



FMO: Gender lens investing

EVALUATION – CASE STUDY

2024

Dalberg

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FMO

Entrepreneurial
Development
Bank

SAFCO Microfinance Company Private Limited | Executive summary

This case study on SAFCO primarily explores the influence of FMO's investment on women as entrepreneurs

In 2024, FMO invested USD5M in SAFCO, a rural microfinance company in Pakistan. As part of this investment, 50% of the funds were on-lent to women. SAFCO Microfinance Company Private Limited based in Sindh, is a leading microfinance company in Pakistan that offers financial services to underserved, low-income communities, with a primary focus on rural areas and more recently, women entrepreneurs. FMO invested USD5M in SAFCO, at a time when the climate risk environment was high, helping to mobilise additional funding for SAFCO. FMO required 50% of the investment to be on-lent to women, reinforcing SAFCO's efforts to reach women customers, who now constitute 62% of its client portfolio.

SAFCO expanded its focus on rural customers and took steps to reach more women with tailored products, practices, and services – while SAFCO drove its gender actions, FMO's investment reinforced these efforts. SAFCO set an internal target of women forming 60% of their total portfolio. In line with this objective, SAFCO offers tailored loan products, designed to suit the business needs of women. It also deploys gender-sensitive internal processes throughout the loan lifecycle. For example, women borrowers benefit from paperless applications managed by female business development officers. Additionally, SAFCO supports women through formal channels like its Women's Incubation Centres which offer training in market linkages, livestock management, and financial literacy; as well as its three women-exclusive branches. Although FMO did not directly drive SAFCO's gender initiatives, its timely investment reinforced gender as a strategic focus and supported SAFCO with technical assistance (TA).

As a result, SAFCO contributed to a range of direct and indirect outcomes for women entrepreneurs. Approximately 95% of women borrowers reported business income growth, increased personal savings and investment opportunities. It also led to 20% increase in local job creation, as women entrepreneurs hired other women to support their business' operations. Further, it improved access to finance for women by providing loans that are 80% larger than those of its competitors. Beyond financial gains, SAFCO has enabled improvements in safety, access to finance, and increased agency in household decision-making. However, women customers have reported some unintended negative impacts, including the stress of group loan repayment structures and occasional delays in loan processing, which can hinder women's access to timely funds.

These impacts were highly sustainable, as SAFCO's business model centers on women, who have proven to be a reliable customer group with high loan sizes, strong repeat business, and low non-performing loan (NPL) rates. Women, who make up 62% of SAFCO's customers, have a below-market NPL rate of 1.65%, indicating a positive risk profile. SAFCO offers loans to women that are 80% larger than its competitors, showing strong demand and confidence in their borrowing capacity. Additionally, with a 57% repeat customer rate, women borrowers demonstrate high loyalty and satisfaction, demonstrating that targeting women is commercially viable.

SAFCO's internal gender commitment and its deep understanding of their customers, coupled with FMO's investment targeted at women entrepreneurs, enabled these gender impacts. SAFCO set a target to reach 60% female customers – which drove organisation-wide efforts to tailor products, processes and services to reach women, supported by strong leadership commitment to gender. Its strong ties within the Sindh community helped it grow its services for women, offer larger loans than the market average, and maintain a lower NPL rate than the market. FMO's allocation of USD2.5M in loans for women entrepreneurs further motivated SAFCO to make gender a key strategic focus. Despite these successes, SAFCO's women customers faced some challenges with loan processes.

SAFCO's flexibility, interest rates and gender-smart approach, have made it a preferred choice for many customers – as it expands, it can consider potential improvements in loan processing, guarantor requirements and financial literacy support. SAFCO can build on its achievements and further scale its gender impacts by making some changes, including shortening loan processing times, re-evaluating guarantor requirements, and increasing financial literacy support for clients. As SAFCO expands into urban areas, these enhancements could further strengthen its services and better meet customer needs.

SAFCO Microfinance Company Private Limited | Overview

FMO invested USD5M in SAFCO, a microfinance company in the Sindh region in Pakistan

Customer context



About

SAFCO Microfinance Company Pvt Ltd (SAFCO), a USD20M for-profit subsidiary of the SAFCO Support Foundation (SSF), has established a solid presence in Sindh, Pakistan. As one of the leading microfinance companies in Sindh, SAFCO provides microfinance loan services to underserved and low-income communities. With 61 branches and a client base of 128,000 active clients, SAFCO has a strong focus on rural areas (~90% of customers) and a dedicated commitment to female micro-entrepreneurs (~62% of customers).

