



ACADÉMIE DE LA BEI DÉDIÉE AUX BANQUES DE PME ET À LA MICROFINANCE EN AFRIQUE DE L'OUEST ET DU CENTRE 2021

THE EIB WEST AND CENTRAL AFRICA SME BANKING AND MICROFINANCE ACADEMY 2021

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Gender Finance: Seeking New
Opportunities by Offering the Right
Value Proposition



www.msmeфинансета.eu/eib-academy-event

What type of organization do you represent?

- Commercial bank
- Microfinance institution
- Development finance institution
- NGO
- Training organization
- I have a micro, small, or medium enterprise (MSME)
- Other

What is your gender?

- Female
- Male
- Other
- Prefer not to say

Does your institution have a gender strategy for clients?

- Yes
- No
- Not sure
- What's that?

Why are you here today?

- I'm responsible for my organization's gender strategy or policy
- I'm interested in learning about gender finance in general
- I was told to join by my boss or other superior
- I'm just here for the networking

Why focus on women?

- **Untapped demand:** W-MSMEs in developing countries need USD 1.6 trillion more than they've been able to borrow (IFC). They also often under-estimate the amount of finance needed to grow their businesses.
- **Growth segment for financial institutions:** Financial Alliance for Women annual member surveys show women outpacing men in customer and credit growth every year since 2014.
- **Better repayment:** The same survey found that the share of non-performing loans (NPL) among male SMEs was more than twice that of WSMEs in 2019.

Are the majority of your institution's clients already women?

- Yes – I know because my institution tracks sex-disaggregated data
- Yes – we don't track sex-disaggregated data but I'm pretty sure
- No – I know because my institution tracks sex-disaggregated data
- No – we don't track sex-disaggregated data but I'm pretty sure
- Not sure

Financial Constraints

Access to Finance

Driven by both limited control over assets and lower levels of knowledge

Assets

- Less likely to own property in her name
- Less likely to have full access to property that is jointly held

Knowledge

- Less familiar with banks
- Unsure how to access credit
- Tend to underestimate amount of business financing needed
- May not even seek financing

Non-Financial Constraints

Sector Choice

- 70% of women-led enterprises are in trade and service sectors
- **Less capital-intensive**, generally **less profitable** than those dominated by men (manufacturing, mining, IT services)

Gendered Barriers

- Social norms and laws
- Time and mobility constraints
- Smaller networks
- Limited access to mentors, role models
- Educational gaps (lower access to STEM education)

Does a focus on women as customers result in discrimination against men?

- Yes
- No
- Not sure

W-MSME Value Proposition

Tailor financial and non-financial services to their needs

1. **Access to finance:** alternative collateral options, terms that fit her needs
2. **Education – how to:**
 - Prepare for and estimate financing needs
 - Build business management skills, develop soft skills (leadership, negotiation), build confidence to face a loan officer/banker
 - Improve financial and digital literacy
3. **Networking opportunities:** introduce her to potential buyers, suppliers, innovation; offer the chance to learn and share experiences
4. **Mentors and visible role models:** “You cannot BE what you cannot SEE”
5. **One-stop banking experience:** remove the burden of “shopping around” for answers or services. Digital, self-service tools save time, add convenience

In your opinion, what is the main reason to focus on gender finance?

- The business case – financial institutions can profit while helping their customers grow
- The corporate social responsibility (CSR) perspective
- Compliance with government policy in my country
- Compliance with funder requirements
- I don't know - I'm just here for the networking

The ROI of NFS

Combination of financial + non-financial services can yield profit in 1-2 years

Four drivers of ROI

1. Increased **interest income** from loans
2. Increased **share of wallet** from cross-sell, deposit volume, fee income
3. Increased **loyalty**
4. Reduced **portfolio risk**

