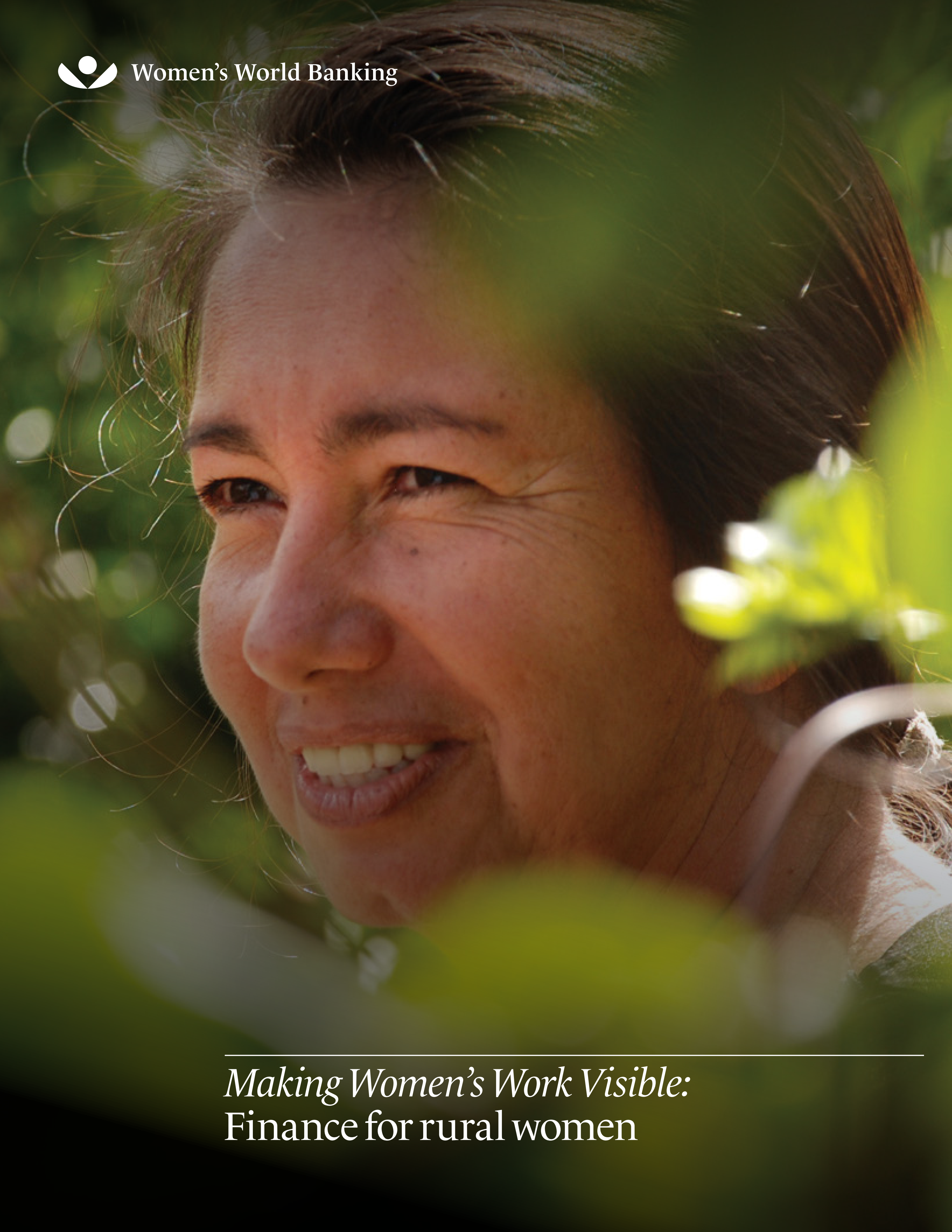
Women's World Banking



Making Women's Work Visible:
Finance for rural women

Much of the conversation around reaching the rural poor with financial services has been related to the promise of mobile phones to overcome geographic challenges or access to the supply chain to increase production. However, discussion of whether rural families have access to a loan or savings account that meets their needs is a fundamental place to start before considering other innovations.

At Women's World Banking we know that serving rural women is important for rural families and viable for financial institutions. It will, however, take much more than replicating a loan or savings product that has been successful in an urban setting.

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.

Rural women: an underserved market opportunity

Globally more than one billion women have no interaction with a bank or financial service provider. Rural women face unique challenges and limitations. They have, on average, lower levels of literacy and education than men, and generally have less freedom within households and communities. At the same time, women are responsible for managing the household, raising the children, contributing to some part of the family business as well as engaging in community activities more than men. Recent changes in some rural economies have also pushed women to look for salaried work outside the home. However, women's lack of access to credit, the tools to run a farm (supplies and equipment), and markets inhibit their productivity and potential, a potential that financial institutions are well-positioned to tap.

In Latin America approximately 61 percent of adults do not have an account at a formal financial institution, slightly higher than the rest of the developing world (58 percent.) The rate for high-income countries is 11 percent. Only 35 percent of women in the region have access to financial services; presumably the number for rural women would be quite low.

Financial institutions interested in broadening their offering to rural areas, especially to women, will have to overcome some geographic and cultural challenges and it will take time to make changes in these remote areas. However, reaching rural clients offers growth in competitive markets where urban areas are saturated and concerns about overindebtedness are rising. Women's World Banking believes that inclusion of women as a long-term strategy makes institutions more competitive and offers a much sought after growth opportunity.

More than 68,000 clients have accessed a new rural loan product; 46% of them are women.

Together, the three institutions have dispersed more than US $22 million to women to sustain or grow their businesses.

PILOT OVERVIEW

Women's World Banking, in partnership with Federal Ministry for Economic Development and Cooperation (BMZ); Credit Suisse; Hivos; the Multilateral Investment Fund, member of the Inter-American Development Bank Group; and Irish Aid, began a project in 2011 to develop financial products for women in Latin America with the goal of reaching 24,000 new clients by the end of 2014.

