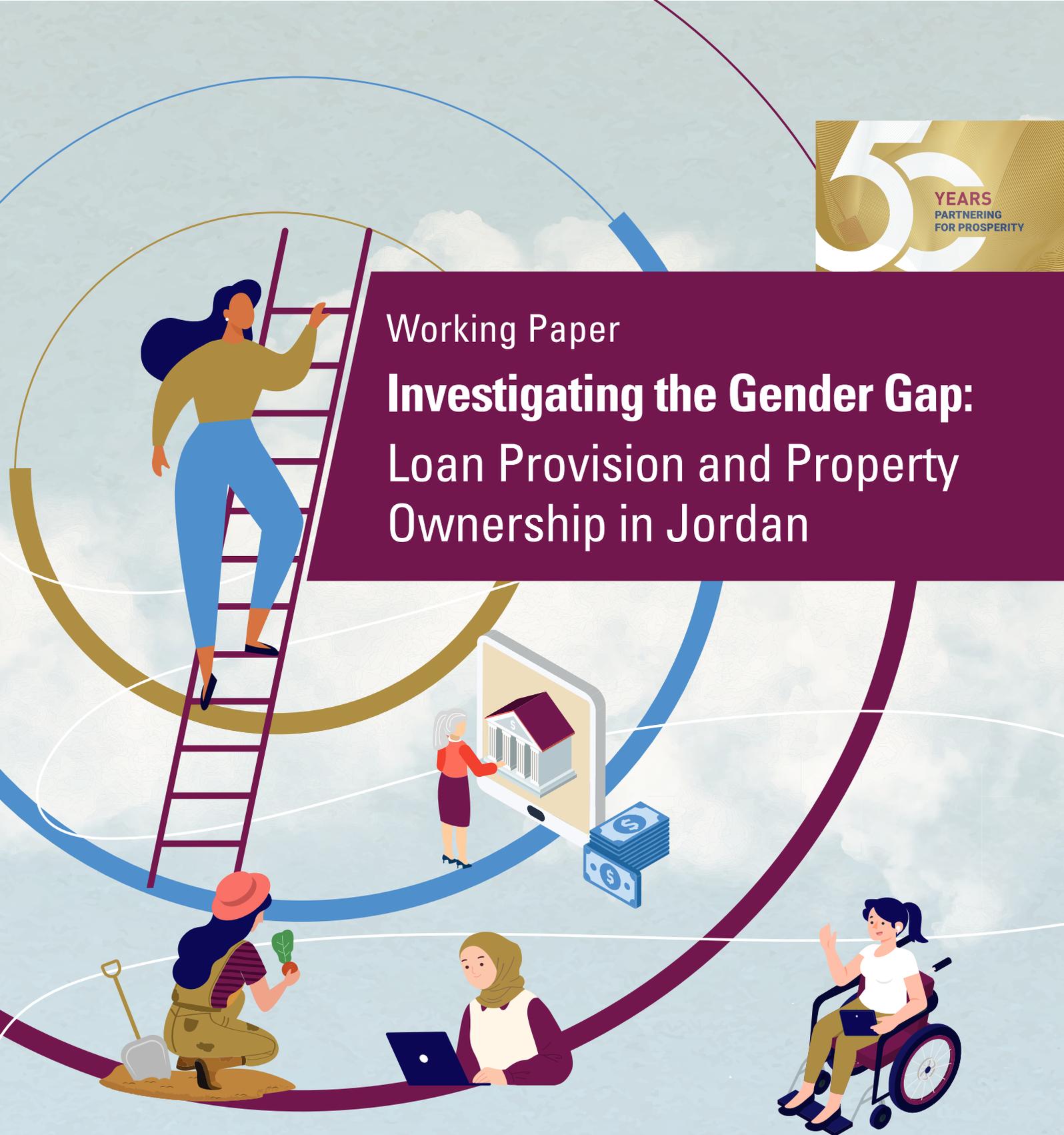




Working Paper

Investigating the Gender Gap: Loan Provision and Property Ownership in Jordan



Shared Prosperity Dignified Life



جمعية البنوك في الأردن
Association of Banks in Jordan



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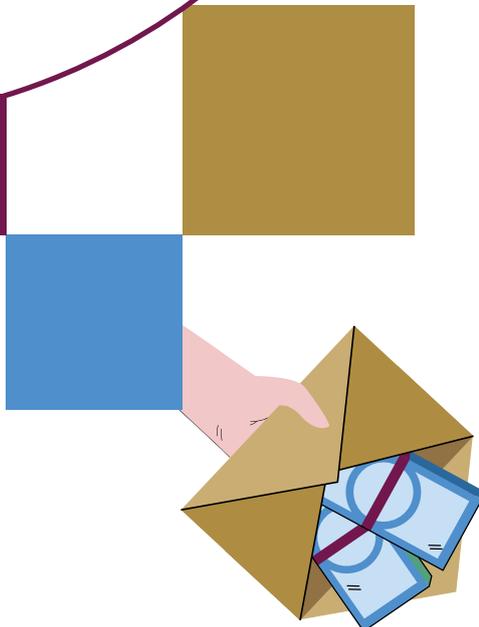
Investigating the Gender Gap: Loan Provision and Property Ownership in Jordan

The present working paper was prepared in collaboration with the Association of Banks in Jordan. It was authored by regional consultant, Ms. Menaal Munshey, and benefited from extensive review by Ms. Ruchika Chaudhury, Gender Economic Officer, under the supervision of Ms. Nada Darwazeh, Chief of the Gender Equality Section, and Ms. Mehrinaz El-Awady, Director of the Gender Justice, Population and Inclusive Development Cluster at the Economic and Social Commission for Western Asia (ESCWA).

Overview

Promoting women's employment and entrepreneurship has multilevel beneficial economic consequences. To investigate the relationship between property ownership and women's entrepreneurship in the Arab region, the United Nations Economic and Social Commission for Western Asia (ESCWA) conducted a structured questionnaire through the Association of Banks in Jordan.¹ Seven banks completed the survey and offered data relating to 8,258 loans provided to small and medium-sized enterprises (SMEs) from 2010 to 2020. The survey included questions on loan provision, business profile, industry-based information and demographic characteristics. While the survey had a low response rate and the data were incomplete and/or unclear in parts, the findings can be interpreted, albeit with limitations, as indicative of trends in loan provision in Jordan.

The data provide insights into property ownership, lending and women's entrepreneurship in Jordan. The findings suggest a gender gap in access to formal financing. The low loan provision for women-owned businesses may be related to low rates of property ownership and has implications on women's entrepreneurship and overall economic empowerment. Based on the findings, policy recommendations are presented with a view to unlocking women's economic potential.



8,258 loans

provided to SMEs
from 2010 to 2020



Ownership and empowerment

Across the Arab region, gender inequality continues to limit women from realizing their rights and full potential. Despite some progress in recent decades, women in the region earn less than men, have lower access to resources, and remain underrepresented in economic leadership. This can be seen acutely in the areas of women's property ownership and economic empowerment.

Property ownership

In the Middle East and North Africa (MENA) region, an estimated 25 million urban women lack equal constitutional and statutory property rights.² When women have housing, land and property rights, they are more likely to enjoy a range of interconnected human rights, including adequate housing and adequate standards of living, health and work.³ Islamic principles, the source of jurisprudence in most Arab countries, support land rights for women, children, minorities and other potentially marginalized groups.⁴ In Egypt, Jordan and Morocco, for example, State laws enshrine property ownership rights for women. However, in practice, women's land ownership is not only limited, but also precarious.

