

## **The First Women Bank—Why and for Whom?**

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### **INTRODUCTION**

The First Women Bank which commenced operations in December 1989, has over a period of one year, set up 10 branches in the big cities of the country. The name of the bank suggested that it would function on the same lines as the Grameen Bank of Bangladesh. It was widely believed that the Bank was meant to assist the very poor women in their economic uplift. However, with the exception of two branches (one in Gurumander, Karachi and the second in Sukkur), the branches of the bank have been set up in posh localities like Defence, Cantonment, Blue Area and Mall Roads. The expensive location and the expensive set-up of these banks has created the image that these banks are meant to cater for the rich, elite women, rather than the poor deserving women. The very poor earning women in low-income localities are totally unaware of this bank's existence because it has not been advertised to them through audio or video media. However they envied poor women in India who benefited from the credit schemes for women, as shown on Indian television.<sup>1</sup>

This paper attempts to look into the factors behind the establishment of the bank and its working strategy, to clarify, to whatever extent possible, the confusions or contradictions associated with this bank. Section II puts forward the various factors underlying the establishment of a separate bank for women in Pakistan. Section III describes the operational strategy of the bank with special focus on the nature of clientele and credit services of the bank. Section IV puts forward the conclusions and Section V gives some policy recommendations.

The paper is based on the published material made available by the bank i.e. the brochure of the bank (the first annual statement of the bank had not been published at the time of writing this paper), informal discussions with the bank staff, and personal observations of the author during the working hours of the bank. A written questionnaire based on the activities of the bank described in

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<sup>1</sup>It may be pointed out here that in the very poor income groups televisions are important consumer durable. See Bilquees and Hamid (1989).

the brochure, was also submitted to the bank staff of the First Women Bank. However they preferred to talk informally rather than give concrete statistics in writing.

## II. CRITERIA FOR THE ESTABLISHMENT OF THE FIRST WOMEN BANK

Originally the idea of a bank for women was floated in the 1988-89 budget speech of the caretaker Finance Minister. This announcement was made in combination with numerous measures aimed at the welfare of very poor women, widows and orphans. He hinted in his speech that the proposed banks would be based on the principle of the Grameen Bank of Bangladesh focusing mainly on very poor women.

However, in November 1989, the new Finance Minister of the elected government announced the establishment of the women's bank. He said, "The women in this country have often expressed difficulty in dealing with the banks. To alleviate their problems the government has, therefore, decided to establish a women's bank which will be manned and run by women themselves. It will offer all kinds of banking services to its women customers and it will have branches all over the country." Regarding the operation of the bank in his post-budget press conference he said, "We have set it up for women and they would know how to handle it".

The brochure of the First Women Bank has described the criteria for the establishment of the bank as, "Among the priorities set forth by the Prime Minister for improving the socio-economic status of women in Pakistan major focus has been on making the women economically independent and for that purpose setting up financial institutions, controlled, managed and run by women was considered an imperative need of the time. As such the First Women Bank has emerged as a specialized financial institution with a specific objective of augmenting economic status of women by offering various traditional and non-traditional services. Therefore the bank is a mix of Development Finance Institution, a Commercial Bank and a Social Welfare Organization".

These statements suggest that the establishment of this bank was more of a political gesture rather than a well-thought out project with well-defined priorities. Had the priorities been laid out and the target groups identified, the locations of the banks would have been different. The neglect of these factors implies that the relevant agencies like the Ministry for the Development of Women (which provides 10 percent of the equity capital and, has massive data on the

poverty, work profiles and economic exploitation of the poor women), researchers, and NGOs were not consulted.

### III. OPERATIONAL STRATEGY

#### (a) Clientele of the Bank

According to the Bank brochure, "keeping in view the peculiar socio-economic, cultural, religious bindings and life-style in the country it was felt necessary to have a bank managed and run exclusively by women, but at the same time, in order to preserve the concept of non-discrimination on the basis of sex as enumerated in the country's constitution its clientele has been kept open to all with only a restriction that credit facilities are not extended to male or male-oriented business organizations."

This statement justifying the mixed clientele is contradictory on two grounds. First, the finance minister said that a separate bank was being set up for women because they were having difficulties with the banks. What are these difficulties to women taken to imply? Common sense suggests that it is more of the crowding of general public or clients at the bank, rather than the bank staff only, which hinders their access to the banks especially of the poor illiterate women. Therefore, the separate bank would ease the mobility of the women to the bank. Of course with female staff they would be still more comfortable in their dealings. So a facility of a separate bank cannot be taken to imply *discrimination* as such. Second, again this is negated by the opening sentence of the statement that social, cultural, religious bindings and life-style required the establishment of a separate bank for women. Now the question arises whether preserving social, cultural, or religious values implies discrimination? Non-discrimination as implied here is totally absurd. Does this mean that the proposed separate university for women should be open for admission to male students to preserve the concept of non-discrimination as implied in the constitution? As a matter of fact, the bank clientele is being kept open to all to improve the liquidity of the bank which is essential for the economic viability of the bank. This is stated in the brochure of the bank, as well as by the staff of the bank in informal discussions.

