

Women's World Banking White Paper on Providing Women Access to Financial Services in Response to Proposals by the G-20 Financial Inclusion Expert Group

“We commit to improving access to financial services for the poor. We have agreed to support the safe and sound spread of new modes of financial service delivery capable of reaching the poor and, building on the example of micro finance, will scale up the successful models of small and medium-sized enterprise (SME) financing.”

Excerpt from the G-20 Leaders' Statement, The Pittsburgh Summit, 24 – 25 September 2009

At the G-20 Seoul Summit in November 2010, the G-20 Leaders endorsed the 'Financial Inclusion Action Plan' and the creation of the Global Partnership for Financial Inclusion (GPFI). From that came a subgroup on SME finance designed to identify and scale up successful models of SME financing. The group introduced a work stream to address the challenges women entrepreneurs face in growing their businesses, which the group acknowledged as “major bottlenecks to growth and development.” This work stream encompasses research and data, policy recommendations and identification of finance models geared to the needs of women entrepreneurs. According to the subgroup, “In many countries, half or more micro businesses are owned by women. But research shows that a disproportionate share of these businesses fail to grow and evidence so far suggests that access to finance is one major constraint for growth. Other barriers include constraints on mobility, competing household responsibilities, risk aversion, lack of training, exclusion from entrepreneurial networks, and social restrictions.” (More detail about the subgroup's additional activities can be found at: <http://www.gpfi.org/about-gpfi/sub-groups-and-co-chairs/sub-group-sme-finance>)

Within this context, the GPFI released a report, "*Strengthening Access to Finance for Women SMEs in Developing Countries*," at the G-20 Summit in Cannes on November 4, 2011. The report sets out to analyze the issues in improving access to finance for women-owned businesses. The report highlights key trends, challenges and opportunities for advancing women's entrepreneurship and increasing their access to finance, including identifying financial and non-financial institutions with scalable approaches; highlighting knowledge gaps and providing policy recommendations.

Women's World Banking's Response

Women's World Banking (WWB) was asked by several G-20 governments to comment on the subgroup's report. We welcomed the opportunity to expand upon the analysis presented in the report and are delighted to see a commitment to financial inclusion by the G-20 Leaders and their acknowledgement that women face different or additional barriers to entry in accessing finance. Overall, the report accurately portrays the challenges facing women with respect to owning and growing small and medium enterprises (SMEs). WWB crafted this response to highlight what we know to be the major barriers that impede the inclusion of poor women from the financial sector, and to offer solutions to these barriers as well as to encourage the subgroup to consider broadening the definition of financial inclusion to include a full suite of financial products including access to savings accounts, insurance and pensions.

The following comments draw upon qualitative market research conducted by WWB between 1999 and 2010 with 11 of its network member microfinance institutions (MFIs) in 10 countries. Five studies were conducted to inform the design of women-focused credit products and six gender baseline studies were conducted to help understand how gender identities, roles and responsibilities inform intra-household

resource allocation. The populations studied include former, current and potential borrowers of MFIs. Data is also drawn from quantitative research conducted with several WWB network members.

These studies shed light on the current limitations of microcredit in helping women grow their businesses and yielded salient insight into the ways properly designed and marketed financial services can have a real impact on poor households.

Before addressing specifically the things MFIs can do to better serve women, we must acknowledge that they live and work within cultural constraints that affect their ability to access financial services or grow their businesses. For example:

- Women's earnings are viewed as 'supplemental' to men's, leading to a tendency for women to divert money from their business to household needs, while men can reinvest earnings in their businesses to help them grow.
- WWB finds that while women have entered the productive sphere, men have not correspondingly assumed more of the household responsibilities. Unless women can reduce their domestic responsibilities, their involvement in creating and sustaining a business will not improve their quality of life, and will reduce the potential they may have as leaders and entrepreneurs in their communities and country.
- Mobility constraints lead to women's involvement in predominantly home-based businesses, which are typically in highly competitive sectors and require limited human and investment capital. Businesses are often extensions of household activities, such as sewing, buying and selling goods, running beauty parlors and catering. While these activities have low barriers to entry, they also have limited scalability. Additionally, lack of mobility limits the customers with which women can do business (i.e., selling to neighbors on credit rather than receiving cash) and leaves male household members to buy and sell in the market-place, consequently, allowing men to assume greater control over the business and its profits.
- Reaching women in rural markets presents an additional set of challenges. Research by WWB in Uganda (2009) found that women in rural areas tend to be unpaid laborers on family farms, but