Women's ownership of property and land is minimal compared to that of men.⁵ This is attributed to societal factors: in many cultures in the region, women face social pressure to renounce their rights in favour of male heirs and are encouraged to entrust their inheritance to a male relative. Many countries in the region, including Egypt, Jordan and the State of Palestine, are making efforts to address barriers to law enforcement and property registration, and institutionalize measures to protect women's inheritance and land rights.⁶

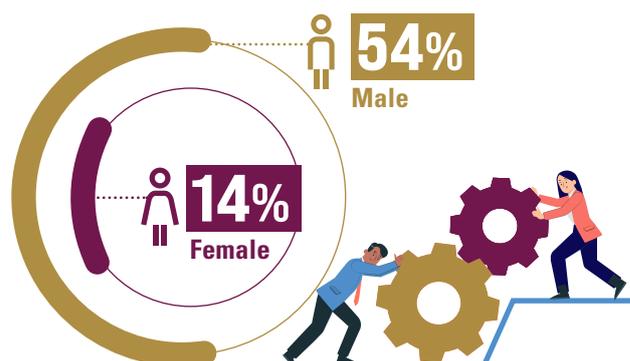
Data from Jordan suggest that only one fourth of Jordanian women entitled to property inheritance receive it in full.⁷ According to the Jordan Population and Family Health Survey 2017-18,⁸ 11 per cent of ever-married women own a house alone, jointly with someone else, or both, while 8 per cent own land alone and/or jointly with someone. In Jordan, while the inheritance rights of women are formally enshrined in the constitution and in Islamic law (Sharia), female heirs continue to face social pressure to renounce their rights in favour of male heirs.⁹

Land and property rights can act as a powerful economic catalyst for women.¹⁰ The process of rectifying, improving and protecting women's rights to land requires reforming the constitution, policy and law in a gender-responsive manner. This entails amending discriminatory laws and procedures, which hinder women's access to land, and promoting the alignment of national policies and laws with international human rights frameworks protecting women's land and property rights.

Women's economic empowerment

Although women account for 49.3 per cent of the total population in Jordan and young women between the ages of 15 and 24 have a 99.11 per cent literacy rate, they continue to be underrepresented in the formal economy.¹¹ Despite efforts in Jordan to economically empower women, female labour force participation remains low at 14 per cent, compared to 54 per cent for male participation.¹² This places Jordan at 149 out of 153 globally in terms of female labour force participation – considerably below the average for lower-middle-income countries.¹³ The unemployment rate for women in Jordan is 1.5 times that of men (about 25.4 per cent for women and 17.9 per cent for men).¹⁴

labour force participation in Jordan

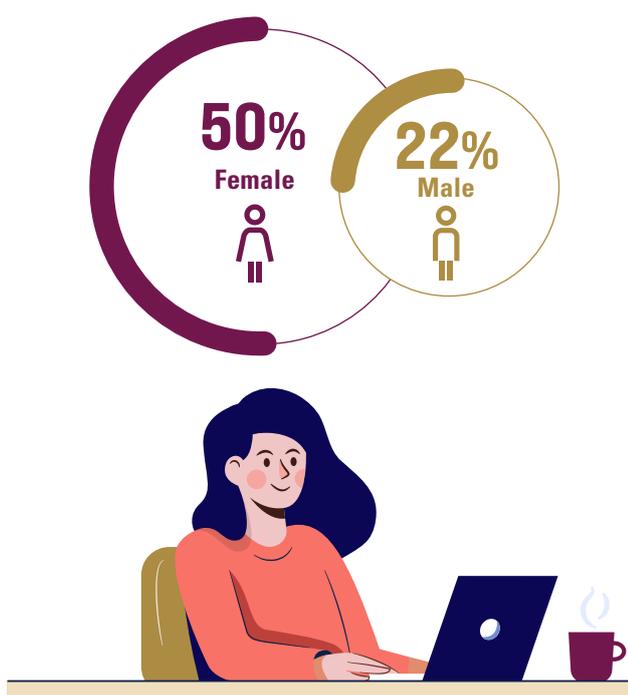


Women's low rates of labour force participation in Jordan are due to social, legislative and structural barriers, including social norms, lack of adequate employment opportunities, lack of childcare support for working women, lack of accessible transportation, discriminatory laws and gender-blind policies. Consequently, many women resort to the informal sector, with little stability or benefits.¹⁵ Greater participation of women in the labour market is critical to achieving long-term economic growth in Jordan and the wider Arab region.