We partnered with three institutions that also see rural women as an opportunity in an untapped market segment: Interfisa Financiera (Paraguay), Caja Arequipa (Peru), and Fundación delamujer (Colombia). While all of these institutions have experience offering loans to entrepreneurs two had developed that expertise among an urban clientele and the third with larger agriculture clients.

Our research with these three institutions showed that perhaps the most important feature of rural loans is that they are tailored to rural families. For instance, if a financial institution has had success with a loan product in urban areas, it cannot assume the same offering or methodology for assessing creditworthiness will fit a rural context. The three partner institutions saw evidence of this firsthand: by employing the same methodology to rural and urban clients, rural repayment wasn't as good, clients were leaving after their first loan and women made up a much smaller part of the portfolios. So, as is our practice, it was essential for our team to begin a pilot project with in-depth customer research and market analysis to adapt the product offerings to ensure they were meeting the needs of rural clients, especially women. This research informed the development of new loan offerings, staff training, marketing strategies, and new ways to monitor outreach.

As of July 2014, more than 68,000 clients have accessed a new loan product, 46 percent of them women. Together the three institutions have dispersed more than US $22 million to women to sustain or grow their businesses.

Designing Loans to Meet Rural Needs

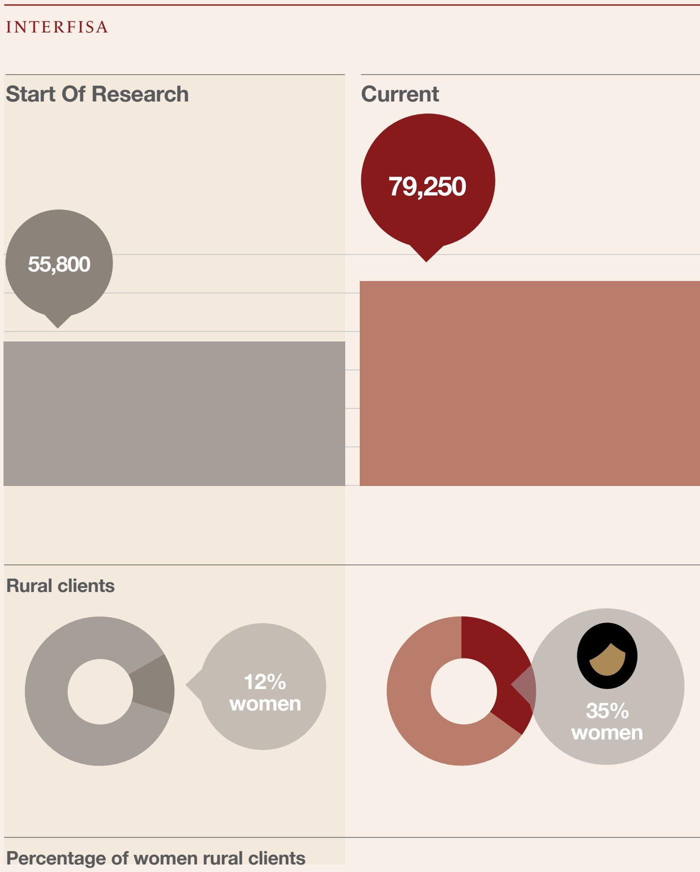
Credit for microentrepreneurs can take many forms. It can be a group loan in which a small group of women take a loan, divide it among the group and act as guarantors for each other, with all responsible for the repayment, even if individual members default. These tend to be smaller loans with no physical collateral. As microfinance evolved, financial institutions began offering individual loans based on business income, often requiring collateral. Both of these are generally based on a monthly or weekly repayment schedule.

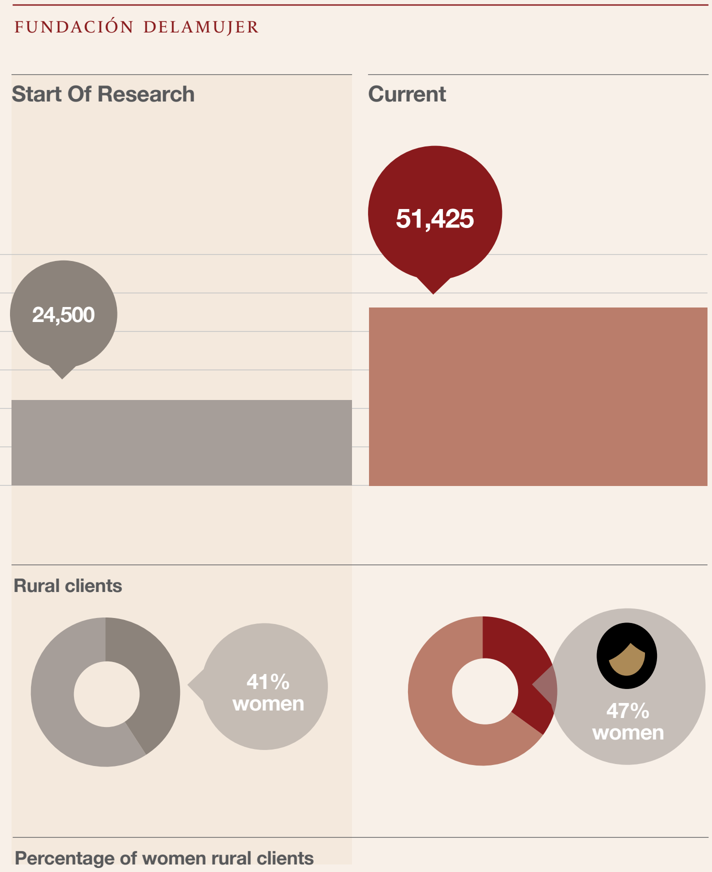
While this suits the needs of urban businesses which have a regular income, this approach is less appropriate for rural families, where seasonality may define the business. Financial institutions began offering "bullet" payments in which the entire principal is due when a crop is harvested or livestock are sold. While these match the income, they don't take into account low yields or the impact of weather. Basing loan amounts on all the economic activities of a rural family, not only the major crop, can help ease this burden.

