



»»» DEG Gender Smart Opportunities Assessment

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Adopting a gender lens for financial services is smart way to grow the bottom line and achieve better impact outcomes for communities. Many financial institutions DEG partners with are doing so, and seeing fundamental changes their customer base and customer loyalty. There are competitive advantages to be gained by those that act early. This is especially crucial in 2020, when SMEs and corporates – including the 30% that are owned by women¹ – will face difficult funding and operational environments due to the COVID-19 crisis and market shift. In developing markets especially, gender disparities are significant: in access to finance and credit history; in institutions' traditional approaches to marketing, client segmentation, and product development; as well as in the lived experiences of customer service. Recent studies show a financing gap of USD 260-320 billion for women-owned SMEs.² While women are saving³, borrowing⁴, spending⁵ and investing⁶, they are less likely than men to do it with a bank⁷. Seventy-three percent of women are dissatisfied with the service they receive from financial service providers⁸, and many do not receive financial services at all⁹. As women continue to move into the marketplace and demand fair and equal treatment, financial institutions' attitudes and practices will increasingly be a driver of their success.

Gender smart finance is about getting smart about gender to drive better financial, business and development outcomes. DEG is supporting its financial institution (FI) clients to improve their offerings for women. By doing so, FIs can expand into markets untapped by competitors, increase their customer bases and enjoy lower non-performing loan and product churn rates. In fact, 34% of private sector lenders report increased profits as a result of efforts to empower women in emerging markets¹⁰. Together with specialised consultants from Palladium and Sustainable Finance Advisory (SFA), DEG is implementing an assessment to help financial institutions grow in this market segment. The assessment was piloted in 2019 and is now offered to all DEG financial institution partners.

Gender smart banking is becoming more mainstream. The **data** now show that paying attention to diversity is a dimension of building lending portfolios, spotting opportunities, mitigating risks, and delivering outperformance. Financial institutions around the globe have created gender smart **products, brands, and marketing campaigns**. At the same time, the UN Sustainable

¹ Impact Alpha, *Women's leadership delivers a prize for all* (2018): 30% of formal businesses are owned or led by women.

² VanderBrug, Jackie and Joseph Quinlan, *Gender Lens Investing: Uncovering Opportunities for Growth, Returns, and Impact* (2016).

³ Women are 16% more likely than men to save for future expenses (World Bank Findex); women keep 41% of their income in savings compared to 23% for men (Financial Alliance for Women).

⁴ Across Financial Alliance for Women member banks, women are borrowing what they can reliably repay: women's NPLs are 53% lower than men's, and the average profit margin for SME loans to women is 15% higher than for men.

⁵ Eighty percent of buying decisions are made or influenced by women (Deloitte, *The gender dividend: Making the business case for investing in women* (2011)), including USD 18 trillion of global earning power (EY, *Women: The next emerging market* (2013)) and USD 72 trillion of global wealth (Cambridge Associates, *Gender Lens Investing* (2018)).

⁶ USD 72 trillion is controlled by women globally as of 2020 (BCG).

⁷ Women are 15% less likely than men to have a bank account for transaction, 20% less likely to borrow from a formal financial institution (World Bank Findex).

⁸ Boston Consulting Group, *Women Want More (in Financial Services)* (2009).

⁹ IFC, *Strengthening Access to Finance for Women-Owned SMEs in Developing Countries* (2011) and IFC, *MSME Finance Gap: Assessment of the Shortfalls and Opportunities in Financing Micro, Small and Medium Enterprises in Emerging Markets* (2017).

¹⁰ Among Financial Alliance for Women members, September 2019 (www.financialallianceforwomen.org)

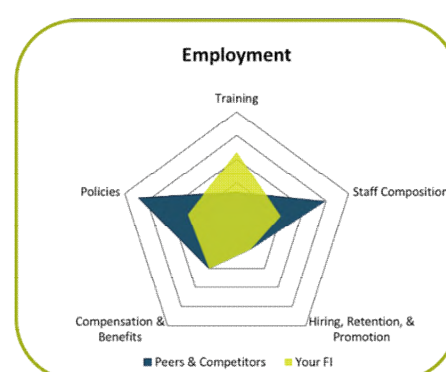
Development Goals (**SDGs**) explicitly recognize the development imperative of women’s economic empowerment. All this is occurring during a time of an **intergenerational transfer of wealth, growing income, and increasing buying decisions** in women’s hands. Women are strong savers, prudent borrowers, and loyal customers. Yet, women continue to be unserved by financial institutions or dissatisfied with their financial providers. For the financial institutions that get this right, significant market value and social impact will go hand-in-hand.

How does it work?