Unlocking economic potential

Women-owned businesses represent enormous upside potential for economies around the world. The International Labour Organization (ILO) estimates that 50 per cent of women's productive potential is underused, compared with 22 per cent of men's. According to the International Finance Corporation, one in three formally registered businesses is owned by women.¹⁶ However, according to the McKinsey Global Institute, women globally have only 77 per cent of the access men have to bank accounts, credit and mobile banking.¹⁷

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The Arab region continues to see low rates of women's entrepreneurship compared to the rest of the world, with only 24.8 per cent of firms in the MENA region being women-owned compared to a global average of 35.9 per cent. Challenges to entrepreneurship include ongoing deficits in infrastructure (including electricity and telecommunications), financial regulations and access issues, and an inadequately educated workforce. Though some of these factors impact both men and women entrepreneurs, they are more pronounced for women.¹⁸

Differences are observed in the types of ventures established and run by men and women entrepreneurs in the Arab region. Women's businesses are more likely to be concentrated in personal, consumer-oriented activities such as health and beauty (rather than business services such as accountancy) and lower-technology production activities, without an information and communication technology (ICT) or science-based component.

There are multiple reasons for this, such as gendered social norms relating to property ownership, inadequate access to finance, business networks and information, and the lack of female leadership in decision-making positions, which impacts the existence of gender-blind policies and laws. Together, these factors hinder women's access to finance, land and other assets, thereby limiting the potential to advance gender equality and women's empowerment.¹⁹ The MENA region could achieve a 60 per cent economic boost by closing the gender gap.²⁰

Investing in women-led businesses would benefit the economy. Empowering women to engage in income-generating activities begins with sourcing funding to start up their own businesses. Evidence from the Central Bank of Jordan in 2015 shows that men have over four times greater access to credit compared to women, despite women's deposits constituting 33 per cent of the total aggregate deposits.²¹ The mean value of men's loans is 18 per cent higher than the mean value of women's loans.²² Women's access to formal financing through commercial banks is very low compared to men's access.

Entrepreneurship is increasingly recognized as an important avenue for advancing women's economic empowerment.²³ A lack of access to finance is one

of the major barriers facing women entrepreneurs in marginalized communities across the world.²⁴ Women entrepreneurs have less access to land, capital and other productive resources through

formal channels. As this working paper finds, access to property can both increase women's financial security and provide them with the necessary collateral to start businesses.²⁵

Key findings

Despite the changing circumstances of COVID-19, the impact of property ownership on accessing formal financing, and the multilevel benefits of supporting women's entrepreneurship in Jordan, the findings from the survey demonstrate continued gender inequality in loan provision.

Gender inequality in loan provision: prior to and during COVID-19

Survey data suggest a significant difference between the number of loans received by men and women (figure 1). From 2010 to 2020, 8,258 loans were provided to SMEs. Of these loans, only 8 per cent were given to women-led businesses. Inequality in loan provision may lead to a loss of jobs, especially for women with businesses who may not have access to other forms of financial support.

There was an increase in the number of loans given from 2015 to 2020, when 6,471 loans were provided, compared to between 2010 and 2014, when 1,787 loans were provided. Still, the proportion of women obtaining loans remained extremely low. Only 9 per cent of loans in the 2010-2014 period were given to women, and 8 per cent of loans were given to women in the 2015-2020 period (figure 2). This asymmetry has a range of effects on the economy: without capital insertion, women-owned businesses are unable to expand, growth at firm-level is likely to decrease, and the economic potential of women-owned businesses remains untapped.

The average loan size for men and women is also vastly different. For men, from 2015 to 2020, the average loan size was 162,138 Jordanian dinars

(JD), equivalent to \$228,614. However, for women during the same period, the average loan size was 90,008 JD, equivalent to \$126,911. The value of loans obtained by men is close to double that of women. In contrast, the average loan duration was similar for men and women during the 2015-2020 period. Men received a loan for an average of 2.8 years and women for an average of 2.9 years.

