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Analysis of the Strategy of Microfinance for Financial Inclusion of Refugees

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Microfinance has brought a change in the economic life of participants of the society by providing an opportunity to the financially challenged individuals to become financially independent. Microfinance is a financial instrument that can be utilized to combat poverty and other challenges hindering the progress of countries. As of 2017, the global figures of microfinance confirm that microfinance has impacted the lives of more than 139 million people and has

distributed more than \$114 billion throughout the world. In Turkey, microfinance has radically transformed the lives of more 180.000 financially challenged individuals. Turkey continues to be home to the world's largest refugee population which is approximately 4 million. Therefore, the objective of the research is to research the feasibility of microfinance as an appropriate strategy for the financial inclusion of refugees in Turkey.

Design/Methodology/Approach: The research paper provides a microfinance model of financial inclusion and social integration for the refugees in Turkey.

Key results: The results and recommendations of this research will contribute to better policy-making strategies for the nonprofit organizations to assist the refugees.

Value: The research paper aims to analyze different aspects of the microfinance system for the Syrian refugees with the purpose to provide a model for financial inclusion and social integration for the microfinance organizations.

Keywords: Microfinance, Poverty and Refugee



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1. Introduction

Microfinance has brought a change in the economic life of participants of the society by providing an opportunity to the financially challenged individuals to become financially independent. Microfinance is a financial instrument that can be utilized to combat poverty and other challenges hindering the progress of countries. Application of microcredit is, also, emphasized as one of the most important method to eradicate poverty in UN's Sustainable Development Goals. As of 2017, the global figures of microfinance confirm that microfinance has impacted the lives of more than 139 million people and has distributed more than \$114 billion throughout the world.

In the case of Turkey, Turkish Grameen Microfinance Program (TGMP) is Turkey's largest microfinance institution. Turkish Grameen Microfinance Program is a private nonprofit microfinance organization founded in 2003 with a joint venture between TISVA and the Grameen Trust. It has taken the lead in providing financial services to women living in poverty throughout Turkey. TGMP currently operates in 64 provinces in 95 branches across Turkey and has provided small business loans to over 39.000 female

borrowers. Microcredit activities run by TGMP have radically transformed the lives of more than 180.000 financially challenged individuals since 2003. According to the credit disbursement statistics of TGMP, the amount of distributed microcredit exceeded 845 million TRY.

Some of the key constraints to female entrepreneurship, however, include lack of skills and knowledge, limited control over economic resources and earnings, lower productivity in sectors that women typically engage in, and lack of access to credit and financial services (Effectiveness OF Entrepreneurship Development Interventions for women entrepreneurs: An ILO-WED Issue Brief). These challenges are often heightened in refugee and other complex responses (Nourse).

As a country which has a huge number of immigrants in the last approximately 10 years, Turkey hosts the world's largest refugee population which is approximately 4 million. Therefore, the objective is to research the feasibility of microfinance as an appropriate strategy for the financial inclusion of refugees in Turkey.

2. Literature Review

The first of the UN's 17 Sustainable Development Goals (SDGs) is the eradication of global poverty by 2030 (Sustainable development goals). One of its preferred methods for achieving this is microfinance, which it also recommends for meeting seven other SDGs, including gender equality and the economic empowerment of women, promoting economic growth and jobs, and reducing inequality (Financial inclusion and the SDGs). With this in mind, the UN invited the founder of Grameen Bank, the international microcredit organization of which TGMP is the Turkish chapter, Nobel Peace Prize winner Professor Dr. Muhammad Yunus, to be part of both the UN MDG Advocacy Group board, and the board of the UN Foundation.

PricewaterhouseCoopers (PwC) predicts the majority of the one billion women who will enter the workforce by 2020 will do so through entrepreneurial work, making female entrepreneurship a vital way to support women's economic empowerment (The third billion).

The demand for microfinance services can be understood from the perspective of micro and small businesses that seek access to finance to fund operations and growth, as well as poor households that desire access savings deposits, microinsurance, and other financial products.

Despite this demand, the microfinance sector of Turkey is still in its early stages. Currently, there are only two microfinance organizations in Turkey: one is Maya, which was founded in 2002 and is limited to northwestern Turkey. Maya Enterprise for Microfinance, an independent NGO, was established in June 2002 by the Foundation for the Support of Women's Work (KEDV). Maya provides financial services to low-income borrowers.