Women's World Banking is a global network comprised of 39 leading microfinance institutions from 27 countries. The network members are diverse in geography, size and structure but united in the firm belief that microfinance must remain committed to women as clients, innovators and leaders. WWB works with these institutions to design financial products and services that fulfill women's needs while demonstrating the sustainability and social impact of serving women. By providing innovative approaches that we can replicate and scale we can prove that investing in women directly can be both profitable, "proving the business case," and generate positive social benefits. By investing in women we produce a multiplier effect on the well-being of their households and communities. WWB works with microfinance institutions to:

- Create innovative financial products including credit, savings and insurance and works with partners to bring these products to scale. We do this through understanding the financial needs of women and then creating products to fit those needs. By designing tailored products and using marketing and delivery techniques not currently used in microfinance, we seek to give women not only access to financial services, but also control over their assets.
- Provide institution-strengthening services to support microfinance institutions, including gender diversity initiatives, and financial training and support.
- Develop principled, visionary leaders and meritocratic organizations through its Center for Microfinance Leadership; and
- Share knowledge and innovation by providing network members opportunities to exchange best practices with other microfinance leaders.

also engage in their own small scale income-generating activities. However, these activities are viewed as supplemental and financial institutions often reach out to rural markets only through male-dominated agricultural co-operatives that leave women farmers ignored and unserved.

Based on what we have learned during the past decade on how to best tailor products to meet the needs of women, we offer 9 suggestions to financial institutions interested in increasing access to finance for poor and low-income women.

Respecting what women value

1. Time: Acknowledge constraints on women's time and mobility

Time spent at a bank branch is time women spend away from their businesses and household duties; the responsibilities of childcare and maintaining a household already significantly limit the time women have to devote to their businesses. Time spent banking, whether in a group meeting or transacting at a branch only exacerbates this burden.

Institutions can better serve women by keeping group meetings shorter or less frequent and by making experiences at the branch more efficient so clients spend less time in line to make a deposit or loan payment. Household duties or cultural constraints may also limit women's mobility. Microfinance has been effective in some markets because of its ability to go to clients. Institutions understand that serving women often means providing services in their communities and homes.

Mobile phone technology and other alternative delivery channels (ADCs) have the potential to go further in giving women greater control over their financial futures by giving them direct access to financial services. Additionally, ADCs can allow MFIs to reach more remote markets that may otherwise be too costly or difficult to serve. Further research is required to fully understand how technology can be used to benefit women's access to financial services.

2. Confidentiality: Give women the choice of who they want involved in financial transactions

Our research has found that members of a household do not necessarily share all information on finances. Confidentiality is therefore a product attribute greatly valued by women. In fact, this element is important even in highly co-operative households, as men and women often have different financial priorities and, it is often in women's best interest not to share the amount they have saved with their husbands. For this reason, for example, plastic debit cards are preferred to pass books that show activity and balances.

WWB Gender Research

WWB has been a pioneer in the field of gender-focused research. WWB's recommendations in this paper are largely informed by this industry-leading research.