In the Arab region, it is estimated that the impact of the COVID-19 pandemic will acutely affect several economic sectors, with women suffering disproportionately.²⁶ Survey data demonstrate that during COVID-19, a high number of loans were provided by banks (1,390 loans) of which only 7 per cent (103 loans) were provided to women (figure 3). The gender inequality in loan provision is likely to exacerbate the adverse effects of COVID-19 on women-led businesses in the country. Without an appropriate policy response, this is likely to lead to a loss of jobs and set back previous gains in women's economic empowerment.²⁷

Figure 1. Total loans

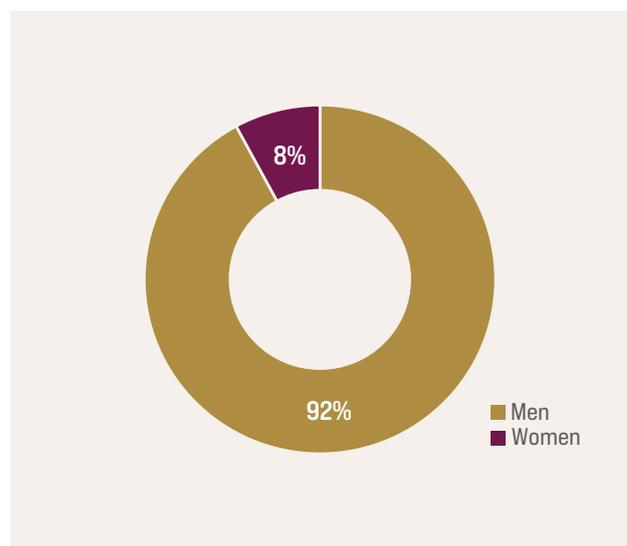


Figure 2. Number of loans

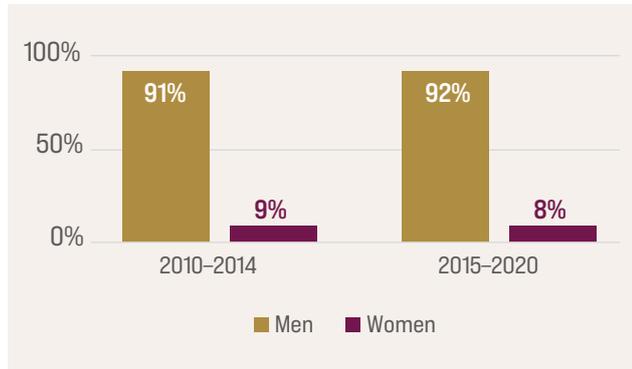
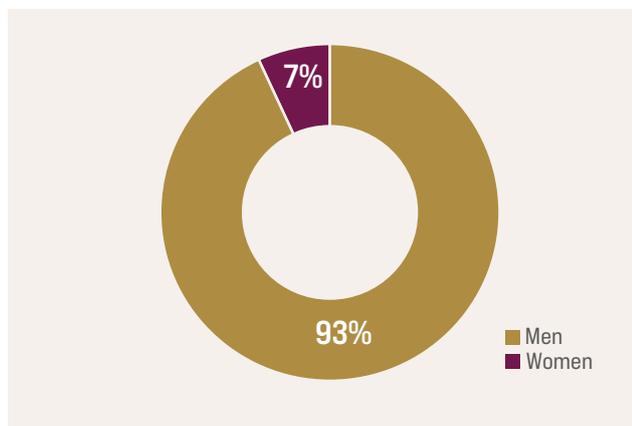


Figure 3. Loan provision during COVID-19 (2020)



Property ownership and lending

Women’s ability to obtain formal financing is impacted by gender disparities in land ownership, which means that women often do not have the necessary collateral to access commercial loans. The data show that the majority of borrowers used collateral and were also property owners.

Specifically, 59 per cent of men (4,511 individuals) who obtained a loan used collateral, of which 73 per cent (3,294 individuals) were property owners. Of the women who obtained a loan, 50 per cent used collateral (329 individuals). Of these women, 91 per cent (301 individuals) were property owners. This demonstrates that there is a correlation between property ownership and the likelihood of obtaining formal financing for SMEs.

In an environment where women’s property ownership is lower than men’s, this inequality is likely to translate into the inability to put up collateral for loans. When women do not have access to property or land, they are also less likely to be entrepreneurs.