The Gender Smart Opportunity Assessment (GSOA) is a quick, data-driven way to assess the business case for an expanded focus on women for a financial institution. It suggests FIs with the right mix of products and services to women and girls aligned with their existing strategy and looks for high-impact ways to upgrade their gender approach with the institution’s limited time and resources.

All portfolio data is compared to current demand for financial services in the market. Unlike many assessment tools, the GSOA does not score a financial institution against the assumption that women should make up a pre-determined proportion of its clients. In each case, the GSOA considers the financial institution’s market, and the rates of women’s entrepreneurship, borrowing, and uses of transaction and savings accounts, etc. Performance is compared with the demand for products, services, and employment offered by the financial institution in the market. Similarly, employment of women in the financial institution’s leadership and staff is benchmarked against rates of employment in these positions in the market as a whole. Quantitative data is collected from the financial institution at the start of the Assessment. Market benchmark data is drawn from the World Bank Findex, the ILOSTAT, census data, and a literature review.

Qualitative information about strategic direction and operations is used to ensure that recommendations are relevant. Recommendations focus primarily on market opportunities that fit future strategic direction and can be addressed with existing operational capacity or through the assistance of strategic partners. Client input is collected through focus groups and visits to client’s businesses.



Case Study: Operadora de Servicios Mega in Mexico

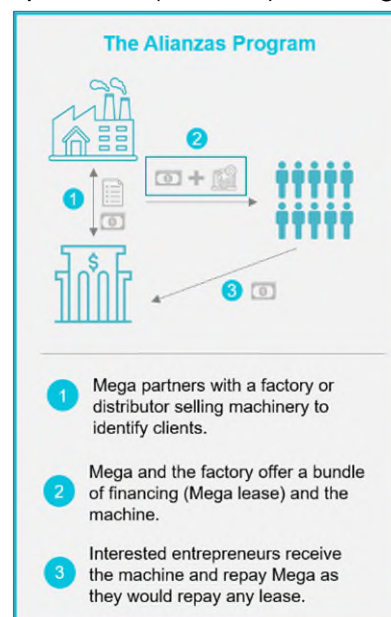
Leadership at Operadora de Servicios Mega (Mega)—a Mexican leasing company—recognizes both the business case and moral imperative to support the female economy and reach female clients. However, women only comprise a fraction of their lending portfolio. Therefore, Mega participated in the GSOA in order to benchmark its gender performance against peer institutions and identify opportunities to better serve women entrepreneurs and other gender-smart businesses.



As a leasing company, Mega is particularly well-positioned to serve women. Lease financing does not rely on pre-existing assets for collateral, which may make it more appealing to women who typically have less access to assets than men. Moreover, Mega is sector-agnostic and they operated in several sectors with a relatively high concentration of women entrepreneurs (wineries) or a large number of female employees (agribusiness).

Despite its gender-forward approach, Mega still has few women in its portfolio. To meet its ambitious 5-year growth plan and cement its status as best-in-class with regards to social risk, the assessment identified various strategies that Mega could pursue in order to reach and retain female clients. These include further expanding the Alianzas Program, which leverages partnerships with distributors and suppliers to identify new clients. If Mega were to target distributors or suppliers in sectors with a sizable proportion of women entrepreneurs, they may be able to substantially increase the proportion of female clients in the short-term. In many cases, the distributors and partners may also guarantee the loans, eliminating requirements relating to a formal credit history. This further reduces barriers impacting lending to women entrepreneurs.

By drawing on the findings of the GSOA, Mega is well-positioned to continue its growth. As noted by CEO Ignacio Gonzalez, *“We have developed an action plan to implement these recommendations. Empowering women has always been a key priority for us. The findings of the assessment now also demonstrate the economic necessity. Competition in Mexico is tough, and we strive to expand our market share by positioning us as the leading finance institution for women entrepreneurs.”*



Case Study: Zanaco Bank Plc. in Zambia

Zambian women continue to confront disproportionate barriers to full economic participation, despite the potential of the female economy to unlock significant economic growth. Zambia has one of Africa's highest rates of female entrepreneurship, often women start and run businesses while maintaining salaried positions and managing their families' finances.



Zanaco is an indigenous Zambian bank and has the largest customer base of which women contribute quite significantly. The bank has identified target segments in the women's market and built a Customer Value Proposition across the various businesses it supports.

In June 2019, Zanaco participated in the DEG GSOA to benchmark its gender performance against peer institutions and best practices and identify areas of opportunity. The proposition was strengthened by the findings of the GSOA, and new customer service and sales techniques continue to be rolled out through staff training (a follow-on business support service that is also partially funded by DEG and conducted by Palladium and SFA).