Product Design Research

- Kenya Women Finance Trust (Kenya, 2000)
- The Gambia Women's Finance Association (The Gambia, 2003)
- Kashf Foundation (Pakistan, 2004)
- Ujjivan Financial Services (India, 2007)
- Uganda Finance Trust (Uganda, 2008)

Gender Baseline Studies

- Banco ADOPEM (Dominican Republic, 2002)
- Association Al Amana (Morocco, 2003)
- MI-BOSPO (Bosnia and Herzegovina, 2006)
- Microfund for Women (Jordan, 2006)
- Kashf Foundation (Pakistan, 2008)
- Enda inter-arabe (Tunisia, 2009)

Quantitative Studies

- Shakti Foundation (Bangladesh, 1999)
- Uganda Finance Trust (Uganda, 2000)
- CMM Medellin (Colombia, 1999)
- FMMB Bogota (Colombia, 1999)

Product Design

3. Accommodate all levels of literacy in product design and marketing

Lower levels of education and literacy can present barriers for clients if the products and documentation are not clearly explained. WWB research shows that women value transparency, require more information and tend to take longer to make a decision about financial services than men.

Institutions within the WWB network have been successful in creating campaigns that use pictures and illustrations to explain the purpose of the account, and designing visual worksheets that help clients choose the amount and frequency of deposits. Simplifying forms and explanations can help empower clients.

4. Documentation and collateral requirements: Be sensitive to the fact that requirements for documentation and collateral may exclude women

One of the challenges of including women in appraisal-based individual lending is adapting loan requirements to make it accessible to women. Many institutions still require collateral, such as a property title, to which women often do not have access, or they require a co-guarantor. The WWB methodology, for example, requires a co-guarantor, usually a fellow business person, as most microentrepreneurs do not know salaried employees. This was appropriate in many countries, but in some, such as Pakistan, women found it quite difficult because most fellow entrepreneurs were men and it was hard to ask them to co-guarantee their loan.

In other cases the barrier is of cost – clients may pay signatories, such as salaried employees or members of the local council; requiring a photo means a client has to pay a photographer to come to the village.

Rural women also face a greater barrier when collateral is required, as a land title is the preferred form of collateral by lenders. In Uganda, women own just seven percent of land, though they provide a majority of agricultural labor. Additionally, it is acceptable for a husband's family to take possession of assets after he dies, potentially leaving his spouse without any land, housing or livestock.

MFIs can work with clients to help them identify appropriate guarantors. Understanding women's access to resources and their cultural constraints is important to avoid excluding them.

Why Women and Microfinance?

The initial motivation for microfinance roughly 30 years ago was, to a great extent, gender neutral. The pioneering MFIs sought to provide credit to poor entrepreneurs who had no assets to pledge as collateral and, consequently, were denied access to capital by the formal banking sector. It quickly emerged, however, that women entrepreneurs invested the profits from their businesses in ways that would have a longer-lasting, more profound impact on the lives of their families and communities. The woman entrepreneur as the gateway to household security became a fundamental premise of the microfinance business model and the success of microfinance as a poverty alleviation tool.

Helping Women Build a Financial Safety Net

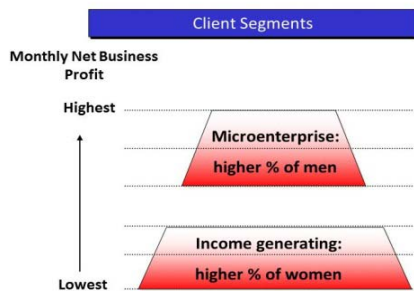
Microfinance is about much more than credit, and has the capacity to help more than entrepreneurs. WWB's research confirms that the key economic priorities for poor women, to a far greater extent than for men, continue to be health care, the education of their children, and housing. All MFI clients, but particularly women, seek a safe place to save the assets they have created and the means to protect them from catastrophic loss. WWB helps MFIs move away from a strictly credit-led approach toward providing a broader array of financial products and services, including savings and insurance, that help the poor build financial safety nets. The key to success for the MFIs of the future will be offering financial products and services that are designed to meet clients' needs, motivations and desires.