Formal financing

| | Number of lending for SMEs | Borrowers who used collateral | Borrowers who are land/property owners |
|-------------------|----------------------------|-------------------------------|--|
| Men (2010-2014) | 1,629 | 490 | 1,533 |
| Women (2010-2014) | 158 | 46 | 67 |
| Men (2015-2020) | 5,976 | 4,021 | 1,751 |
| Women (2015-2020) | 495 | 283 | 234 |
| Men (2010-2020) | 7,605 | 4,511 | 3,284 |
| Women (2010-2020) | 653 | 329 | 301 |

Insights on the profile of women entrepreneurs

Women-owned businesses tend to be more often motivated by necessity, rather than opportunity,

even in advanced, innovation-based economies.²⁸ Women may be filling a gap within manufacturing that male-owned businesses have so far not tapped. Overall, women-owned businesses are smaller in terms of turnover and employees (figures 4 and 5). Providing financing for women-owned businesses may enable innovative new businesses to grow.

Findings from the survey data show that women's businesses are smaller, younger, have lower turnover and may be filling an unmet need. The average business age of male-owned businesses was 11 years, compared to 7 years for women-owned firms.

The average business turnover for male-owned businesses was 1,169,763 JD (approximately \$1,333,530) compared to women-owned businesses at 98,029 JD (approximately \$138,221). The industries that women enter are also often different to those that men enter (figures 6 and 7). In addition, women who obtain a loan are usually younger than men; the average age of men was 44.5 years compared to 37.5 years for women.



