
Global Best Practices in Banking Women-Led SMEs



THE EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)

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WOMEN'S WORLD BANKING is the global non-profit devoted to giving more low-income women access to the financial tools and resources essential to their security and prosperity. For more than 35 years we have worked with financial institutions to show them the benefit of investing in women as clients, and as leaders. We equip these institutions to meet women's needs through authoritative market research, leadership training, sustainable financial products and consumer education.

The SME Market Opportunity

The small-to-medium enterprise (SME) segment is making a significant contribution to the global economy. Women-led SMEs, in particular, are not only creating jobs for themselves but also employing others. In 2012, an estimated 126 million women were starting or running new businesses in 67 economies around the world. A projected 48 million female entrepreneurs and 64 million female business owners currently employ one or more people in their businesses¹.

Despite the growth and contribution of women-owned businesses, there is a tremendous gap in their access to finance. It is estimated that over 70% of women-led SMEs are either unserved or underserved financially. According to a recent Goldman Sachs study, “this amounts to a financing opportunity of approximately \$285 billion. If the credit gap is closed by 2020 in just 15 countries including the BRIC countries, per capita incomes could on average be 12% higher by 2030.”²

In 2014, the European Bank for Reconstruction and Development (EBRD) commissioned a study on “Global Best Practices in Banking for Women-led SMEs” funded by the EBRD’s Special Shareholder Fund. The work has been conducted by Women’s World Banking and included researching global practices of financial institutions in serving women-led SMEs and developed recommendations for banks to adopt the best practices³.

Secondary research identified approximately 90 financial institutions globally that have focused efforts to reach the women’s market. Over half of these institutions were in Sub-Saharan Africa, South Asia and the Middle East, and almost 70% were commercial banks.

As a result of primary and secondary research, several themes emerged to inform the steps banks should consider to implement best practices in reaching the women-led SME market.

Best Practices in Serving Women-Led SMEs

Banks that have been most successful were early adopters in targeting the women’s market, driven by executive leadership understanding the market opportunity and committing resources. Secondly, banks recognized the hybrid nature of women-led SMEs, addressing not only business products, but also asset-building products for her personal needs. Best practice banks designed delivery channels for women to bank where they feel most comfortable.

Beyond the financial products, banks also offered non-financial services for women entrepreneurs to build leadership skills, and explore self-worth. These trainings were often supplemented by mentoring and networking opportunities, which are critical for women clients. Finally, banks that have been most successful are clearly measuring their effectiveness by developing robust Key Performance Indicators (KPIs) to demonstrate success and prove the business case for serving women-led SMEs.

From the research conducted, several banks were identified with innovative programs and products in serving women-led SMEs. Six banks, diverse in geography and size, embodied many of the best practices identified. The six banks are⁴:

- Banco Nacional, Costa Rica
- BLC Bank, Lebanon
- Garanti Bank, Turkey
- Royal Bank of Canada (RBC), Canada
- UniCredit Bulbank, Bulgaria
- Westpac, Australia

Examples from these best practice banks and others that are creating innovative approaches to serving the women-led SME market are highlighted in the following section, along with specific recommendations for banks to develop successful strategies for reaching this segment.

¹ “Global Entrepreneurship Monitor: 2012 Women’s Report,” Donna J. Kelley, Candida G. Brush, Patricia G. Greene, Yana Litovsky (2013).

² “Giving Credit Where it is Due,” Goldman Sachs (2014).

³ This document is an excerpt of findings and recommendations taken from the “Global Best Practices in Banking for Women-led SMEs” report provided to the EBRD in October 2014.

⁴ The research team came across several banks that had developed innovative strategies in one or more areas to serve women entrepreneurs. One important criterion in selecting the best practice institutions was their proven success in serving the women-led SME market, and replication potential for institutions in other markets.

I. KNOW YOUR MARKET AND CUSTOMER

Market research and segmentation is critical to successfully serving this market. Many banks initially entered this market through designated credit lines or subsidies provided by donors and international financial institutions. Products offered were not informed by market research but merely “marked” for women.