The second is Turkish Grameen Microfinance Program (TGMP), which was founded in 2003 and reaches nearly all regions of Turkey. TGMP is one of the largest microfinance organizations in the Middle East and North Africa (MENA) region and a field partner of Grameen Trust. Currently, TGMP operates in 64 provinces in 95 branches across Turkey. According to the credit disbursement statistics of TGMP the amount of distributed microcredit exceeded 840 million TRY and it has impacted lives of more than 180,000 financially challenged Turkish women.

Given that only two microfinance institutions exist in Turkey, and that there are millions of financially challenged women in Turkey, these figures indicate that there remains a large demand for microfinance. Moreover, significant income disparity among regions and segments of the population reflect a need to tailor services to specific markets as well



as include non-loan products such as savings deposits, insurance, products to deal with remittances, and even pension funds.

Some of the key constraints to female entrepreneurship, however, include lack of skills and knowledge, limited control over economic resources and earnings, lower productivity in sectors that women typically engage in, and lack of access to credit and financial services (Nourse). These challenges are often heightened in refugee and other complex responses (Nourse).

Turkey has more Syrian refugees than any other nation on Earth: more than 3,646,889 men, women, and children were registered by the Turkish government as of 14 March 2019 (Operational portal refugee situations, 2019). This is roughly 4.4% of the estimated 82,003,882 total population of Turkey (Temporary protection, 2019). The vast majority of these people, 3,502,491 (96.1%) men, women and children, live in urban areas of Turkey, with just 141,851 living in refugee camps.

The enormous majority of refugees in Turkey live outside of camps (Kilis has the lowest percentage, with 87% living out of camps: 100% of refugees in Istanbul, and 99.12% in Gaziantep, live outside camps), and must pay for food, water, clothing and shelter (Temporary Protection, 2019).

Kilis hosts the ninth highest number, but by far the highest proportion compared to its native Turkish population. The province hosts 116,589 refugees compared to a Turkish population of 142,541, meaning 81.79 per cent of the population are Syrian refugees. In the city of Kilis itself, the native population, 95,502 people, is significantly outnumbered by the 101,887 men, women and children who have fled there from the Syrian civil war (Temporary protection, 2019). The region with the next highest proportion is Hatay, where refugee numbers are more than a quarter (27.82%) of its 1,609,856 native Turkish residents. Şanlıurfa hosts a refugee population more than a fifth (22.19%) of the size of its 2,035,809 Turkish residents, as does Gaziantep (21.06%, Turkish population 2,028,563).

Turkey's GDP is one of the 20 highest in the world, but its economy has suffered in the last five years from rising inflation, rising unemployment and a fall in the value of its currency, the Turkish Lira (TL). The Lira suffered a series of slips in value internationally in 2018, reaching a low of 6.5TL per USD\$ in September 2018. It has since (as of March 28 2019) risen to 5.47TL, but this is, still, a large drop in value since March 2018 when one dollar was worth 3.78TL. In 2018, Turkey's inflation rate peaked at 25%, and was at 19.67% on March 4 2018 (Trading Economics). Unemployment is currently at 13.5% compared with 10.4% in December 2017, an increase of 1,011,000 (Labour force statistics, 2018).

In the south of Turkey, unemployment rate is higher. In Hatay, 15% of people able to work are unemployed, in

Gaziantep 17.1% (20.7% for women), in Şanlıurfa 15.8% (13.3% for women), in Kilis 18.1% (21.7% for women making it even harder for refugee workers to find jobs (Turkish Statistical Institute). Though updated figures for Istanbul had not been issued when this proposal was written, the city averaged a five percent higher rate of unemployment than the national figure, in 2018.

Combined with inflation-driven increases in prices, even essentials such as food, water, and clothing are difficult to afford. Nor is high unemployment the only challenge Syrian refugees must overcome: from 2011-2017, just 41,919 work permits – just two percent of the working-age Syrian population in Turkey – were issued by the Turkish government to Syrian refugees. A tiny proportion of Syrians in Turkey have the legal documents needed to work (Access to the labor market, 2018).