Figure 4. Male-owned businesses by number of employees

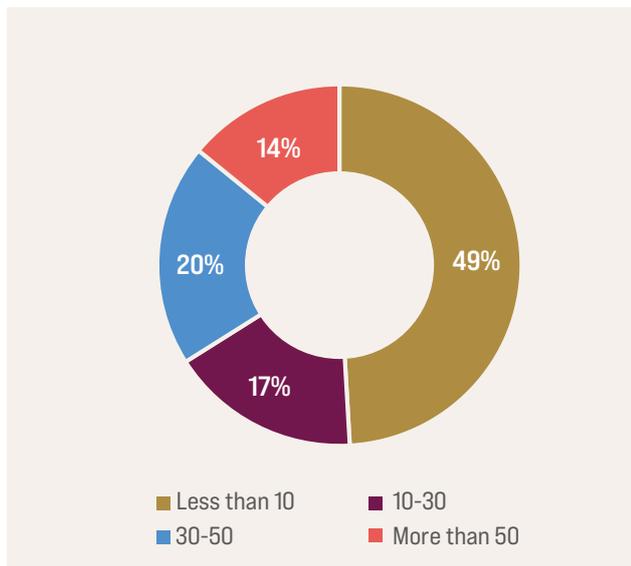


Figure 5. Women-owned businesses by number of employees

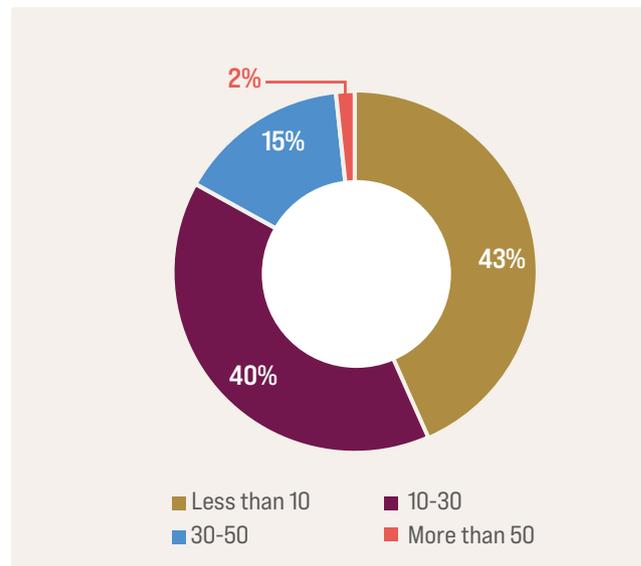


Figure 6. Male-owned businesses by industry

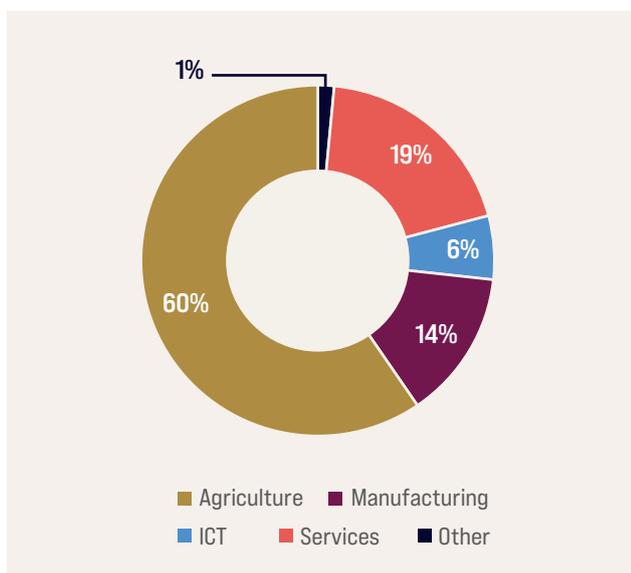
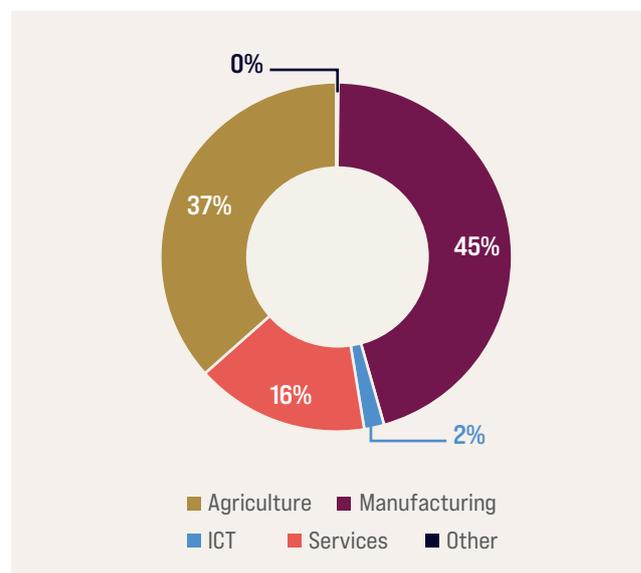


Figure 7. Women-owned businesses by industry



Conclusion and recommendations

Unlocking women's economic potential will require addressing the many intersecting constraints they face. This working paper has demonstrated that patterns and forms of lending for SMEs show vast discrepancies based on the gender and property ownership of borrowers. The data collected from several banks in Jordan present a starting point for in-depth investigation into other direct and indirect practices that may also contribute to the gender gaps identified in this paper.

To boost women's access to formal financing, property ownership and entrepreneurship, the Government, banking sector and other stakeholders engaged in providing financial support should consider the following recommendations:



Review and assess bank loan policies, processes and internal capacities to assess the extent of the gender responsiveness of policies and processes.



Reform bank loan policies and processes; based on the results of the assessment, integrate a gender perspective within banking regulations to cover women's specific challenges (such as difficulties in putting up property as collateral) and respond to their specific needs.



Institutionalize the concept of loan provision to women through strengthening the capacity of stakeholders to identify and address gender-specific challenges to obtaining loans, either through assessments, mentorship, creating networks, providing training or other measures, and involving national women's machineries, women's rights organizations, trade unions and professional associations in the development of strategies that facilitate women entrepreneurs' access to finance.



Create an entrepreneurial ecosystem for women entrepreneurs, including through advocacy, policy creation, consultation with stakeholders, technical assistance and targeted programming.



Recognize and promote investment in women's entrepreneurship that can support economic development by enabling businesses to be created and expanded, especially in male-dominated sectors.



Conduct further research to identify the barriers and bottlenecks for translating women's property rights into reality, and the potential effects of this on advancing women's entrepreneurship.

Endnotes

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