1. Interest Income

Often the main contributor to ROI

Particularly in the first one to two years

Increased interest income from loans

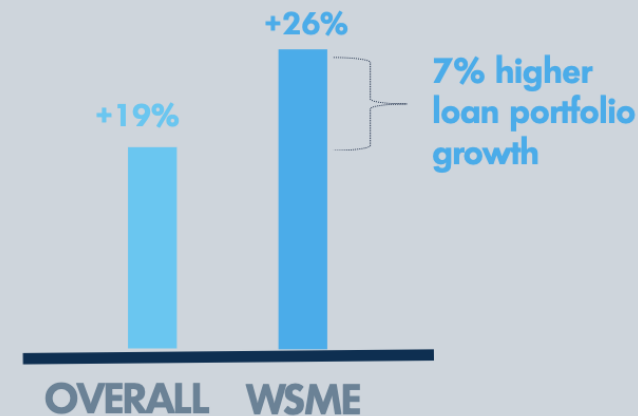
Sex-disaggregated measures:

- Number of borrowers
- Average loan size
- Loan portfolio value



From 2014-2016, Banco BHD Leon in the Dominican Republic's WSME loan portfolio grew 26 percent, vs. 19 percent SME loan portfolio growth after the launch of Mujer Mujer, its women's market model.

LOAN PORTFOLIO GROWTH



Source: Non-financial Services: the Key to Unlocking the Growth Potential of Women-led Small and Medium Enterprises for Banks, IFC, 2020

2. Share of Wallet

Increased cross-sell, deposits, and fee income

Increased share of wallet from cross-sell

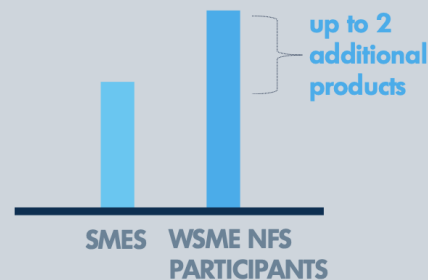
Sex-disaggregated measure:

- Average number of products per customer



WSME NFS participants have up to two additional products on average vs. total SME portfolio.

PRODUCTS PER CUSTOMER



Increased share of wallet from deposit volume

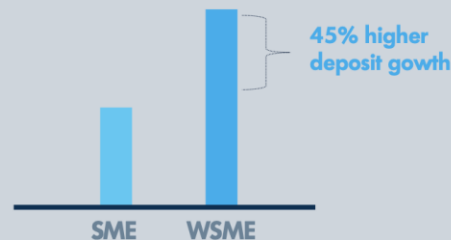
Sex-disaggregated measures:

- Average deposits per customer



From 2012-2015, BLC Bank Lebanon's WSME deposit growth outpaced total SME deposit growth by 45%, after the launch of their women-focused WE Initiative.

DEPOSIT GROWTH



Increased share of wallet from fee income

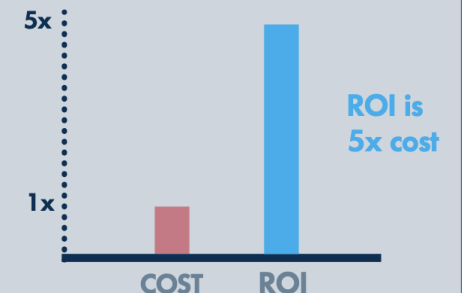
Sex-disaggregated measures:

- Total fee volume from NFS participants vs. non-participants
- NFS fees



ROI ON NFS FEES

The ROI on annual membership fees for KCB's Biashara (Business) Club is 5x NFS cost.



Source: Non-financial Services: the Key to Unlocking the Growth Potential of Women-led Small and Medium Enterprises for Banks, IFC, 2020