The potential of the female population remains untapped and undiscovered in many countries.

Their inclusion in the labor force may enable countries to generate more income in the coming years. According to the World Bank Data of 2016, the disparity is obvious from the statistics of global labor force participation rates. With regard to Turkey, the female labor force participation rate is only 27% and the male labor force participation rate is 73%. This situation is even worse in the case of Syrian refugees.

According to June 2018 study conducted by "UN Women", lack of access to employment opportunities puts Syrian women at risk of poverty and hunger. According to the data collected, only 15 per cent of women work in income-generating jobs. Almost half of all widowed women surveyed survive with monthly incomes around \$160 (700 TRY), as do 36 per cent of divorced women and 32 per cent of single women. These women fall far below Turkey's poverty and hunger thresholds (4,979 TRY and 1,518 TRY for a family of four) (Yücel, 2018). Poverty significantly increases Syrian women's vulnerability.

The major result of all of these factors is that in an exceptionally difficult job market, Syrian men and women looking for work are forced into casual labor, often in extremely difficult working conditions, including long working hours, exploitation of workers and for extremely low wages. This is often exacerbated by the fact that Syrian and Turkish people speak different languages, and as a result many Syrians cannot find secure, stable, and regular employment even if they are qualified for it in other ways.

Syrian refugees, particularly women, suffer from isolation, and rising social tensions, making them feel unsafe or insecure. This sense of isolation and lack of integration into Turkish society is imposed on women more than anyone, as women are perceived as carriers of their families' honor. The language barrier – an ASAM and UN Women study published in 2018 found 70% of Syrian women do not speak Turkish – is also a major obstacle to Syrians integrating or



accessing rights and significantly limits their access to services and employment (Needs assessment of Syrian women and girls under temporary protection status in Turkey, 2019).

Syrian women have to face harsh working conditions. Lack of Turkish language skills also contribute to forcing women into this kind of employment, in which women often have to work shifts of 12 hours or more, keeping them away from their families. Finally, women as well as men are impacted by the local, regional and national low levels of employment, high inflation and low wages, but unlike men, they are also expected to carry out 'traditional gendered' household tasks at the same time as helping their families earn enough money to survive. The combination of lack of money and lack of opportunities plus a population which has more than doubled due to the Syrian conflict, can lead to people making desperate choices including sending children to work or to be married, and to 'competition' spilling into mistrust, divided communities and even violence.

One factor affecting Syrian women is a cultural perspective, that men are expected to 'provide for' their families by working, while women are expected to focus on 'household tasks' such as caring for children and managing household budgets. Men may not oppose women – including their own wives – having a job, but they often expect women will go to work outside the house, and still perform 'traditional' tasks within it. This puts women in an extremely difficult position.

For women in a conservative society, a further complication is that while Syrian people's economic situation means they must work to contribute to the family income and help provide food, water and clothing for the family, traditional gender roles mean that there is still an expectation that they will also do all the household work, such as looking after children, cooking and cleaning the family home. This creates a further pressure on them to carry out 'piecemeal' day labor – again, difficult jobs in difficult circumstances for low wages.

There is significant evidence across the world that faced

with such challenges and barriers to their ability to earn enough income to meet their basic needs, some refugees feel forced to resort to negative coping mechanisms such as early marriage, child labor and reduction of meals. This trend is a clear risk in Turkey.

The challenges Syrian women face in Turkey are clear – a stagnating and by some indicators shrinking economy, as well multiple obstacles to entering the employment market, or gaining decent wages even once they do. Our response, based on our research and analysis, is focused on the economic empowerment of these women.

Though a small number of organizations (only one, for example, in Hatay) do run technical skills training to help people enter the employment market, such training does not address the issues of entering the job market when unemployment is high, or securing a decent wage when they do not have documentation.

TGMP helps Syrian women become business owners, giving them the power to earn, to play a meaningful part in the economies in which they now live, without the need for work permits, and have the ability and power to make economic decisions.