With the help of GSOA, Zanaco has articulated a strong vision, strategy, and ambition to further develop its approach to gender smart banking and lead by example.

Case Study: Indosurya Finance in Indonesia

Indonesian women entrepreneurs confront an IDR 83.0 trillion (EUR 5.3 billion) credit gap. While an expansive and well-developed microfinance sector meets the needs of the smallest microentrepreneurs, women entrepreneurs with larger businesses are often unable to access adequate financing due to collateral requirements and cumbersome bank procedures.



With the encouragement of their investors, Indosurya Finance (Indosurya), an Indonesian Multifinance Company targeting SMEs is focusing on women entrepreneurs' credit needs. Recognizing that women entrepreneurs represent a substantial market, Indosurya has committed to extending at several million euro to women borrowers over the next several years. Women entrepreneurs currently comprise about 30% of their portfolio, and more than 50% of small enterprise owners in Indonesia, underscoring the business case for targeting them. In October 2019, Indosurya participated in the DEG Gender Smart Opportunity Assessment, to understand how to better reach women entrepreneurs.

Defining the target segment of women entrepreneurs in terms of financing needs is a crucial first step in developing a strategy and the concurrent marketing channels and products and services to reach them. The assessment identified different market opportunities in terms of geography, sector, and the quantum on financing required. It also explored products and services such as

cash flow-based loans or non-financial services that are typically more gender-forward and can drive the acquisition and retention of women borrowers.

Case Study: Acceso Credito in Peru

Despite recent gains in (formal) employment and entrepreneurship, Peruvian women must overcome substantial barriers to full economic participation. Mobility challenges relating to safety and security are also rising to the limelight, with Lima's public transportation system ranking as one of the most dangerous for women worldwide. This is a concern for women working in transportation and women using transportation. As transportation safety concerns are one of the largest drivers of women's workforce attrition, unsafe transport in Peru is likely a bottleneck to further increasing women's employment. Acceso Creditico (Acceso), a lender focused on taxi financing, is uniquely positioned to tackle these challenges



In January 2020, Acceso participated in the GSOA to identify opportunities to attract more female clients, and increase women's participation in the taxi driving profession. Women comprise only a fraction of Peruvian taxi drivers, which many suspected was due to safety and security concerns. However, focus group discussions held during the GSOA revealed the main barrier is actually the ability to drive; women are deterred from entering male-dominated driving schools and never learn how to drive a car, or get a license (it is especially uncommon to have the kind of license required for professional taxi drivers). Armed with these insights, Acceso is exploring how it can partner with local universities to offer driving classes for women to build a generation of female taxi drivers who may need loans to finance their vehicles.

In addition to identifying opportunities to build a pipeline of female borrowers, Acceso also explored how it could tailor existing products and services to align with women's needs. Acceso had already noted that their female clients repaid at higher rates than the men and they had adjusted their credit algorithm accordingly. Acceso had several women-focused CSR partnerships, was targeting women Venezuelan refugees, and considered developing various new products. With GSOA's steer, Acceso prioritised which initiatives to focus on first, to give the biggest result for themselves and their clients. They are now experimenting with risk-based pricing to lower cost for women and attract more borrowers, partnering with organizations that provide women with other income-generating activities, and maintaining outreach to the refugee community.

DEG and its Delivery Partners

The Gender Smart Opportunity Assessment is a service for financial institutions, commissioned by DEG via its Business Support Services. DEG, member of KfW Bankengruppe (KfW banking group), is one of the leading European development finance institutions. For more than 50 years, DEG has been financing and structuring the investments of private companies in developing and transition countries. With the goal of fostering sustainable growth and a lasting improvement in the living conditions of the local population, DEG provides long-term capital for profitable economic activities in the financial, agricultural, infrastructural and the manufacturing sector.



In the financial sector, DEG provides debt and equity financing to financial institutions who, in turn, offer financial products and services to entrepreneurs, small- and medium-sized enterprises and small corporates as well as to other specific target groups for developmentally relevant purposes. In addition to debt and equity financing, DEG offers its FI clients technical assistance for a range of different purposes, depending on their specific demands. DEG's FI clients include banks, non-bank financial institutions, insurance companies and leasing companies.

The specific objective of the Gender Smart Opportunities Assessment is to assist DEG's FI clients in understanding the business case of catering to women-led enterprises and corporates and developing customer-centric strategies, business models and delivery mechanisms to target women more successfully, including institutional strengthening of the FI and developing new or adjusted financial and non-financial products.



The Gender Smart Opportunity assessments are conducted by Sustainable Finance Advisory and Palladium.



The report was prepared by DEG and Palladium.

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