"For urban businesses the income is stable and permanent on a monthly basis," says Patricia Torres, Business Manager of Caja Arequipa. "One has sales and purchases every month so one can know in advance what the income will be. When we give loans to buy stock or to build a store, we do it by evaluating the client's present repayment capacity. However in the rural area, we evaluate the present repayment capacity but we also estimate the future income that will be generated by the loan we are granting. In the rural area we cannot grant loans with monthly or fortnightly installments as we do in the urban sector because in rural areas the loans depend on cash flow and income volume on a seasonal basis, for planting, maintenance, labor payment, so I deliver the loan in stages. So the disbursement is based on cash flow and so is the return of the loan. That is a major difference."

PROJECT OUTCOMES (AS OF JULY 31, 2014)

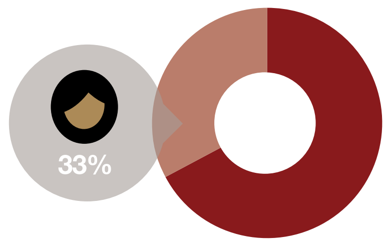
	INTERFISA		FUNDACIÓN DELAMUJER		CAJA AREQUIPA		TOTAL	
INDICATOR	Number	%	Number	%	Number	%	**Number**	**%**
TOTAL LOANS DISBURSED, NEW PRODUCTS	15,746		48,162		4,755		**68,663**	
TOTAL LOANS DISBURSED TO WOMEN ONLY	5,161	33%	23,830	49%	2,887	61%	**31,878**	**46%**
LOANS DISBURSED TO NEW CLIENTS ONLY	6,065	39%	21,852	45%	2,852	60%	**30,769**	**45%**
NEW CLIENTS WOMEN	2,310	38%	10,629	49%	1,743	61%	**14,682**	**48%**
TOTAL STAFF TRAINED	338		709		183		**1,230**	
NUMBER OF BRANCHES USING PRODUCT	30		199		15		**244**	

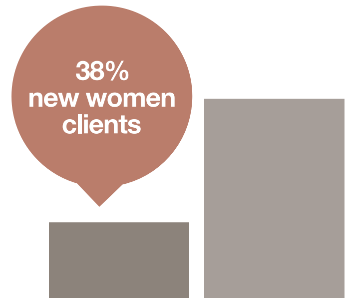




* Caja Arequipa was serving only rural clients with small- and medium-sized enterprises, not the microentrepreneurs served by this project.

PROJECT RESULTS



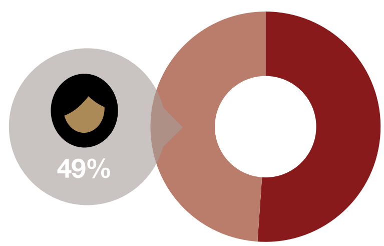


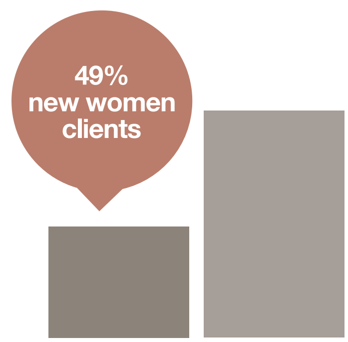
INTERFISA

Total loans disbursed, new products

Percentage of loans disbursed to women only

2,310 new women clients



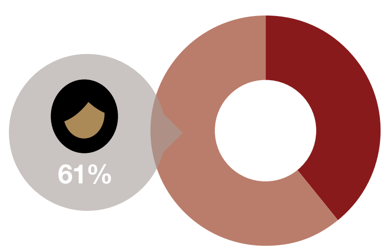


FUNDACIÓN DELAMUJER

Total loans disbursed, new products

Percentage of loans disbursed to women only

10,629 new women clients



CAJA AREQUIPA

Total loans disbursed, new products

Percentage of loans disbursed to women only

1,743new women clients

Research to understand client needs

Women's World Banking's success over the past 35 years is based on our ability to understand customer needs and develop appropriate, responsive solutions. Every Women's World Banking project begins with research to better understand economic roles within the family and the activities of the household, the barriers to accessing financial services, and the product attributes which would be most valued by potential customers. This research has been critical to developing financial products for women. We have been helping financial institutions introduce credit products based on cash-flow assessment since 1997. In some cases this included assisting the institution in making the transition from group lending to income-based individual lending and in others we helped institutions identify barriers that were keeping women from accessing these loans and provided appropriate solutions. Additionally, Women's World Banking has conducted in-depth research studies to better understand the ways in which women's roles within poor households affect financial behaviors and the allocation of time and money.

In the three countries that were part of this project, Women's World Banking researchers interviewed clients and potential clients (in focus groups of men, of women and as couples). The team combined these interviews with insights from meetings with local governmental agencies, non-profits, other service providers and gender and rural experts to understand the competitive landscape. Collectively these informed a strategy for each institution to identify a target market as well as conduct product development and outreach.

RESEARCH FINDINGS

Rural families, and women's role within them, are contextual

During the research phase, we saw a range of households: some more cooperative where a couple was sharing businesses and the household functioned as a single economy; some where the male was clearly in charge and was dominant income earner and decision-maker; and those in the middle where women had a voice and decisions may have been made cooperatively but the businesses were kept separate as "hers" and "his."

Roles and responsibilities in households informed us about the specifics needs and barriers of each family member when accessing financial products. In Paraguay, women engage in many different economic activities and perceive their work as an extension of their household responsibilities, they define themselves as "housewives." This perception is shared by their husbands and the community. In Peru the majority of rural women identify as income generators for the household and are more aware of their financial contribution. As they are the primary administrators of household income, they are more involved in the decision-making process of how these funds are used. In Colombia the household dynamic tends toward more cooperative—decisions are normally taken together even when the husband and wife have separate businesses. Women are focused on improving the well-being of the household through investing in education or quality of life improvements. They are also looking to become more independent, particularly those who had older children. All of these findings have implications for how a financial product is designed and marketed.