In conducting market research, be sure to:

- Start by assessing the size of the opportunity of serving women-led SMEs and the players who are currently serving the market. Identify trends in this segment and how the trends may impact growth of this business opportunity.
- Identify key constraints facing women entrepreneurs in accessing financial services (e.g., social and cultural biases, property and inheritance laws, education levels)

Once market research has been conducted, segment customers to identify distinct needs. Look at business sales, income levels, as well as the type of industry, sources of income, age, gender and location.

ROYAL BANK OF CANADA (RBC), CANADA

RBC conducted research to better understand demographic trends in the Canadian economy. It discovered that women had both an increasing role in household decisions and increasing purchasing power. The women's market had 950,000 self-employed women businesses and was estimated to grow at a steady pace. This research directly led to a decision at the highest levels of the bank to “stay ahead of the market” and invest in this segment. Today, RBC has a dedicated department for research, with a specific focus on understanding women clients through demographics, attitudes, gender dynamics, and segmentation.

SEKERBANK, TURKEY

Sekerbank conducted a detailed survey to better understand women's banking behavior. Criteria included age, marital status, employment and whether they were banked or unbanked. This research showed clusters with similar attributes, resulting in the bank identifying 11 sub-segments. This deep understanding of the sub-segments allowed Sekerbank to develop customized value propositions for the women's market.

II. VIEW WOMEN-LED SMES AS A DISTINCT GROUP

The women's market should be seen as a distinct segment within a bank, with a distinct value proposition. Research showed that women don't necessarily want differentiated financial products but they do want to be served differently and treated with respect. When considering the women's market as a distinct segment, be sure to:

- Adapt marketing materials to reflect women's needs, incorporating "women-to-women" communications
- Train staff, including relationship managers in serving women-led SMEs; employees who understand how to interact with women clients can be strong ambassadors for the women's market
- Tailor your brand strategy to resonate with women-led SMEs

WESTPAC, AUSTRALIA

Westpac is the first bank in Australia to have a dedicated Women's Market team. The team sits within Westpac's marketing unit and is responsible for retaining the existing female client base as well as acquiring new female clients using its brand "Ruby."

UNICREDIT BULBANK, BULGARIA

Bulbank has built an all-female salesforce for its women SME clients. All relationship managers are trained on psychological and interpersonal skills to better understand and service women clients.



III. BUILD INTERNAL CAPACITY

Buy-in from the Board and Executive Management is necessary to build the internal capacity to serve the women's market. An organizational structure to support this strategy must include:

- An internal champion who can rally the organization on the power of the women's market
- Clear accountability from an existing or new unit to ensure sustainability
- Gender diversity as a strategic priority both internally and externally
- Staff training to raise greater awareness of how to better serve women clients
- KPIs to track and improve individual and institutional performance

BANCO NACIONAL, COSTA RICA

Banco Nacional developed the “Banco Mujer” (Women's Banking) program which sits at headquarters and comprises 6 full-time staff who have accountability for ensuring that women SMEs are targeted and served well within the bank. This group sits at the same level as the overall SME unit. Banco Nacional uses gender-disaggregated data with activity-based costing to build the business case for serving this segment. The “Banco Mujer” program has been so successful that women are now considered a strategic segment for the bank.

WESTPAC, AUSTRALIA

Not only does Westpac have its dedicated Women's Market team, but it has an internal focus on women's leadership. Sixty-one percent of Westpac employees are women and from 2012 to 2013, the number of women in leadership positions increased from 33% to 42%.



IV. ADAPT YOUR CREDIT PROCESSES, LENDING METHODOLOGIES AND DELIVERY MODELS

Banks that have not focused on serving women clients, may not fully understand the risk profile of women-led SMEs. Integration of standardized measures such as credit scoring can help assess and mitigate risk. In addition, risk assessment can be supplemented with analysis of formal and informal data sources as well as the SMEs track record and future outlook, adopting more of a relationship banking approach.