TGMP entered Turkey in 2003 at a time when, like now, unemployment was rising in the country, and 20% of the population lived below the poverty line (Ashrafi, 2011). Today the bank – which specializes in loans to vulnerable women to help them set up small businesses – has reached more than 180,000 women, from 95 TGMP branches, meaning a total of more than 700,000 people have benefitted directly or indirectly from TGMP's work. It is now present in 64 Turkish cities. TGMP works on the basis that credit is an inherent human right and prioritizes over all others women – such as those Syrian women who have fled war and terror in their homelands and are now trying to build lives in Turkey – who are financially challenged and have no assets. In doing so, TGMP will benefit the women, their families, and the economy and society of which TGMP will help them to become an active part.



3. Risk Analysis

Microfinance organizations work on the basis that credit is an inherent human right. These organizations prioritize women who are financially challenged and have no assets, over all other people. In doing so, they benefit the women, their families, and the society in general. According to studies of TGMP, great proportions of refugees who are residents in Turkey are creditworthy on the basis of these principles. Most of the refugee women have low-income and struggle to access financial services. According to research and observations, they are willing to use the credit appropriately and repay the debt. As they have no collateral or deposit to cover the debt aroused from the credit, they are directed to establish an income generating activity. Therefore, they emerge as an appropriate target market for microfinance organizations.

There are definitely certain risks that TGMP has experienced in since its establishment as a non-profit organization and that TGMP foresees regarding a microfinance project of which target beneficiary group is refugees. Most of these risks are determined beforehand and precautions needed to minimize the risks are taken by TGMP.

One of the risks, regarding beneficiaries who are micro-entrepreneurs of microfinance organizations, is to make sure that microcredit is used appropriately by the micro-entrepreneurs. After the microcredit disbursement, micro-entrepreneurs may use the microcredit to cover their daily expenses or to pay their personal debts. However, as it is emphasized above, the goal of microcredit is to encourage women to involve in income generating activities. Therefore, using microcredit for other purposes instead of establishing an income generating activity contradicts with the principles of microfinance which aims to ensure women empowerment in society and active involvement of women in the business life. Because of this reason, TGMP has taken necessary precautions to make sure that microcredit is used for right purposes after the process of disbursement. One of these precautions is organization of periodic visits to micro-entrepreneurs' stores or homes by branch officials. Apart from center meetings, branch officials visit micro-entrepreneurs' stores or homes in order to determine if microcredit is used to establish income-generating activities.

As it is mentioned above, another risk which might result from working with refugees is increasing tension between refugees and local communities. This risk cannot be underestimated as there are prejudices or misunderstandings between these two communities at first sight. However, after launching of the project in cooperation with CARE, TGMP has experienced that most of TGMP's current micro-entrepreneurs are willing to help Syrian refugee women to benefit from microfinance services offered by TGMP. They are well aware that refugees, especially women, are, harshly,

suffering from financial conditions. Therefore, most of the micro-entrepreneurs recommended their Syrian refugee neighbors for involvement in system of TGMP. Also, with the initiation of group activities, which involves both refugee and local women, the link between these two groups is strengthened. As the branch officials of TGMP will guide them and help them to understand that previous prejudice and misunderstandings were pointless. This is, also, one of the reasons why microfinance is one of the best ways to involve both Syrian women and local women in a common project which can foster interaction between these two groups.

An organizational risk which is estimated is the problems encountered in the process of repayment of installments as most of refugees are moving from one city to another frequently.

With regard to microcredit related activities, the failure in collecting installments of few micro-entrepreneurs may result in denying of other micro-entrepreneurs to make repayments.

Occurrence of this situation may negatively affect microfinance organizations reputation in targeted cities and even across the country. Therefore, to prevent this problem from taking place potential micro-entrepreneurs needs to be carefully examined. In this process, TGMP takes into account advice of its trustworthy current micro-entrepreneurs who have been receiving microcredit from TGMP for a long time. In addition to that, microfinance organizations should make an additional research regarding refugees' eligibility by examining their level of integration into social life, their previous experiences and the sector in which they desire to establish a business. Also, contacting with government agencies and collecting information about their citizenship status or criminal record along with their formal information such as identity number, address etc. can be helpful for microfinance organizations. As an example to this, TGMP contacts with offices of Ministry of Interior Directorate General Migration Management located in targeted cities and collect information about potential refugee micro-entrepreneurs. This, also, allows us to be informed when they leave the city where they are currently resided.