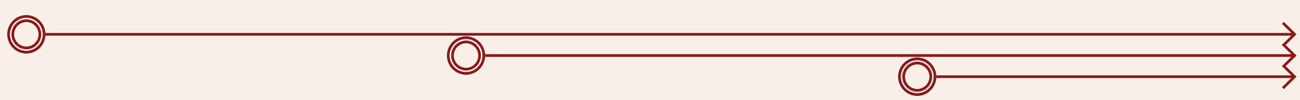
Rural women's contributions are often invisible

Across the three countries, rural women, perhaps more so than their urban counterparts, fulfill a wide range of roles in a household. They generally serve as the primary caregiver, both to children and the elderly and take responsibility for the family's housing, healthcare and education as well. They may also play the role of farm hand for large crops while also tending their own small livestock for the household (chickens for eggs, goats for milk and cheese). They might have other income generating activities such as running a small shop; making and selling jams, yogurt, cheese, "fique" for sacks and packages, etc.; or performing services such as tailoring or hairdressing. Some even earn additional income as day laborers.

What came through most clearly in the research was a disconnect between a woman's economic contribution to the household and their perceived role. Although their financial contribution to the household economy is important, even women themselves rarely perceive it as such. They assume that their activities are "normal" for rural women and don't see themselves as entrepreneurs. Both men and women viewed her role as homemaker first and foremost. In a rural household raising small animals, providing farm labor or selling food are seen as "helping" but not as having a significant impact on the household finances.

It may be for this reason that the extent of women's economic contribution is regularly undervalued. This is due in part to the high frequency and small amounts of revenues that come from women's activities—money flows out as quickly as it comes in, most often spent on the family's daily expenses. This income is also dwarfed by a large lump-sum payment for a seasonal crop, for example corn or soy, that a spouse may be contributing. However, when researchers performed a cash flow analysis the results were striking. For example, a couple, Lucia and Carlos, raise cattle and Lucia also sells cheese and eggs. The main source of family income was thought to be the sale of cattle—until a detailed cash flow analysis was done and showed that Lucia's small-scale activities actually make up 61 percent of the household income. Her income is used for household expenses and some upkeep of the

A WOMAN'S ROLE IN A RURAL HOUSEHOLD



CONTRIBUTER

- Focuses on housework, caring for the family and subsistence farming
- Unsure of how to start a business, less educated, less time to devote to an enterprise
- Has little mobility
- May only speak indigenous language

COLLABORATOR

- The farm is jointly managed, most of her time is in service to the joint venture
- Participation in income-generation increases her decision making within the household
- Interested in growing her business but sees it as too small to be bankable
- Has little mobility
- May only speak indigenous language

SOLE PROPRIETOR

- Has an income-generating business of her own, which she controls
- Has input into family financial decisions
- Wants to invest and grow the family's assets
- Children tend to be older (15-25)

livestock until they are sold. Carlos had received a loan for his cattle business, but if Lucia could access credit she estimates she could increase egg sales to bring in an additional 6.5 million guaranies (approximately US$1,500), which would represent a ten percent increase in the family's yearly income.

In another family, Pablino is a carpenter and also sells charcoal. Banks lent to support Pablino's activity without taking into account the income generated by his wife Rosalia who sells cassava and the Paraguayan cheese bread known as chipa. She contributes up to 57 percent of the family income but loan officers consistently overlooked Rosalia's economic contribution in their credit analysis as they assumed her activity was "too small" to be considered. After using the new analysis methods developed with Women's World Banking it was clear that Rosalia could support her own loan; she subsequently received a loan that she used to buy a cooking plate.

Research also showed that woman confront the same risks to their businesses and barriers to accessing financial services as men but they face them more acutely. For example, women are less likely to have land titled in their name or are less likely to have been taught basic financial skills. They also are often less mobile because of their role as caregiver. However, our research shows that women also have specific personal barriers: they lack self-confidence, have little experience in taking loans or working with banks and they perceive their businesses as too small for a loan or that their assets aren't good enough to be taken as collateral. They fear that building a business will come at the cost of their contributions to the household. All of these concerns must be taken into consideration if an institution aspires to serve women well.

Each of the three pilot institutions built on this research to create or modify a loan product. In some cases this led to new products tailored to specific industries or a change in the name of the product to emphasize that both women and men are eligible for the loan. In others it meant letting go of some long-held beliefs, including a one-loan-per-household practice, as well as the need for a spouse signature as collateral/guaranty.

FROM RESEARCH TO SOLUTIONS

FINDINGS

Men and women in rural families both underestimate women's contribution to the household income. This contribution was seen as supplemental, partially because this income was used for daily expenses while the income from the man's crop was earned in a lump sum and was more visible.

Similarly, loan officers underestimated the woman's contribution and might not even analyze this income as part of the loan assessment.

IMPLICATIONS

Women are excluded as customers and a significant portion of the family income is disregarded.

There is increased credit risk in relying on the income from one large harvest for repayment and not taking into account the steady cash flow of women's activities.

POTENTIAL SOLUTIONS

Modify existing credit methodologies to measure the entire family income and the growth potential of all income-generating businesses.

Allow multiple loans per household; this can have both business and empowerment effects when women control the loan for their businesses.

Train staff to see women as viable and valuable clients.

Raise awareness of women's contributions through marketing efforts.

Create multiple loan products for different needs (livestock, machinery, artisan).

Loans for women, based on research

PARAGUAY: *NDE VALÉ*

Developing a strategy to reach rural women had particular significance for Paraguay, as it has some of the lowest levels of financial inclusion in Latin America and the world. According to the Global Financial Inclusion (Global Findex) database, an initiative of the World Bank, only 10 percent of rural Paraguayans have a bank account compared to 35 percent across Latin America. Interfisa knows the challenges in serving women. While the institution is committed to reaching women and was making progress on this goal, moving from serving 31 percent women in 2009 to 39 percent in 2012, there was still a sizable gap in their rural portfolio with women making up approximately 14 percent. Recognizing the importance of reaching this market, Interfisa's senior management was open to adopting a new strategy.