3. Loyalty

NFS participants – particularly WSMEs – are more loyal

They are also more likely to remain active customers

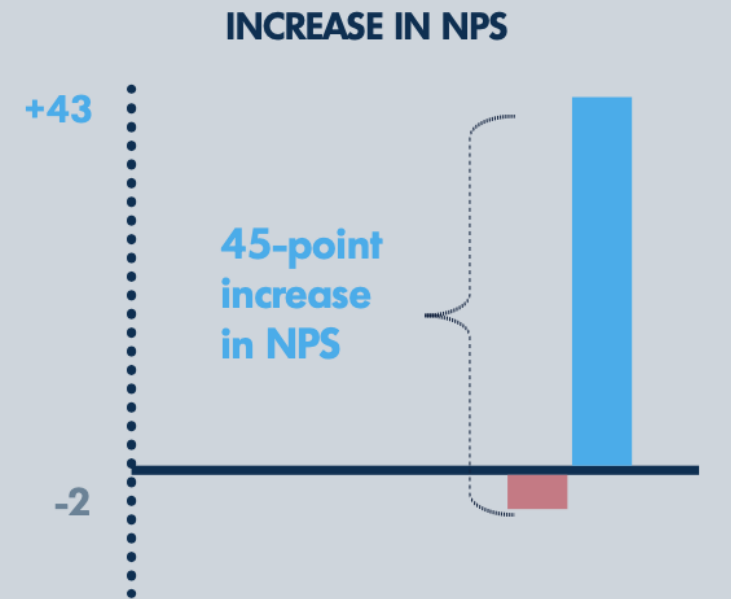
Increased loyalty

Sex-disaggregated measures:

- Net Promoter Score (NPS)
- Client retention rate
- Share of inactive accounts



KCB Bank in Kenya's NPS went from -2 to +43 over three years, after the introduction of its WSME proposition.



Source: Non-financial Services: the Key to Unlocking the Growth Potential of Women-led Small and Medium Enterprises for Banks, IFC, 2020

4. Portfolio at Risk

WSMEs that participate in NFS have lower NPLs vs. total portfolio

As found by the Financial Alliance for Women, IFC, and others.

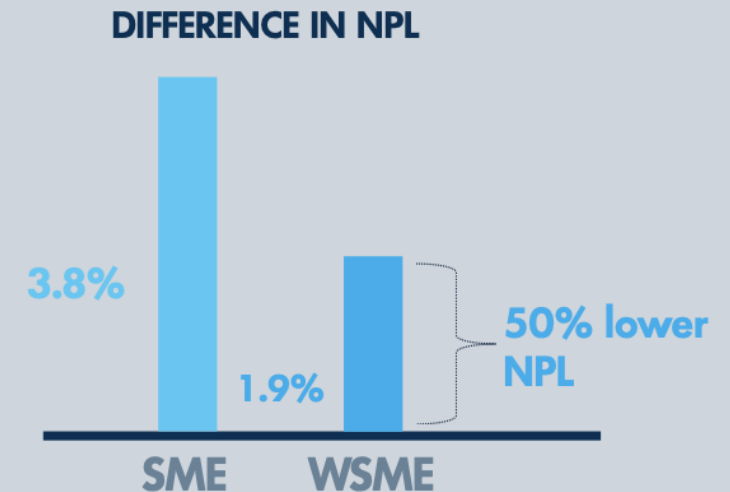
Reduced portfolio risk

Sex-disaggregated measure:

- NPL



In 2018, WSMEs in IFC client banks with targeted Banking on Women programs had NPLs of 1.9 percent, vs. 3.8 percent for the total SME portfolio.