In addition to that, repayment rates of men are much lower than the repayment rates of women according to the research conducted by the Grameen Bank. While repayment rate of men is 70% repayment rate of women is 97%. The reason for this is that financially challenged women usually have no collateral that would allow them to borrow money from traditional commercial banks. Hence, it is estimated that they will represent a much better credit risk in the case that the risk of refugees' movability is eliminated.

TGMP engages and involves entrepreneurs throughout the



program, noting and responding to their feedback; so that they have an important part to play in this and future work for the reinforcement of Syrian refugees in Turkey. Along with the interviews, surveys and focus group discussions and the weekly meetings the women involved, also, come to visit staff and other entrepreneurs at the centers at any

time to share concerns and feedback. TGMP also operates a feedback and information telephone service. It exists to help women to set up and run businesses: their feedback and involvement is central to this.

4. Methodology

Refugee women are the most excluded section of society in Turkey. Recent analysis by the international non-profit organization, CARE of Turkey's Southeast found that of 575 Syrian responders (299 or 52% women), 80% feel women or girls are 'the most vulnerable' people in society. In the same survey, 49% of women said they were working to support their families, and just 33% said they received any other form of income, such as from an NGO. This causes serious imbalances. Within the home, there is an expectation women will not work unless it is necessary, and even then will carry out all household tasks as well. Outside the home, the tradition of women not working leads to low female participation in the workforce, to women being refused work on the basis of their sex, or offered significantly less money than men, as well as in some cases being harassed or made to feel at risk of harassment or attack.

Microfinance projects are by their nature inclusive. They do not 'deliver aid'; they provide finance and advice to women who will set up their own businesses for their own benefit and it is believed that credit is a basic human right by microfinance organizations. Yet all over the world, including for Syrian women who are refugees in Turkey, people are denied this right. Commercial banks give out credit only on receiving guarantees that Syrian women in Turkey simply cannot give. Microfinance organizations, however, work on the basis that 'the less you have the higher priority you have'. They choose what their business will be, how they will operate and every other factor related to it. In this way, microfinance not only requests and considers people's needs and desires; it is driven by them and cannot exist without them. Therefore, microfinance organizations and refugee women are a perfect opportunity and they have great a potential to generate more income on behalf of their countries.

In addition to economic aspect of their activities, microfinance organizations can, also, be helpful to improve

social cohesion in targeted regions and they are vital to help refugees become active members of their new communities. The group structure which is, effectively used in microfinance operations is one of the most useful ways of getting together different sections of society. In this system, the women are grouped together in groups of five, all of whom live in the same area, but must not be relatives of one another (several members of the same family can be considered and given loans, but they must each be part of a different 'group of five').

This structure has been designed and proven to work in Turkey and across the world, wherever Grameen Bank operates, and is based on the idea that the groups of five work as 'support structures' – the women within them each run their own businesses, but meet regularly to discuss their mutual progress, exchange stories of challenges and how they can be overcome, and in some cases, where necessary, can also help one another to meet loan repayments if there is any difficulty faced in doing so. Along with its proven benefits, this structure has a potential to break down prejudices and misunderstandings between local communities and refugees. Therefore, inclusion of refugees into microfinance activities with the use of this system is beneficial to ease the tension between local communities and refugees.

In addition to this, as soon as each group of five women is set up, the women have a three day training course about operation of the system, then 3-4 more sessions in which vocational training related to job and entrepreneurial skills is delivered, so the women can start as business managers with the working skills and management skills they need to succeed. In some cases, Syrian women attend these sessions with Turkish women, and both communities come together once a week at the centers to take part in weekly progress discussions.



5. Conclusion

To sum up, activities of microfinance organizations can have various impacts in different aspects of the lives of refugees. Of course, there are some risks that microfinance organizations need to take into consideration. However, refugees can be the most appropriate target market with their features of being the most vulnerable section of society that they live in and potential to use the credit in the way it needs to be. Microfinance organizations do not

only provide services that deliver financial benefits but also services that contribute social inclusion of refugees into local community. The group structure of microfinance organizations has a potential to bring together refugee and local women and communicate with each other. In this way, these two groups can narrow the gap between them and contribute to improvement of social cohesion.

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