Since 2004, Interfisa had been offering an agricultural loan product for small and medium farmers, but it was not producing the results the institution had hoped. These loans had a higher default or arrears rate, particularly among farmers with a "bullet" payment, than the rest of their portfolio. This is a common way to structure an agricultural loan in which the entire principal is due when the crop is harvested, as opposed to monthly payments. This worked for some clients but for others it was a risky proposition, particularly if yields were low or weather intervened. Additionally both the agricultural products and the existing microcredit loan offerings were too high to meet the needs of rural clients. Interfisa's credit analysis also made no distinction between rural clients who worked in non-agricultural sectors. For example, a women living a in a rural area who ran a bakery or a dry goods store would be treated as an urban client for the purposes of credit evaluation, even though her income fluctuates along with the income cycles of her customers.

Responding to the market research described above, Interfisa created a loan product, *Nde Valé*, to account for the multiple businesses that a rural household manages as well as their relatively smaller size. The *Nde Valé* loans are up to 10 million guaranies (US $2300) with amounts based on a detailed cash flow analysis of all the household income. Families are allowed to have multiple loans as long as the credit analysis supports it—a woman was still eligible to fund her businesses even if her husband had a loan for a larger business. Repayment was adapted to meet the cash flow of the individual business rather than applying a generic repayment plan. Loans are distributed within three days (as opposed to 10 days on average previously), and often even more quickly. Research findings showed that rural clients tend to have more time constraints than urban clients. They need to be able to seize an opportunity when livestock are for sale, or if they need fertilizer or pest control. Clients cited quick disbursement as one of the most attractive features of the loan. "I could not believe I could apply to take a loan," said Ida Cristina González Jara, a first time client of Interfisa. "I could really not believe it. And it was all so fast! [The loan officer] was here one afternoon and then the day after she called me and said 'your money is already available in your savings account' and I could just not believe it. I was surprised at how fast I got that loan. After that, I referred many clients to her."

Nde Valé translates roughly as "you can do it" but this Guarani colloquialism encompasses a broader concept than conveyed by its word-for-word translation. It conveys a sense of being able, skillful and brave: women do so much and must be valued, "you are important and I recognize and value you." It provides instant recognition of women's work and capabilities. This expression is widely used in Paraguay, even by people who are not fully conversant in Guarani. "We believe this fits women from the countryside perfectly well, since these are women who are not valued here in the country," said Ivonette da Silva, Social Responsibility Manager. "Today all eyes are set only on men and women seem to be absent from everything. By saying '*Nde Valé*,' they feel identified….and they know 'I can also do it; I can also get a loan; this loan is there for me.'"

Since the launch of *Nde Valé*, the average loan size has been 3.5 million guaranies (US$ 800). The pilot assessment showed satisfaction with the product, including loan size and tenor. Nearly half of disbursements were up to 3 million guaranies, and an additional 35 percent were between 3 and 6 million guaranies (US$ 680 to 1400), confirming that women who engage in small-scale production need a relatively small amount of capital.

For 58 percent of new clients, a *Nde Valé* loan was their first loan with a financial institution, proving that it filled a need and that *Nde Valé* product is contributing to the financial inclusion of rural women in Paraguay.

During the pilot, loan officers were surprised to see the extent of women's contribution to the household, and Interfisa management was quite surprised to see the *Nde Valé*'s loans contribution to the institution's bottom line. "In the beginning, it was really hard for us internally, because it was something new and a different perspective," says Aureliano Acosta Alfonso, Eastern Regional Manager for Interfisa, who oversees some of the branches where the pilot was introduced. "At first we were a little skeptical because those of us who are a bit older, we had a certain way of doing things. But later, the positive results were the most important thing. And we saw that it was good not only for [women clients], but for the entire company." These sentiments were echoed in interviews with staff and loan officers across the organization.

Perhaps the best indication of the program's success is the expansion of the *Nde Valé* concept to Interfisa's other financial products. All loan officers are using the credit analysis developed for the product and urban branch managers have welcomed this change as an improvement for their risk management and reporting. Similarly, the rapid response of delivering loans within three days was applied to urban branches as well.

COLOMBIA: "WE OPEN THE DOORS TO THE FIELD"

Fundación delamujer in Colombia has been serving the rural market since 2004 primarily through their Fundacrédito Agropecuario product, a loan for any activity broadly defined as agricultural or raising livestock. At at the start of the pilot, 19,000 clients were using the loan, 62 percent of them men. As an institution focused on serving women, Fundación delamujer struggled with these results and was eager to find a way to reach rural women.

Our research showed that, similar to women in Paraguay and Peru, rural Colombian women participate in many different activities, both their own income-generating and those supporting the family. The range of activities led Fundación delamujer to design a range of products, each with its own terms, to meet the various needs of women. Clients can have more than one loan, each designed with the size and repayment terms to fit the specific purpose of the income-generating activity.

"We provide a loan for each line of business where they need it," says Fundación delamujer loan officer, Luis Fernando Velásquez Delgado. "The main thing is to identify the clients' needs when we visit them and offer them the product that best meets their needs. If they need money for their crops, we will give them an 'agropecuario' loan. If they are raising a herd, we will give them a 'cria de animales' [livestock] loan."

FUNDACIÓN DELAMUJER CREATED A BASKET OF PRODUCTS TO FIT WOMEN'S NEEDS

	FUNDACRÉDITO AGRÍCOLA	FUNDACRÉDITO CRÍA DE ANIMALES	FUNDACRÉDITO AGROINSUMOS	FUNDACRÉDITO AGROMAQUINARIA	FUNDACRÉDITO AGROMUJER
LOAN PURPOSE	Planting, harvesting and any input required for this	Buying animals, arranging place where animals live, vet, food for animals, etc.	Buying inputs for crops and or animals at specific moment (maintenance)	Any machinery for farming or animals	For transformation of rural materials into final products
AMOUNT	589,000–14,725,000 COP (US $294–7,344)	589,000–14,725,000 COP (US $294–7,344)	589,000–3,534,000 COP (US $294–1,763)	883,500–70,680,000 COP (US $ 440–35,252)	589,000–14,725,000 COP (US $294–7,344)
REPAYMENT TERMS	4 to 24 months	3 to 24 months	3 to 24 months	3 to 24 months	3 to 24 months

One product, in particular, the Fundacrédito Agromujer, is designed exclusively for women producing "transformation" products on the farm, turning fruit into jam or milk into cheese or making empanadas or tamales to sell to the neighbors. This loan is available to clients even if their spouse has a loan as long as it supports separate activities. Both of these approaches deviate from the one-loan-per-household standard.