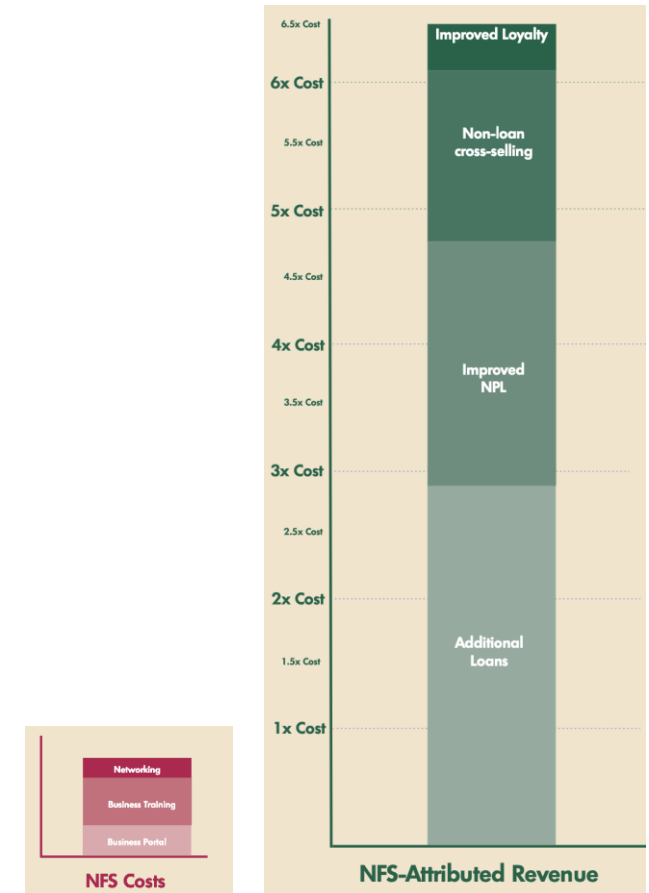
Source: Non-financial Services: the Key to Unlocking the Growth Potential of Women-led Small and Medium Enterprises for Banks, IFC, 2020

Example: ACBA Bank (Armenia)

ROI of 6.5x costs on three NFS components, 2016-2018
Overall SME portfolio

Women in Business results

- ROI of <1 year, driven by increased loan conversion, average loan size.



Source: Non-financial Services: the Key to Unlocking the Growth Potential of Women-led Small and Medium Enterprises for Banks, IFC, 2020

Designing the Offer

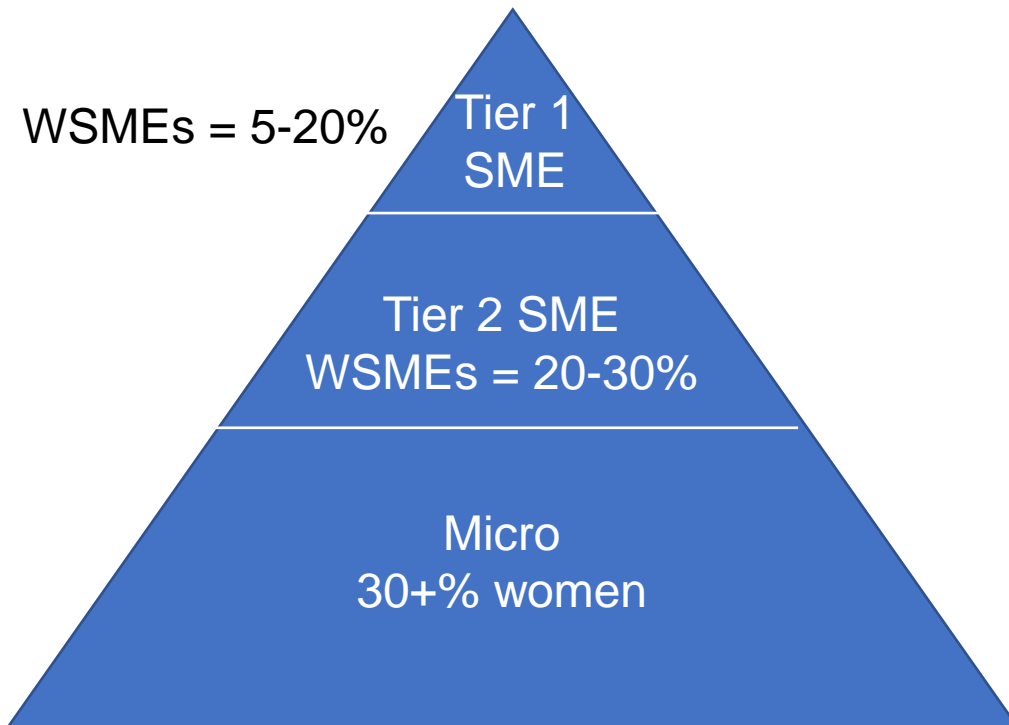
Determine program objectives

Then develop the model

1. **Tailor the proposition** to the needs and profiles of different segments
2. Provide an **integrated, one-stop** experience
3. Build **institutional alignment** to drive results
4. Integrate **measurement** into design and delivery