Contrary to the argument of discrimination between the male and female customers, the State Bank of Pakistan is discriminating between male and female employees of other commercial banks and the First Women Bank, on two scores: First, the set-up of the First Women Bank is very "expensive" compared to other commercial banks which is also a factor attracting clientele. This difference in

the set-up implies discrimination between its male and female employees in the same cadres of service. Second, in case of other commercial banks only the head offices are authorized to handle foreign currency, especially the issuance of foreign currency. However the branches of the First Women Bank at Islamabad and Lahore also issue foreign currency besides the head office at Karachi. This is not only discriminatory, it also exposes the staff of the Women Bank to the danger of fraud. The foreign currency accounts are mainly held by male clients and the staff of the Islamabad branch have talked about two attempts of fraud by male clients. This not only puts their job in jeopardy, they also have to face legal process, because the bank staff is equally held responsible in such cases.

### (b) Deposit Taking

As a commercial bank the First Women Bank caters for deposits in the usual categories like other commercial banks. To ascertain if the establishment of the bank had mobilized savings by women, a few written questions were asked regarding the shares of current and fixed deposits between male and female account holders. The bank staff could only tell that the current and savings accounts were on a one to one ratio, which was not very useful information. The First Women Bank sources said they wished to raise the rate of profit on deposits and undercut on interest rates on loans, but the State Bank has refused permission. However the State Bank sources maintain that there is no restriction on any commercial bank in this regard, it all depends on the profitability of the bank. Since the Women Bank was running in losses therefore it could not afford to pay higher profits or lower the interest rates.

It is possible that the bank may be suffering losses, but then it may also be the result of official interference. For example, at the Islamabad branch of the Bank one lady marketing consultant was appointed from the top because she was well connected at the higher levels in the Ministry of Finance, on a "meagre" salary of six thousand rupees. Her daily routine as observed during working hours of the bank was: Arrival around 11 a.m., had tea, smoked Dunhill in the air-conditioned hall, without any consideration of the inconvenience caused to colleagues. Then she made a few long-distance calls while the manager of the branch was out doing the job for her, and left around 1-o'clock. In one particular month the net profit of the bank was six thousand rupees which was paid out as her salary. *This reflects the attitude of the authorities towards this institution.* Well-connected women could take advantage of this institution at the expense of other women. So the suspicions that the bank is meant to serve only the elite women

are not totally baseless but the question arises who is responsible for it. Obviously not the regular female staff of the Bank! Of course the said lady resigned after 6th August 1990.

### (c) Credit Services

The brochure of the Bank describes the provision of easy and cheap credit as the most important attribute of the Bank's credit policy. The term cheap and easy refers to:

(a) Easy accessibility to source of credit; (b) Simplified procedure for applying for loan; (c) Quick decision and quick disbursement of credit; (d) Relaxation of collateral and equity requirements<sup>2</sup> in case of viable projects and where borrower is competent enough to make effective use of funds.

With regard to investment the Bank's major focus is on small-scale enterprises<sup>3</sup> or any other project identified by the prospective borrowers themselves.

Furthermore, as a part of its operational strategy the bank lists out a number of non-traditional services provided by the bank.

- (a) Provides advisory and consultancy service in the matter of investments, and identifies viable projects (both in industrial and agricultural sectors) to would-be women entrepreneurs;
- (b) Provides training facilities for developing technical and managerial skills of would-be women entrepreneurs both in urban and rural sectors;
- (c) Identifies and develops markets both at national and international levels for products of women entrepreneurs; and
- (d) Promotes artistic work of all nature of women by arranging exhibitions of their work in the bank's spacious branches in big cities and also by managing and sponsoring exhibitions of client's products in national and international industrial exhibitions. Let us consider these one by one.

With regard to the easy access to source of credit, in the light of discussion with regard to the locational policy of the banks and lack of publicity to the deserving groups a very simple question is: *easy accessibility to source of credit*

<sup>2</sup>Within the framework of credit restriction imposed by the State Bank of Pakistan.

<sup>3</sup>Like Garment factories, Boutiques, Beauty parlours, Food-processing industries, Ladies Leather shoes and Hand-bags industries, Schools, Daycare Centres, Nursing Homes and Hospitals, Clinic and other small business coming within purview of cottage industries such as Embroidery, Knitting etc.

*for whom?*

With regard to the Bank's focus on the investments in the informal sector with emphasis on small-scale enterprise, the bank was asked to give a broad classification of the projects identified by borrowers. Furthermore, whether the borrowers were advised on new or more viable projects. According to the bank staff the very low-income borrowers constituted about 40 percent of the borrowers. They were eligible for credit ranging between one to twenty-five thousand rupees at the rate of a 2 percent guarantee only. They invested mainly in small retail outlets like opening canteens, home-based groceries shops and cloth shops etc. Another 40 percent of borrowers were classified as middle-income groups and 20 percent belonged to high-income groups. However, the bank staff said it was not important how and where the latter group invested, as long as they fulfilled the collateral requirements of the bank, which was essential for the economic viability of the bank.