When asked about these new products Velazquez cited the benefits to both the client and the institution. "[Clients] are now in a better position because we can give more than one loan and that helps them to grow a stronger business. The rural portfolio has also improved because we have been able to adapt to clients' needs."

During the research phase, we saw a range of households: some more cooperative, where a couple was sharing businesses and the household functioned as a single economy; some where the male was clearly in charge and was dominant income earner and decision-maker; and those in the middle where women had a voice and decisions may have been made cooperatively but the businesses were kept separate as "hers" and "his."

PERU: SUPERATE MUJER

Caja Arequipa in Peru offered agricultural loans in the past, including livestock loans and harvest loans using installment payments that coincided with the payments that farmers received from the dairy company and the seed vendors. Research showed that the farmers wanted more autonomy and preferred to have their loans detached from the supply chain. These loans were also reaching only larger producers, technically part of the small- and medium-enterprise lending (SME) program. This left a large group of potential rural clients without access to a loan that could meet their needs, particularly if they had smaller production or multiple businesses.

Two of the existing farming products were redesigned: one for agricultural activities and another for raising livestock, targeting both men and women. As with Interfisa, the most relevant change was not in the features of the loan but in implementing a new way of analyzing the loan amount and repayment terms by performing a cash flow projection for the duration of the loan.

Market and client research also indicated that women had capacity for, and interest in, enterprise loans to grow their businesses and that there was an opportunity for Caja Arequipa to reach these women, which would provide a competitive advantage in a generally saturated market. Interest rates would have to be competitive; potential customers are sensitive to and savvy about rates. To make the most of this opportunity Caja Arequipa would also have to create a product in which payment terms match income flows, similar to the approach used by Fundación delamujer and Interfisa Financiera.

"When you meet a family living in a rural area and ask them what they do for a living, they tell you they live from their fields, from their potatoes, but they have to wait four or five months till harvest," says Patricia Torres, Business Manager of Caja Arequipa. "So you ask them what do they do during those months to live and they tell you the wife raises rabbits and guinea pigs and they live from that. The woman's income is never taken into account, even if it's the income that allows the family to eat everyday while they wait for the crop. So there is a hidden market that even the woman does not consider as an income. She sees it as something normal, to raise and sell guinea pigs in order to have some money to cook and pay for some services. It is only thanks to the project that we have realized that this market exists. There is no one in the rural area that does not do this kind of parallel activity. So this market does exist and it is there where we have the potential to grow. But we need to teach, to train and to close the distance, because these places are not easy to reach."

Responding to the specific barriers encountered by women in accessing loans, a third product, Superate Mujer ("Women Get Ahead") was designed to finance a range of activities (commerce, service, production, small animals and agriculture) with amounts ranging from 1,000 to 5,000 soles (US $350 to $1700). The distinguishing feature is that women do not need their spouse as a co-signer or guarantor. The standard in the market requires women to have a male counterpart to guarantee a loan. Single, widowed or divorced women or women who did not want to or could not include a husband on the loan document had to find another guarantor or secure collateral.

"When we started the project, we realized that a lot of women in rural areas needed a co-signer in order to receive the financial help we were offering, says Paolo Rodriguez, Rural Product Manager at Caja Arequipa, "We needed to change our loan terms because we could not give them a loan if both spouses did not sign the paper-work, so, together with Women's World Banking, we developed a product that eliminated the co-signer condition for the women that we had enforced at the time."

Of the three loans, agriculture loans make up 45 percent of the rural portfolio. Both are almost evenly distributed among new and returning clients. The best outcomes in terms of female borrowers were for the new loan product, the Superate Mujer. Unmarried women make up 67 percent of new loan clients, and 50 percent of those women are young (ages 18 to 27). Caja Arequipa has identified an unserved market that has been looking for business credit but has been constrained by marital status or need for a guarantor. While loan amounts go up to 5,000 soles (US $1700), 85 percent of loans issued during the pilot were up to 2,000 soles (US$ 700) or below. In total these three loan products contributed to a 25 percent growth in number of total loans at the four original pilot branches.

When you meet a family living in a rural area and ask them what they do for a living, they tell you they live from their fields, from their potatoes, but they have to wait four or five months till harvest. So you ask them what do they do during those months to live and they tell you the wife raises rabbits and guinea pigs and they live from that. The woman's income is never taken into account, even if it's the income that allows the family to eat everyday while they wait for the crop. So there is a hidden market that even the woman does not consider as an income.

—patricia torres, business manager of caja arequipa

Women are happy with the opportunity, but also say they want access to larger amounts in order to make more substantial upgrades to their businesses. Caja Arequipa is reviewing loan sizes to ensure they are large enough to support a business but also that women can repay them with business income. There is also need for caution as the institution gets to know these new customers—loan officers have been less diligent about conducting business assessments for these smaller loans, and is seeing some arrears. Management noticed that some of the loans were made to day laborers (instead of entrepreneurs) and is monitoring product outreach to ensure it is reaching the intended clients.