1. Tailor the Proposition

Banks are moving away from “one-size-fits-all” SME portfolios



Common Differences between Tier 1 and Tier 2

Tier 1	Tier 2
Companies	Family-owned, partnerships, sole
Higher-profitability sectors	Trade, service sectors
Links to corporates, buy from T2	Unlikely to have corporate links
Formal structures and processes (in-house accountant)	Higher level of informality; outside accountant
Multi-banked, with business and personal accounts	Banked but may use personal accounts for business
Financial transactions shifting to digital	May have a POS, but most transactions are cash

1. Tailor the Proposition

Tier 1: Full-service Relationship Banking

- **NFS offers:** tailored advisory such as business coaching; growth-specific information and networking opportunities
- **WSMEs** also need opportunities to meet other successful women mentors, role models

Tier 2: Direct Banking

- **NFS offers:** one-stop access to banking and NFS opportunities
- Financial management software, business skill-building
- Networking events tailored by sector or value chain
- **WSMEs** also need to build financial literacy, soft skills, confidence
- Access to networking, mentors

2. One-Stop Experience

Financial and non-financial services

Use partnerships to deliver high-quality non-financial services

- Business management technology
- Access to marketplace platforms, with tailored financing and e-commerce education
- Blended learning

3. Institutional Alignment

Communicate the program as a strategic priority

Align KPIs, monitor progress

- Consider appointing a C-level champion to regularly communicate the program and performance in staff meetings, and reiterate its importance
- Dedicate a small team to develop NFS programming and coordinate with front-line staff to communicate and implement
- Train staff on the why and how of serving women – communicate benefits to them (incentives, stronger relationships, portfolio growth)
- Tie objectives to NFS targets as well as financial targets
- Determine whether to charge a fee for NFS