FMO's investment

In 2024, FMO invested USD5M as debt in SAFCO through the MASSIF fund, targeting 50% rural borrowers and 50% women borrowers through on-lending. Additionally, FMO has supported SAFCO by providing technical assistance on risk management and, currently, on digital transformation. FMO's investment has influenced SAFCO's approach, by encouraging SAFCO to make gender a key strategic priority.

Goals of the case study

Rationale for selection

- This case study primarily explores the domain of **women as entrepreneurs**.
- SAFCO focuses on **women entrepreneurs as a core customer segment**, offering valuable insights into how the organisation has effectively tapped into and expanded this market. This case study captures key learnings for microfinance customers and investors that are looking to scale gender impacts.

Key learning objectives

01

How has SAFCO made **microfinance more accessible** to women entrepreneurs in the Sindh region?

02

What are the **direct, indirect and unintended impacts** experienced by women entrepreneurs who have taken SAFCO's loans?

03

What are the **learnings for FMO and SAFCO**?

Gender challenges

Women entrepreneurs in Pakistan face barriers to accessing credit due to social, economic, and institutional factors. Pakistan has one of the world's largest gender gaps in financial inclusion, with 82% of women unbanked, limiting women's access to credit¹.

Despite an active microfinance sector in Pakistan, less than 25% of businesswomen are borrowers, as many products are primarily tailored for men². Additionally, women often face restrictive borrowing requirements—68% need permission from a male relative to qualify for loans, and nearly all must provide two male guarantors, making financial access challenging².

Even when women do get microloans, a substantial portion is used by male relatives, undermining financial independence. Low financial literacy further exacerbates these challenges, as many women struggle to navigate banking systems and understand credit products, restricting their engagement with formal financial services.

SAFCO Microfinance Company Private Limited | Gender actions (1/4)

SAFCO has expanded its focus on rural customers and taken steps to reach women through tailored products, practices, and services

Traditionally a rural microfinance company serving entrepreneurs in Sindh, SAFCO has recently **narrowed and strengthened its focus on women as a customer segment, by setting a target of reaching 60% women across its portfolio** in its 2022-2023 Business Plan. By leveraging its strong local community ties, SAFCO has grown its women portfolio, with **women now comprising 62% of its client base.**

SAFCO applies a gender lens to microfinance through three levers:



Loan products customised for women

- SAFCO offers **tailored loan products**, i.e., handcraft, livestock, and solar loans, specifically for women entrepreneurs with existing businesses.
- These loans incorporate metrics like sales forecasts and cash flow management to **meet women's business needs** and simplify repayment.



Gender-smart processes

- SAFCO's **loan processes are tailored to women customers' needs.**
- This includes **conducting home visits and having female business officers**, as well as a digital system to simplify the loan application process for customers with limited financial literacy or documentation.



Gender-smart support services

- SAFCO **provides training to women entrepreneurs** through its Women's Incubation Centre on topics including market linkages, livestock management, and financial literacy to build their business capacity.
- In 2023, SAFCO **opened two women-exclusive branches in Qasimabad and Shaheed Benazirabad**, introducing digital loan processing. In June 2024, a **third women-exclusive branch was inaugurated in Khairpur District**. SAFCO plans to continue expanding similar branches in operational areas.

SAFCO Microfinance Company Private Limited | Gender actions (2/4)

SAFCO's gender-smart loan processes have been particularly effective, as women find them straightforward, flexible, and easy to navigate (1/2)

SAFCO's loan process stands out and has successfully reached women customers, because:



1

SAFCO leveraged its community ties, to spread awareness and build its female market.

2

The loan process is streamlined and digitised, led by female BDOs, minimising paperwork for women.

3

It offers flexibility in loan usage and repayment to accommodate women's needs.

Awareness

- SAFCO promotes its loan services via **community visits, local advertisements, and word-of-mouth** through neighbours and family. **65% of women learned about SAFCO's services through word of mouth.**
- It **targets women, using community networks and women business development officers (BDOs)** who understand socio-cultural dynamics to connect comfortably with female clients.
- The majority of SAFCO's women borrowers are illiterate and unable to read or write, therefore, **it is mandatory for BDOs to visit the women borrowers to raise awareness about SAFCO's products/services.** SAFCO's marketing materials/documents are also available in pictorial form and in local languages to ensure they can be easily understood.