Implementation Strategies

Staff training must go beyond credit analysis

Staff training was a major component of this project: loan officers were trained in credit analysis and branch staff were trained in the new approach to risk analysis and modified repayments. "We were trained for everything, to deliver this product, to identify the client we offer it to, to evaluate, and in some cases to determine if the client has seasonal non-regular income, and how to manage the cash flow," says a loan officer from Caja Arequipa. "We pick up information on site, because sometimes they don't have too much documentation. Most of the work is done by talking and analyzing." In addition to credit analysis, rural loan officers are trained on promotional techniques, and are given the data to really understand the business case for serving women. More significantly, staff had to learn the needs of this market segment. They had to understand how rural families work in order to accurately target and assess new clients, while also understanding the family's risk mitigation strategies.

Selecting and training loan officers with existing agricultural knowledge emerged as an important best practice. To better serve clients, loan officers should be experts in agriculture—either come from an agriculture background or be an agronomist. This background helps with the assessment of the business and clients value advice from loan officers with this expertise.

Moreover, working in rural areas requires longer hours in the field, bad roads, longer distance to travel and in some cases living in small villages with little infrastructure. Financial institutions struggle to retain loan officers under these conditions and are more successful when the loan officer enjoys the work and is familiar with the challenges. A successful loan officer or branch staff will not only identify appropriate clients but help those clients see themselves as credit worthy and the financial institution as a partner in growing her business or supporting her family. Each of the three institutions developed a profile (even if informal) of what makes a loan officer succeed in this environment. Clients continually cited their loan officer as a provider of both financial and business advice.

TRAINING STAFF TO SERVE WOMEN

One of the challenges in serving the women's market is understanding that being gender inclusive requires a holistic institutional approach. Women's World Banking works with its partners to deliver a gender training that is based on real examples that an institution may encounter. The sessions focus on creating awareness of our preconceived notions about gender and how this might impact the institutions, desire or ability to provide financial services to women.

The workshop is based on some guiding principles.

- Sex corresponds to physical or biological conditions, people are born male or female. This condition does not change throughout time. On the contrary, gender corresponds to a social construct, and the attitudes toward and roles of men and women are dynamic and framed under culture. For example, in many ancient cultures, women were in charge of building houses or in charge of agricultural production, while men stayed at home to cook and weave.

- It is important to understand the roles and attitudes applied to women and men within the culture to understand that financial needs and priorities may differ. For example, if research shows that women are associated with tasks related to being a mother and caregiver and that she is also the household administrator, as a client it may mean she is more risk averse because she is responsible for making what little money the family has go further. Because she is the primary caregiver, her business endeavors will revolve around things she can do from home while watching the children or while they are at school. Both of these have implications on how she uses financial products—how much debt she may be willing to take, the importance of savings, or the appeal of products that help her plan for health emergencies.

- In order to expand access to financial services to women, staff have to be aware of these perceptions and set aside all stereotypes and prejudice that may limit clients of both sexes from fulfilling their financial and business needs.

The training reinforces the market opportunity and business case for serving women. Finally, the training covers barriers to accessing financial service, by gender and how to mitigate those, both external barriers (collateral and documentation requirements or trouble getting guarantors) and internal (unfamiliar with financial institutions and lack of experience or not growing her business because of focus on children or a husband's business). Loan officers don't necessarily talk about these concepts directly but it is clear the training has helped them to see women as viable clients and has given them the tools to recruit and retain women clients.

MARKETING MATERIALS FROM INTERFISA

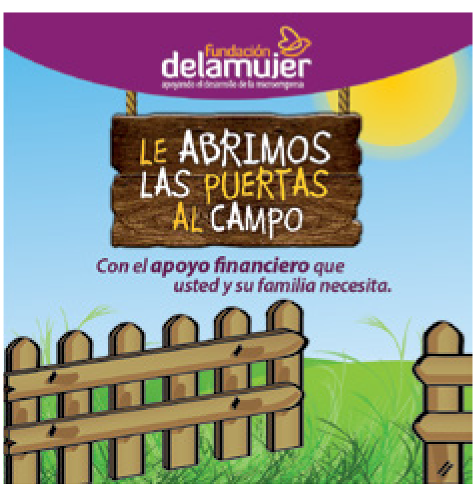
Word-of-mouth and targeted community marketing is most effective in attracting rural clients

The pilot assessment in each of the institutions showed areas for improvement in marketing, primarily reducing mass market communications in favor of word-of-mouth or community-based approaches.

Interfisa experimented with a radio series of 10 ten-minute broadcasts in the local Guaraní language that included stories of women and men living in rural areas, describing their problems—which ranged from lack of money to grow the business, health concerns, stress about educating their children and how *Nde Valé* helped them. Each broadcast showcased different activities, not only agricultural activities but also making handicrafts or small scale food production. Unfortunately, client feedback showed that the radio novellas proved to be too long or not engaging enough to hold people's interest. During the pilot phase, Interfisa's marketing department instead adapted more targeted outreach strategies, which have proven more effective. This included outreach to owners of community-based radio stations, who are generally respected community members, who would then promote *Nde Valé* and loan officers attending community meetings. When one Interfisa client was asked whether she would recommend Interfisa to a friend she replied, "All of my neighbors know about [my loan] because when something works out for one of us everyone talks about it and we all hear about it." She was a new client who had met her loan officer at a community meeting.

Similarly, Fundación delamujer executed a strategy based on client referrals by selecting clients to help with outreach. They also built on their strengths and developed a program to arm customers with the information to recruit clients directly. They arranged community meetings for new clients as well as existing clients who gave feedback and asked questions about the different products. A flyer was designed reflecting the new approach by the institution of "opening the door to the field" using pictorial design for different loans to accommodate regional differences. Radio jingles are also planned for local and community radio stations, incorporating lessons learned at Interfisa.

Caja Arequipa's approach to marketing started with brochures, promotional materials and radio jingles. The main challenge for creating materials was that the institution's recent re-branding was not resonating with rural clients because they did not see themselves in the materials. Pilot testing showed that women wanted the information presented simply and with photos or illustrations that represented their lives. Similar client feedback was incorporated in marketing for Interfisa.



marketing materials from fundación delamujer

Institutions aligned around a shared goal are more successful

Critical to the success of the program is an institutional culture that values rural women as clients, from loan officers to senior management and the Board of Directors, and provides resources to support growth of this portfolio.