Adapting credit processes and adding a mix of delivery channels can also help to meet women's needs, including:

- Flexible loan terms, adapted disbursement or repayment features
- Fixed or mobile assets such as household goods or jewelry as collateral
- A mix of service delivery channels, including branch, agent, mobile, and online
- Bank branches with women-dedicated staff
- Dedicated outlets or agents at locations frequented by women

BLC BANK, LEBANON

BLC Bank recognized that women in the region are often asset-poor, due to property rights and inheritance rules, and designed a collateral-free loan to address this barrier.

GARANTI BANK, TURKEY

Garanti Bank designed the Gold Secured Loan, which allows women to use gold as collateral.

CARD SME BANK, THE PHILIPPINES

Card SME Bank in the Philippines created a credit scoring model based on segmentation on loan size. CARD SME places greater weight on non-financial criteria such as age, successor, health and management of the business. For the largest loans, it also relies on financials such as cash flow, inventory and revenue.

BANQUE POPULAIRE DU RWANDA (BPR), RWANDA

BPR found that those branches that had been assigned a woman relationship manager experienced higher growth in the number of women SME clients than those branches that did not have dedicated women relationship managers.

V. OFFER WOMEN A COMPREHENSIVE MIX OF FINANCIAL AND NON-FINANCIAL PRODUCTS AND SERVICES

Women place value on both personal and business products and services from a financial institution and are often eager to consider multiple or bundled products from a bank. For a full value proposition for women-led SMEs, banks should offer:

- Core professional products such as business banking accounts, term financing and overdraft facilities
- Value-added financial services, such as leasing, payroll services, cash management, Forex, card servicing, payment solutions, insurance policies, POS deployment, and merchant acquisition
- Value-added non-financial services such as advisory services on taxation, legal issues, business training and networking opportunities
- Core personal financial products such as savings and checking accounts, overdrafts, term loans, consumer finance, pension plans, insurance policies, mortgages, and asset management

BANCO NACIONAL, COSTA RICA

Banco Nacional runs a comprehensive training program for high-potential women clients. For nascent entrepreneurs, the program includes basic management training; for more advanced clients, a “Maintain and Grow” and “Accelerate” program are offered. The bank selects participants for the programs and links training with sales targets and a requirement to follow-up with clients to reinforce the lessons learned. These programs have resulted in strong cross-selling.

GARANTI BANK, TURKEY

Garanti created its Women’s Entrepreneur Support Package to help women entrepreneurs create and grow their businesses. The bank offers non-financial services through strategic collaborations with Kagidier (Turkey’s Women Entrepreneur Association), as well as magazines and academic institutions.



VI. INVEST IN PROVING THE BUSINESS CASE THROUGH DISAGGREGATED DATA

Banks need to collect and analyze data by gender to monitor performance of their investment in women. The banks that have been most successful in serving the women's market have tracked this data, which demonstrated the loyalty of women clients, and the higher share of wallet per client driven by cross-selling.

WOMEN'S WORLD BANKING, U.S.A.

Women's World Banking developed a framework of gender-based financial and social performance indicators which will enable financial institutions to measure how well they are serving women and staff, while also building the business case for women. There are a select set of five indicators that serve as the minimum that all stakeholders in financial inclusion should use to track and improve gender performance: (i) percentage of new women borrowers, (ii) average loan size per woman borrower, (iii) women borrower retention rate, (iv) women's portfolio at risk, and (v) women staff retention rates.

BLC BANK, LEBANON

BLC Bank started disaggregating data by gender at the launch of its "WE Initiative." The bank had to redesign its IT systems in order to extract baseline gender data to measure performance. These metrics are now reflected in the bank's key performance indicators and according to the management of the program, "this was the most important decision the bank made with regards to this program."

The Path Forward

This research conducted by Women World Banking under the assignment commissioned by the EBRD, uncovered six best practices for banks to adopt if they want to be successful at serving the women-led SME market. The banks that are acting on the market opportunity are already reaping the benefits, through an increase in the share of women-led SMEs in their portfolios, a decrease in non-performing loans, and the ability to cross-sell products to women-led SMEs at double or more the rate of other segments.

There is still a significant opportunity for banks that have not looked at this segment before, and the best practices identified here represent the path toward a more successful value proposition for women-led SMEs globally.

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