Application

- The **loan application process is conducted digitally** and has been described to be straightforward, quick and simple.
- After a loan applicant expresses interest, a **SAFCO representative visits their home or the applicant can visit a branch**, where staff take photos of their ID cards/guarantor's ID card and take their pictures.
- **Individual loans require a guarantor**, and any reputable person can act as a guarantor. **Group loans do not need a guarantor**, unlike other banks.

Approval & disbursement

- SAFCO staff **conducts verification checks, and it is mandatory to visit the applicant's business**, with female BDOs whenever possible to ensure comfort. Approval typically takes a few days to a week.
- **Seasonal delays (such as for monsoon) may impact loan disbursement**, which is challenging for women needing immediate funds.
- Once approved, **loans are disbursed either to the client's bank account or through alternative delivery channels / cash over the counter facility at commercial banks.** Disbursement is never made to the borrower in cash at SAFCO branches.

Support

- **SAFCO regularly communicates with borrowers** - staff make monthly visits or calls to remind them of upcoming payments and offer help, as needed. They also use this channel to **advise borrowers** on business purchases, investments and savings one-on-one.
- In urban areas, **women entrepreneurs can also access support through SAFCO's incubation centres, which provide networking opportunities, training, and market linkages.**

Repayment & post-loan support

- **SAFCO offers flexible loan repayments to its female borrowers**, with options for monthly, quarterly, and bi-annual payments. Borrowers select the loan tenure based on their preferred repayment mode. The process has been described to be flexible and manageable, especially for women facing difficulties. Due dates for group loans vary across groups but are consistent within groups.
- After the loan is repaid, **SAFCO also offers repeat loans** to customers, which have been described as easy to access.

SAFCO Microfinance Company Private Limited | Gender actions (3/4)

SAFCO's gender-smart loan processes have been particularly effective, as women find them straightforward, flexible, and easy to navigate (2/2)

Awareness

"My son drives a rickshaw. He drops children off in the morning to school. He saw the board for SAFCO and saw it and told me about it."

- Participant from Sanghar

Application

"They took our biometrics there and then, and photos on their phones.. and Computerized National Identity Card (CNIC) of me and my husband, and thumb prints."

- Participant from Hyderabad

Approval & disbursement

"This was my third loan that was approved by SAFCO. The first two loans were of PKR 30,000, and this one was for PKR 50,000."

- Participant from Naushahro Feroze

Support

"They gave me a lot of advice that you should spend your money wisely and invest it in your business to get benefits, otherwise you will remain worried. They also advised me and 2-3 other women to get sewing machines."

- Participant from Hyderabad

Repayment & post-loan support

"My mother was admitted in the hospital in Hyderabad. So, I requested a ten-day extension on repayment and they accepted it."

- Participant from Naushahro Feroze

SAFCO Microfinance Company Private Limited | Gender actions (4/4)

While SAFCO drove its gender actions, FMO's timely investment and requirement to on-lend to female customers, reinforced gender as a strategic priority and enabled SAFCO's efforts to reach women customers



FMO invested in SAFCO at a time that was critical and mobilised additional investments

- FMO invested **USD5M in SAFCO amid high-risk conditions during Pakistan's floods**, when other investors hesitated leaving SAFCO's funding on hold.
- FMO's investment was pivotal in **signalling SAFCO's security and reliability to other investors**, particularly as it marked SAFCO's first DFI investment. As a result, FMO's involvement was instrumental in attracting additional funding to SAFCO.



FMO mandated that 50% of its funds be on-lent to women, reinforcing SAFCO's focus on this segment

- FMO's investment **mandated that 50% of funds be directed to women-led businesses**, leading to USD2.5M in on-lending to women entrepreneurs.
- Historically being rural-focused, **SAFCO has recently intensified its efforts to serve women customers in these regions, guided by this mandate**. The substantial size of FMO's investment (USD5M), relative to SAFCO's balance sheet (~USD20M), reinforced SAFCO's focus on women customers and gender as a strategic priority.



Going forward, FMO's TA can support SAFCO to streamline its loan processes and improve loan access for women entrepreneurs

- FMO has funded **technical assistance (TA) to support SAFCO's risk management processes**. This has the potential to benefit women entrepreneurs working in sectors like agriculture, who may face climate-related risks.
- FMO is also supporting **SAFCO's digital transformation through TA** that aims to streamline the loan process and provide faster services for customers, which can enhance the loan experience for 62% of SAFCO's customers who are women. This will enable SAFCO to automate processes to expedite loan processing and gather data-driven insights about their activities.