5. Loan size: Give women access to a range of loan sizes and structures

In the early 2000s, WWB introduced appraisal-based individual lending practices into nine microfinance institutions that had previously practiced group lending. Each MFI wanted to offer a product that would allow its clients to grow and would allow the financial institution to enhance its organizational capability and competitiveness. However, WWB found that few women met individual lending criteria and only a small percentage of group lending borrowers had microbusinesses capable of supporting the type of individual loans commonly considered to be best practice¹ which requires that a business generate sufficient profit to pay the majority of household expenses and re-invest in the business. WWB found that a notable 'glass ceiling' existed in the informal economy.

Research has shown that two segments clearly exist among MFI clients. The 'income generation' segment is typified by borrowers with income-generating activities that are most often home-based, with seasonal income and sales based on credit rather than cash. Women entrepreneurs dominate this segment. The second segment is what WWB calls the 'microenterprise' segment, where one business generates the majority of income for the household. These businesses are often located outside of the home, sales are based on cash, and revenues tend to be less subject to seasonality. Male entrepreneurs tend to dominate the microenterprise segment.

Asymmetry in Gender Composition By Business Profitability



There are many reasons for this stratification including those previously mentioned – time constraints, lower education levels and literacy rates, and the perception that women's income generating activities are secondary or supplemental to men's. Women tend to grow their businesses horizontally by investing in a number of income-generating activities, rather than expanding a single business, in order to diversify risk and ensure steady cash flow throughout the year. This diversification allows women to take advantage of seasonal opportunities, but limits the growth of any single business.

One way to better serve women with credit products might be a hybrid product that includes a guarantor system and characteristics of individual assessment by loan officers. For example, women entrepreneurs would benefit from a product in between the Grameen group lending approach, commonly found in South Asia, and the individual appraisal-based lending used to support growth-oriented microbusinesses. This product would require less robust financial performance from the business and would have less onerous guarantee requirements than the IPC model. Such a product

¹ As defined by the appraisal-based cash-flow methodology that requires low collateral. This methodology was championed by Internationale Projekt Consult GmbH (IPC) throughout Latin America in the 1990s.

could draw from the Latin American Solidarity Group model in which a group of five borrowers meets only once a loan cycle, an individual loan appraisal is conducted and the group is only held accountable for the loan in cases of extreme default. A hybrid could also include a system in which two women co-guarantee each other.

Similarly, providers could develop a bridge product in between a microloan and SME loan. WWB's work with Diamond Bank in Nigeria showed that many women's businesses were misclassified as SME and were being denied loans because they did not satisfy the SME requirements, when in fact the businesses were actually large microenterprises that would have easily fulfilled microcredit requirements.

Accounting for Cultural Norms

6. Tailor marketing strategies to reach women

There is a sector-wide need to orient lending institutions, particularly those focused on SME clients, to better target and serve women. Marketing is a critical part of maintaining client focus. As Women's World Banking develops and scales products, we remain committed to learning about our clients' needs through market research before designing a product and using marketing materials to inform, educate and empower them.

This effort involves gathering intelligence on the specific needs and motivations of women and refining lending policies and procedures to address them, aligning the organization through re-branding exercises and staff incentive systems, embedding gender sensitization training in staff recruitment and development programs, and building marketing department capabilities.

Women's World Banking embeds marketing in every product introduction to ensure that products reach women clients. For institutions targeting the women's market, customer-centric marketing strategies that reflect an understanding of the unique needs, behaviors and motivations of women are essential. This includes reaching women in the places they frequent – schools, churches, or in rural areas using cooperatives to reach women. Often word-of-mouth is the most effective technique, and refer-a-friend programs have proven to be successful.

7. Branding: Create a brand position that honors women

As mentioned previously, women are often viewed and identify themselves as, the caregiver of the family. WWB has found that for many low-income women, success in life is associated with providing their children with a proper education and owning a house. Growing a business is not identified as a primary or secondary measure of success, but often as a means to an end.

Successful branding campaigns have the power to change not only the way women see themselves but also the ability to shift cultural attitudes about the roles of women and girls. Using testimonials of successful business women are powerful role models and can help men learn to respect women's contributions.