This implies that the non-traditional services a, b and c are merely 'on paper'. Furthermore, if the bank provides non-traditional service ranked (d) it is not difficult to imagine what income groups it will be catering for.

#### IV. CONCLUSIONS

The location of the banks, expensive establishments and virtually no publicity amongst the deserving class of women shows that groups concerned and working on the problems of poor women were not consulted in the establishment of this institution set up in the name of women.

Contrary to the tall claims made in the brochure that the bank is a mix of development financial institution and a social welfare organization, the First Women Bank is merely another commercial bank in the name of women but not only for women.

Amongst the female clientele eligible for credit the women from high-income groups who can meet all collateral requirements would tend to benefit more than the poor women. Furthermore, the locations of the bank branches make them inaccessible to the deserving women.

Under the present system it seems the bank would end up establishing "top few women entrepreneurs", at the expense of the majority of poor and deserving women.

#### V. RECOMMENDATIONS

The bank has to define its priorities very clearly. Is it only a commercial

bank? or does it also aim to be a development institution, focusing on very poor deserving women to alleviate their economic exploitation despite hard work? As a development institution, *which it should be*, it has to publicise itself effectively through radio, television, NGOs and extension workers to reach the deserving groups. On the other hand, if the government chooses to run it as a commercial bank only, then it may be more appropriate to establish separate segregated counters for women in all the existing commercial banks rather than run these expensive ones set up by the Women Bank.

As a development institution the bank should define the target group for its credit services, and this target group should get preference over those who "assure the commercial viability of the bank".

Credit for the women with high incomes should be made *conditional*. These women should be eligible for credit from the First Women Bank if they invest into ventures which would generate more employment for women. This will have a two-fold impact (a) more female employment opportunities would be created if they agree to invest in such ventures; (b) if they do not more money will be available to give out credit to the lower and middle income groups.

The issue of commercial viability is important but in the case of the First Women Bank, it has to be taken as an experiment or test case and treated on the lines of "*infant industry argument*". This means the limits of commercial viability have to be lowered for a period like granting tax holidays to new industries. In other words this venture has to be subsidized to enable it to take roots and grow up in the right direction.

In the end I would like to point out that it is not too early to criticize the state of affairs at the First Women Bank, as pointed out by the discussant of the paper. Considering the performance of the Ministry for the Development of Women about which very few people know what its objectives were and what it is doing? I guess this is the time to highlight the problems of the First Women Bank so that they can be rectified before they get out of hand.

#### REFERENCE

- Bilquees, Faiz, and S. Hamid (1989) A Socio-economic Profile of Poor Women in *Katchi Abadis*. Islamabad: Pakistan Institute of Development Economics. (Report of a Survey in Rawalpindi.)

## Comments on "The First Women Bank—Why and for Whom?"

It would not be justified to assess the performance of an institution or cast doubt on its usefulness in the absence of sufficient statistical evidence and limited time period. There is nothing wrong with the idea of a women's bank. It is a positive and an organized step towards the welfare of the poor women of this country. To me it is not a new idea or a political gesture only. After all what do APWA and other similar efforts manifest. These were efforts of a few dedicated and motivated women who struggled towards the betterment of the poor women of Pakistan ever since its inception. Who can deny the contribution of this institution, however small it may be.

It is a pressing need of our time that more serious and organized steps are taken. Creation of a women's bank is only one step taken in this direction, only more organized and on a larger scale. Thus the idea is well appreciated and not in dispute at all. It is disappointing to know that the objectives of the bank are not well-defined. For example, it should not focus only on the economic uplift of the poor women, in fact it should aim at total development of women. i.e., economic, social and cultural. In order to do so the bank should sponsor projects that generate income and employment for women, and projects that take care of health and education of women and her children, particularly in the rural areas. In this way, the bank can reform the economic and social status of our women. The bank has the advantage of learning from the experience of the Grameen Bank and other similar projects set up in other Asian countries.

For some unknown reasons the bank is ignoring rural women, both the landless, and those possessing small holdings. Many activities related to household farming can be supported by the bank. Similarly, another important section of the women unable to benefit from the bank are the young talented girls who need financial support to continue their education. Instead of following policies like reduced interest rates and higher profits, if the bank has to play a unique role it has to refrain from the usual policy of a commercial bank, i.e., creation of credit or buying and selling of money. Money should be considered only as a tool and combined with effort both goods and services are to be produced. Thus there will be no predetermined profit or price of money used. It is the combination of effort and money that determines profit share as well as losses. In other words,

profits are determined by efficiency and the environment we are operating in. If the bank is able to overcome this difficulty the take-off would be great.

To establish a link between the poor and the bank, some organization like the Women's Division, or a supervisor of a group of women can act as an intermediary. Undoubtedly, the women can assist in identification of projects and who can benefit from the bank.

It is not clear what would be the fate and role of this bank policy amidst the denationalization of all commercial banks.

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