SAFCO Microfinance Company Private Limited | Direct and indirect impact pathways (1/3)

Through its gender actions, SAFCO has carved out a niche by providing loans to women entrepreneurs who have been historically underserved

Who is SAFCO's average female customer?

38 years on average

Given that 70% of women entrepreneurs in Pakistan are under 35, SAFCO's reach extends to slightly older women, highlighting its role in serving a potentially overlooked demographic.¹

82% are uneducated*

While 62% of microfinance borrowers in Pakistan have at least some primary education, SAFCO's focus is on women with no formal education.²

93% are married

Given that Pakistan's Female Labor Participation Rate (FLPR) for married women is only 23.5%, this indicates that SAFCO is reaching a segment with low formal economic participation.³

62% Women across the portfolio

in Pakistan, where less than 25% of businesswomen are microfinance borrowers, SAFCO's gender-focused approach is significantly above the industry average⁷

USD216 average loan size

Which is ~80% higher than the average among its competitors: USD99 (ASA Pakistan), USD113 (Kashf Foundation), USD147 (Damen); reflecting SAFCO's ability to meet women's demand for higher loans.⁴

57% are repeat customers

In the microfinance sector, a healthy repeat customer ratio of 50-70% indicates a reliable and stable customer base.⁵

57% loan usage towards handicrafts, embroidery and sewing

Which is on par with the sectors other Pakistani microfinance companies provide loans to.⁶

Safa, a 48-year-old married woman from Hyderabad who took a loan of PKR 50,000 for her quilt-making business and earns income of PKR 10,000 monthly from this.

Tasneem, a 32-year-old married woman from Sanghar, runs a jasmine garden and recently took out a loan of PKR 30,000 to expand her business.

Humera, a 43-year-old married woman from Matiari, took out a loan of PKR 100,000. She used the funds to purchase two solar panels, a fan, and invested the remaining amount into her beauty parlour business.

Note: All names have been changed for confidentiality purposes; *Uneducated here refers to women who have not been enrolled in a formal educational institution. The majority of SAFCO's women borrowers are illiterate and unable to read or write. Source: SAFCO internal documentation; (1) Journal of Innovation and Entrepreneurship, The role of microfinance institutions on women's entrepreneurship development, 2023. (2) Institut Français de Pondichéry, Microfinance challenges: empowerment or disempowerment of the poor?, 2020. (3) ADB, Policy Brief on FLPR in Pakistan, 2016. (4) ADB, Women Inclusive Finance Sector Development Program (Subprogram 1): Economic and Financial Analysis, 2023. (5) Dalberg analysis based on Churchill, Banking on Customer Loyalty, n.d. (7) World Bank, Are Pakistan's Women Entrepreneurs Being Served by the Microfinance Sector?, 2013

SAFCO Microfinance Company Private Limited | Direct and indirect impact pathways (2/3)

By serving these women customers, SAFCO has contributed to increased women's incomes, job opportunities and access to enhanced financial products & services (1/2)

Indirect outcomes

Increased incomes

Higher incomes

95%

women reported an increase in business incomes after the loans leading to an expansion in business and purchase of necessary equipment.

Improved savings and investment opportunities

95%

women reported increases in household income and personal savings. Household income was primarily spent on children's school fees, groceries, utility bills, and rent, while savings were often reinvested into businesses or used for essential needs such as dowries, medical treatments, buying jewellery and home improvements.

Increased job opportunities

Increased access to job opportunities

20%

increase in job opportunities with customers hiring others from the community (mostly women) to support their business. In some instances, this included work in sewing, embroidery, and beauty services, where profits were often shared with those hired.

Enhanced product use and access:

Increased access to new and improved products and services

80%

higher loan amounts disbursed to women compared to other competing companies in Pakistan.

57%

women took repeat loans from SAFCO. Participants noted that the process was straightforward and easily accessible.

Direct outcomes

Women as entrepreneurs

that can access finance and tailored financial products

61%

Of SAFCO's portfolio are women entrepreneurs accessing business loans

Women as end-users

access and use inclusive products

62%

Of SAFCO's portfolio are women accessing business and personal loans

Legend ● Strong ● Moderate ● Weak

Source: These figures have been estimated based on Focus Group Discussion across 4 districts in the Sindh Region, consisting of a total of 49 participants; SAFCO internal documents; ADB, Women Inclusive Finance Sector Development Program (Subprogram 1): Economic and Financial Analysis, 2023. | Note: Circles only represent the strength of the evidence available, and does not correspond to FMO's impact.