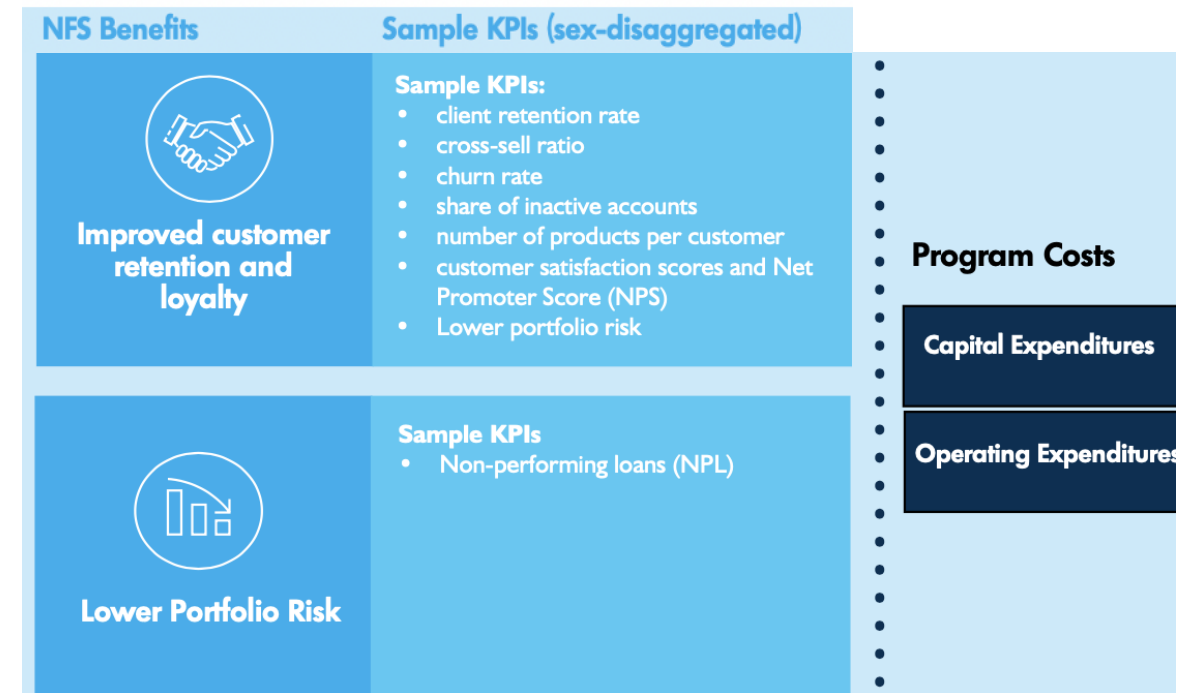
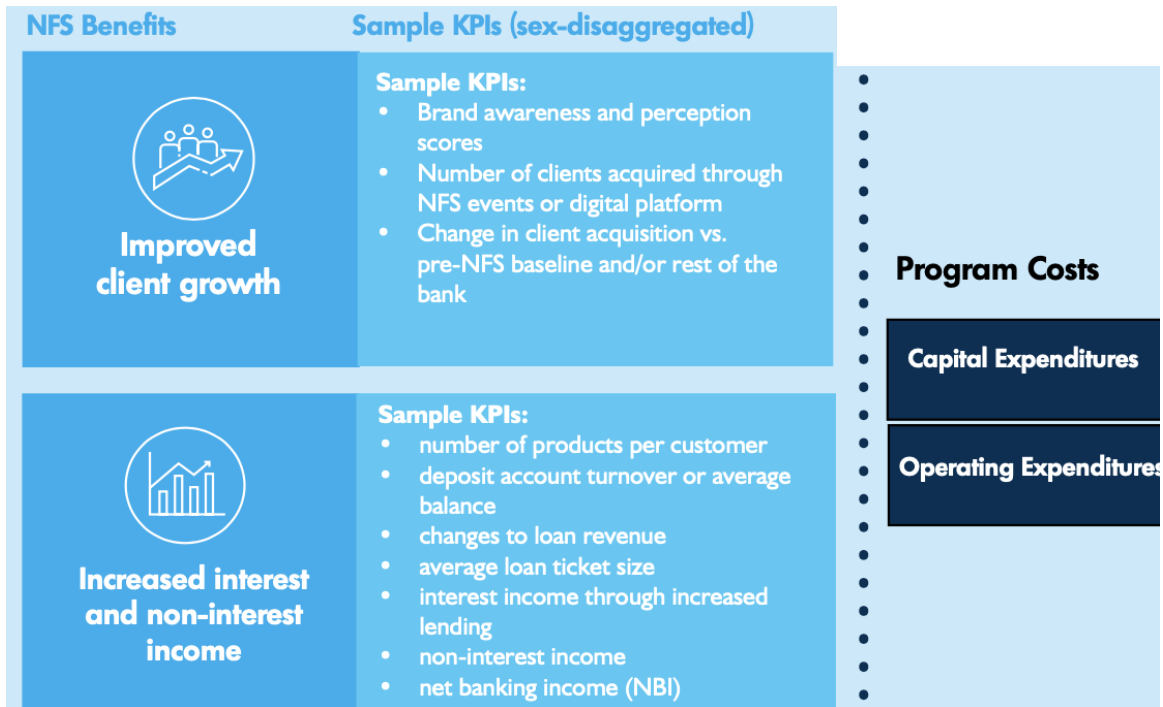
4. Measure

- **Determine program objectives.** Examples: client growth through branding and differentiation, increased revenue, improved retention/loyalty, lower risk
- **Determine the right KPIs** – *ones that can be routinely measured.*
- Consider using a **benefit-cost framework**

Benefit-Cost Framework

Link measurement to desired outcomes

Define goals, identify KPIs, track costs



Minimizing Measurement Challenges

Linking KPIs to gender and NFS can be a challenge

Advice from banks that have found solutions

- Identify the two or three KPIs that are best able to show whether the program is meeting business objectives. Focus on those.
- Define “WSME” and implement a process for capturing the sex of SMEs
- Determine what is realistic to track based on capacity and IT infrastructure
- Establish a baseline
- Implement on-going performance monitoring for front-line staff

Q & A

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