8. Institutional Culture: Ensure gender positive interactions

To truly serve women well, institutions must:

- Ensure conversations with clients are gender sensitive, and that credit officers understand the range of constraints that women face

- Avoid use of pejoratives when speaking to clients (e.g., mamasita)
- Take time and provide clear explanations of products and services
 - Staff must be friendly as women tend to be nervous first-time buyers
- Provide a woman-friendly branch experience
 - Women value access to bathrooms, seats and a child-friendly environment
- Acknowledge cultural barriers in conservative societies (e.g., Pakistan)
 - Consider providing female credit officer for female clients

Gender sensitization is of the utmost importance and employee incentives must be aligned with providing women access to financial services; employees may have similar mental models as clients in terms of the appropriate role of women.

- In Jordan, WWB saw that some credit officers were more stringent in rationing the loan amount to women because they did not believe women were as capable of running a business as men
- In Pakistan, WWB conducted employee focus groups and found that male loan officers believed women should have ‘permission’ from their husbands to have loans and for the most part did not think women should use loans

One note on measuring women’s access to finance

Recent efforts in the microfinance industry to increase the inclusion of social performance into MFIs’ management, reporting and evaluation systems have not yet focused specifically on indicators that demonstrate impact on women. With some exceptions, most MFIs track the sex of the loan applicants or savings account holders. From this, it is possible to report on product use patterns by sex, as well as retention and repayment rates. This data is useful for marketing departments as they create strategies and tactics to target specific segments of customers. A second tier of gender-based indicators that require additional information from clients and therefore require modification to data gathering methods already in place, require commitment from the institution’s leadership to implement, but can yield great insight into impact.

For example, simply tracking number of women clients leaves out some vital information. In some markets, women have had difficulty keeping the loans they obtain for their own ventures. In 2006, 60% of Kashf Foundation (Pakistan) borrowers, all of whom were women, self-reported giving the loan they received to a male household member. The real percentage of women passing on loans is likely to be even higher. However, some women reported that once the male’s business had been established, after four to five loan cycles, they were then allowed to use the loan for their own income-generating activities.

Moving Beyond Credit

9. Offer a full suite of financial products

For the past 30 years microfinance has been a credit focused industry and few organizations were allowed by regulation to offer savings products. However, as more MFIs are becoming regulated institutions, there is an opportunity to help customers build financial stability in their lives by offering savings accounts, insurance and pension products.

Savings products: WWB’s research shows that women are the primary savers in most households. Women are concerned with being able to absorb lifecycle needs, such as paying for children’s education and health-related emergencies. For financial institutions to successfully reach low-income women clients, providing a safe place to save is as important as offering credit. Women have legitimacy as savers, even in conservative cultures, thus savings products have enormous potential to help women achieve economic security for their families. Women value products that allow them to save more efficiently. For example, a number of WWB network members are implementing programmed savings

accounts whereby clients can choose their savings goal as well as the amount and length of time they save. This product can ultimately serve as a qualifier for a loan, allowing the savings to be leveraged for bigger investments, such as housing.

Microinsurance products: Microinsurance has tremendous potential to provide security and stability to a poor household. Meeting the costs of an unexpected health emergency is the most common reason women give for having to liquidate or de-capitalize their businesses. WWB has introduced a unique micro-health insurance product, 'Caregiver', to provide women and men with the opportunity to insure against sickness and disaster and thus to protect their businesses and families.

Invest in Women, Invest in the Future

Poor and low-income women globally represent a significant percentage of the poor. Providing them access to financial services is good for the economy. The productive potential of the female population that remains untapped is 48.4 percent compared to 22.3 percent for men.

More importantly, we believe, is the power to change families and societies. There is significant evidence that providing women access to financial services results in greater development benefits for poor families, as women tend to invest their resources in family priorities. They typically focus on improving the lives of their children and families, as consumers of better food, clothing, shelter, health care and education. As a result, the impact of a woman's access to financial products and services is felt outside her immediate environment and can extend to her family, community and society.

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