Legend ● Strong ● Moderate ● Weak

SAFCO Microfinance Company Private Limited | Direct and indirect impact pathways (3/3)

By serving these women customers, SAFCO has contributed to increased women's incomes, job opportunities and access to enhanced financial products & services (2/2)

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“A representative from SAFCO informed me about the loan, so I went to apply, and it was processed quickly because my husband was unwell.

The agent advised me to start a business at home, given my husband's condition, so I began selling clothes from home. I don't go out, so I send the clothes I sew to my sisters and sister-in-law, who sell them and share part of the profit with me. If I have too much sewing work, I pass some on to them as well.

This business sustains our household. I have three children who are still studying, and most of our earnings go toward their school fees and groceries. What's left, I reinvest in the business. The loan has been a lifeline. My husband's health is uncertain—sometimes he can work, sometimes he can't—but even during tough times, I can keep our household running.

Before, my husband and I lacked respect in the eyes of our relatives, but now, thanks to the loan, we are respected in our neighbourhood and by our family. I feel more confident because I make decisions at home and people listen to me.”

Zarina is a 32-year-old woman from Hyderabad who took a loan of PKR 100,000 for her sewing business

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“We've been taking loans from SAFCO for 8 to 10 years. We run a cattle farm business, which grows as demand increases. By the time one loan ends, we take another to expand.”

– Participant from Matiari

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“Yes, the first time I was unwell, I took a loan of 30,000 and used it on myself for my treatment. Now, the loan I took is for my business because the previous loan was spent on myself. With the 30,000 loan, I've now started a parlor and a bit of sewing.”

– Participant from Sanghar

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“I saved some money to buy gold hoops. Then I sold them to get gold earrings, but I had to sell those too when my son got into an accident. That's why it was my own loan; I could use it as needed. I didn't have to ask someone else for anything.”

– Participant from Sanghar

SAFCO Microfinance Company Private Limited | Unintended effects (1/2)

SAFCO's efforts to reach women customers have led to unexpected impacts, including increased women's agency, though some aspects of the loan processes also caused stress (1/2)

SAFCO's loan process and support has led to several unintended positive outcomes for women



Control over finances

- Women reported **maintaining control over their earnings**, primarily spending on household needs and reinvesting in their businesses to support their families.

"Now we are no longer dependent on our husbands or brothers to take money from, we are doing our own work."

- Participant from Matiari



Enhanced respect and influence in household decisions

- Women reported **increased respect from male family members** and a more **active role in household decision-making**, as their financial independence shifted power dynamics and encouraged collaboration in earning households.

"After the loan I am able to help my husband in home expenses and my neighbours appreciate that I help him."

- Participant from Hyderabad



Feeling of agency

- Women reported that **running their own businesses made them feel happier, more confident, and proud**, with some reported gaining community respect - while others focused on personal goals and family needs over external validation.

"It feels good by earning from my business and having savings."

- Participant from Naushahro Feroze

In some instances, customers also reported unintended negative outcomes



Frustration around delayed loan processing

- 2% women reported **expressed frustration over delayed loan processing** - hindering timely access to funds, affecting business opportunities and causing stress for women who need quick access to capital.

"When I took the loan previously, it was processed in a few days but this time I faced difficulties because the loan was given very late."

- Participant from Sanghar



Experiencing stress during repayment due to staff interactions and structure of the group loan

- 2% women reported **negative interactions with SAFCO's field staff**, noting instances of rudeness or lack of empathy, especially when addressing concerns about loan delays.
- In some instances, **women often face stress due to the shared responsibility of repayment in group loans** - as others are required to cover the instalment if one member defaults - which can strain relationships within the group and create financial pressure.

"In group loans, we all get worried. They say they will not give loans to individuals. People don't always agree to gather for group loans. That's it, otherwise we have no issues with group loans."

- Participant from Sanghar

SAFCO Microfinance Company Private Limited | Unintended effects (2/2)

SAFCO's efforts to reach women customers have led to unexpected impacts, including increased women's agency, though some aspects of the loan processes also caused stress (2/2)

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“When the men in our family first heard about SAFCO, they told us about it. We took our CNIC cards, went to the branch, and got our loans approved on our own. I initially took a loan to start a business because we didn't even have our own house. We used the loan to buy cattle, build our own home, and cover other expenses.

I've been taking loans for nearly 10 to 12 years. There are occasional losses in the cattle business, which is why I have to take out loans repeatedly. I started with PKR 70,000 and now manage around PKR 150,000.

With our savings, we rebuilt a broken room in our house and paid school fees for our 10-year-old child. The good thing is that we receive money in bulk, which allows us to meet our needs through the profits we earn. We don't have to ask for loans from others, and it has improved our reputation at home. I feel proud working alongside my husband.”

Sameena is a 42-year-old married woman from a village near Matiari, who has been taking loans from SAFCO for over 10 years for her cattle business and household expenses.

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“I learnt that no one is dependent on anyone else. If a woman wants, she can expand her business from home without relying on someone else. That is what I learnt sitting at home. We do embroidery by ourselves at home all day. It feels good and we are grateful that we can earn our own, we don't have to look to anyone for help. Thank the Lord. We learnt a lot.”

- Participant from Hyderabad

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“I feel happy that like all men pay for household expenditures, so do I. I am working side by side with them and in my house whatever status my husband has in my house, I also have it after my business.”

- Participant from Sanghar

SAFCO Microfinance Company Private Limited | Sustainability of impact

SAFCO's impact on women is sustainable as its business model centres on women, who have proven to be a reliable customer group with high loan sizes, strong repeat business, and low non-performing loan (NPL) rates

The sustainability of SAFCO's women business model is anchored in reaching rural women entrepreneurs who run high-margin microbusinesses and make up 62% of its client base. This focus on largely married and uneducated women in rural areas is critical to the current model.

SAFCO's 80,000+ women clients:



Seek larger-than-average loan sizes

USD216

Women demand higher loan sizes, and SAFCO is meeting this by offering loans that are 80% larger than those provided by its competitors.¹



Are repeat-customers

**57%
repeat loans**

Women are a reliable customer base for SAFCO, sitting within a healthy repeat loan global estimated benchmark of 50-70% for MFIs.²



Almost always pay their loans in time

1.65% NPL

With typical microfinance NPL rates at 3-5% in South Asia, women have demonstrated a strong risk profile, positioning them as a healthy and reliable asset class.³

Sustainable impact on women as entrepreneurs and end-users

SAFCO's impact on women is highly sustainable, as its business model is grounded in the understanding that women are a responsible, reliable asset class with strong market demand.

Additionally, SAFCO also demonstrates a **strong internal commitment to gender inclusivity, with leadership dedicated to expanding their gender profile.** They have implemented gender-sensitive loan processes, set internal gender targets, and developed future business plans that include women-exclusive branches. This approach ensures that their impact on women is not only sustainable but also integral to their long-term business strategy.

SAFCO Microfinance Company Private Limited | Success factors

SAFCO's internal gender commitment and deep understanding of their customers, coupled with FMO's investment targeted at women entrepreneurs, enabled these gender impacts

Success factors

01 Internal gender targets and commitment

- **SAFCO set a target to reach 60% female customers** in its 2022-2023 Business Plan– **this drove organisation-wide efforts to tailor products, processes and services to reach women, supported by strong leadership commitment to gender.** For example, SAFCO has a predominantly female BDO team, to reach and support women clients. Moreover, its flexible approach to repayment and customer support has helped the company build a strong base of repeat women customers.

02 SAFCO's understanding of the community

- SAFCO's strong ties within the Sindh community **have helped it grow its services for women, offer larger loans than the market average, and maintain a lower NPL rate** than the market. These local connections foster trust and familiarity, enabling SAFCO to effectively reach women through word-of-mouth, tailor products to their needs, and offer support and repayment options that align with their requirements.
- Furthermore, **SAFCO's intimate knowledge of local customs and needs** has enabled it to implement gender-specific adaptations in the lending process, making financial services accessible, reliable, and user-friendly for women.

03 Strategic funding from FMO

- FMO allocated USD 2.5M for women entrepreneurs – this made up around 12% of SAFCO's USD20M balance sheet and **further motivated SAFCO to make gender a key strategic focus.**
- This **targeted funding not only required SAFCO to focus on women, but the timing of the investment helped attract additional funders.** FMO's involvement signalled to the wider funding ecosystem that SAFCO was committed to gender-focused initiatives, which helped secure broader financial support.

SAFCO Microfinance Company Private Limited | Challenges

Despite its achievements, SAFCO's women customers still face some challenges across the lending lifecycle

01 Guarantor requirement for individual loans

- SAFCO's policy that individual loans require a **guarantor can make it difficult for many women to access these loans**. Most women lack connections to reputable guarantors, who often seek payment, limiting their options and often forcing them to take group loans.

"When we arrange a government officer as our guarantor, these officers often ask for a payment. We're already taking a loan that we have to repay over the year, and then we have to pay them too. It makes things even harder for us."

– Participant from Sanghar

02 Structure of the group loan leads to shared liability

- In SAFCO's group loan model, **if one member defaults, the financial responsibility falls on the other group members**. This is challenging to navigate as it leads to unintentional outcomes like stress.

"In a group, if one person receives more money or someone falls short on an instalment, it can cause issues. Sometimes groups don't even form, which creates worry."

– Participant from Sanghar

03 Limited financial literacy, primarily around interest

- A mix of participants **expressed confusion about the interest rates and overall loan terms, leading to misunderstandings about repayment obligations**. Limited financial literacy can lead women to take loans without understanding costs, potentially affecting their ability to repay.

"We give PKR 32,800 in installments. We are aware of the installment, but do not know what the interest amount on this is."

– Participant from Hyderabad

04 Incidents of high loan processing time

- Generally, SAFCO's **turnaround time (TOT) for loan processing is 4-7 days**, and this timeframe is met for about 80% of SAFCO's borrowers. **However, in rare cases, the processing time may extend** due to discrepancies or deviations in the information or records provided by the borrower. This may cause issues for urgent needs. **There were also incidents of staff being indifferent to these needs**. Delays in accessing funds can prevent women from seizing timely business opportunities, be challenging for those who rely on quick capital to sustain their operations.

"I informed a loan officer that my loan was delayed and faced some difficulties."

– Participant from Sanghar

Challenges

SAFCO Microfinance Company Private Limited | Learnings and opportunities for SAFCO

SAFCO's flexibility, interest rates and gender-smart approach, have made it a preferred choice for many customers – as it expands, it can consider improvements in loan processing, guarantor requirements and financial literacy support

SAFCO lends to women customers are 80% higher than its competitors, with non-performing loan (NPL) rate of just 1.65%, demonstrating that women are reliable borrowers and setting an example for other organisations and investors. **As SAFCO expands, it can build on these achievements while addressing areas for improvement.**

SAFCO's services are often preferred over other microfinance companies', driven by a range of factors



Flexibility and customer experience

- SAFCO is widely regarded as more **flexible and lenient compared to other microfinance companies**. Participants valued that SAFCO does not require guarantors for group loans, unlike many banks. SAFCO staff were praised for their empathy and support, strengthening their reputation for flexible repayment.



Interest rates

- 35% of participants had taken loans from microfinance companies other than SAFCO. However, **only 4% found that other banks offered lower interest rates**, indicating that SAFCO's rates are competitive despite perceptions of high interest elsewhere.



Gender approach

- Participants reported **experiencing equal treatment as women across the loan process**, and no discrimination was experienced.
- They also noted that **factors such as motherhood or child expenses did not hinder their ability to secure loans**, reflecting SAFCO's commitment to supporting all customers equitably.

As it looks to expand, it can build on these successes and address remaining barriers



Loan processing time and ticket size

- Many participants **highlighted the need to shorten loan processing times from 4-7 days to 2-3 days** to prevent delays in business activities.
- Participants across FGDs **also expressed a desire for higher loan amounts**, particularly for those looking to further expand their businesses. SAFCO has an opportunity to address this with its ongoing digitalisation technical assistance.



Guarantor requirements

- The **guarantor requirement for individual loans posed a barrier**, as securing a reputable guarantor was challenging, with reports of government officers requesting payment for their support. SAFCO can explore opportunities to solve for this.



Financial literacy

- While participants demonstrated a strong understanding of repayment schedules, there was **mixed awareness of the impact of interest on the total loan costs**.
- Awareness of interest on loan costs varied:** In Naushahro Feroze, they knew about extra payments but lacked clarity on rates; while in Sanghar, participants were more informed but some raised religious concerns about interest.
- SAFCO has an **opportunity to improve financial literacy on interest by offering targeted education before and during the loan process**.