At the outset, Fundación delamujer was already seen as the bank for women in its market and the entire institution is aligned toward this goal. The challenge was to understand the needs of rural women and their role in the family and as entrepreneurs. As a result, gender and rural training for field staff was promoted and supported by senior management. Practically, in order to implement the range of five loan products, there also had to be a directive from senior management to ensure the credit, risk and human resources departments understood their role in supporting a rural growth strategy.

For all three institutions, the research done with rural women confirmed that while loans are important, the goal for most rural families is the ability to build and protect assets. Clients want access to the same financial products we all use in order to build a prosperous life for themselves and their families. Moving beyond credit to meet these needs will be the way forward in ensuring rural families can plan and build a better future. This includes access to a savings account, health insurance, crop insurance and pensions.

During the time the pilot was implemented at Caja Arequipa, the institution was simultaneously rebranding as well implementing a new core banking system. Both of these initiatives diverted attention from the rural project, perhaps leading to some of the initial lack of commitment by branch managers and loan officers. Additionally, managers throughout the organization were focused on meeting 2013 goals, which did not reflect this rural expansion project. A new focus on microentrepreneurs in 2014 did much to rectify this misalignment. In fact, Caja Arequipa implemented a new system of performance targets heavily weighted on capturing new clients, rewarding growth in number of new female clients instead of portfolio size, recognizing that these new clients came with smaller loans. One of the recommendations before moving forward with a full roll-out was to appoint a dedicated manager for rural expansion, rather than a product manager because reaching clients in rural areas requires more than product design—it requires cooperation from multiple departments across the organization (risk, IT, marketing, etc). This manager was appointed in June 2014.

Of the three pilot institutions in this project, Interfisa represents the most significant shift in thinking among staff and institutional culture. Part of the success can be attributed to a committed leader and Board who made it clear that serving rural women was the way forward and the institution needed to find a way to do it sustainably. Interfisa's top managers made the pilot program a priority and conveyed this message in a very clear way to the rest of the staff using the internal communication channels, but also by actively participating in the pilot development and monitoring. Senior managers attended loan officer trainings and visited pilot branches regularly. Board and management understood the challenges and provided the needed resources to achieve program success. Staff members were expected to integrate the gender training and apply it to the advisory services they provide to their clients.

All three institutions have integrated a specific rural strategy as part of their business strategy for the coming years.

Institutions have to gather and use quality data to adapt and make adjustments to reach targets

All three institutions made adjustments to their management information processes and capabilities to better track uptake by both new and returning clients with different products, repayment rates and reasons loans were not approved. These changes were critical to support tailored repayment schedules.

For example, one of the pilot adjustments made at Caja Arequipa was to better track and monitor whether clients were offered the appropriate loan product and interest rate and how interest rate affected uptake. One of the reasons for the low uptake of the agricultural and livestock products was the interest rate. The new products had a higher interest rate to balance the risk in taking on new clients. For existing clients, even if the repayment terms were better (particularly extended repayments to meet their income flows), they did not want to pay a higher interest rate. At the same time, the institution also began running promotional interest rates for certain crops to ensure the institutional profile was diversified, but it remains to be seen whether clients stay with the institution when the promotional rate runs out.

At Interfisa, changes in the management information system allows for real-time reporting for branch managers to monitor disbursement and repayment information. Previously this information had only been generated monthly or quarterly. In real time, managers can understand immediately why loans are being rejected, why there are arrears are in the portfolio and how branches are performing on various metrics. It also allows managers to monitor loan officer productivity and outreach to ensure clients are being well-served. This data can be used by management to continue to build the business case.

Lessons Learned

A project of this scope offers an opportunity to learn much about clients, markets, viability of product attributes, and best practice for implementing new products. We have identified four lessons learned that we will draw on to move forward, and can be applied by other institutions striving to serve the women's market well.

1. A comprehensive business plan for the entire product offering (including expansion) must be developed and incorporated into the corporate strategy.

Starting with a strong business case or evidence of the business benefits and sharing those within the organization helps bring all stakeholders on board more quickly. This should go beyond the pilot project and instead emphasize the viability of serving the market segment—in this case rural women—over the long term. The Board will be able to see how it supports the long-term strategy; business line managers see how their function supports the project's success; branch managers and loan officers see how the expanded product offering helps them meet client or portfolio targets. The business plan should include projections, profitability indicators, and detailed resources required to achieve targets (human resources needs, distribution channels, marketing, etc) within the context of the institution's other offerings.

2. Distribution channels will be critical to reach scale for rural financial products

Women may have limited mobility due in part to the constraints of childcare and farm work so they need a financial institution to come to them—or at least to meet them halfway. The additional cost for rural families to travel to town to transact sometimes outweighs the benefit of using a financial product. If banks can find a way to reduce the transportation burden and increase convenience they have a market advantage and the opportunity to grow the rural product exponentially. Fundación delamujer has an agent banking system, which includes both non-bank correspondents (kiosks that provide limited banking services) and merchants with point-of-sale (POS) capabilities. A 2011 study by Fundación delamujer of rural areas shows that 41 percent of clients were making repayments at branches and 59 percent were using POS or correspondents. The challenge is in effectively scaling this approach as a way to bring down costs, capitalizing on a competitive advantage. Introducing new delivery channels is a major commitment for an institution and should be incorporated into the strategic plan as part of the overall growth strategy, not only the rural portfolio. Resources should be allocated to support integration of any new delivery channels.

3. Credit fills a specific need, but women want a full suite of financial products and services

For all three institutions, the research done with rural women confirmed that while loans are important, the goal for most rural families is the ability to build and protect assets. Clients want access to the same financial products we all use in order to build a prosperous life for themselves and their families. Moving beyond credit to meet these needs will be the way forward in ensuring rural families can plan and build a better future. This includes access to a savings account, health insurance, crop insurance and pensions. As mentioned previously, Interfisa is extending its *Nde Valé* offering to include savings accounts and is using those accounts to distribute loan payments.

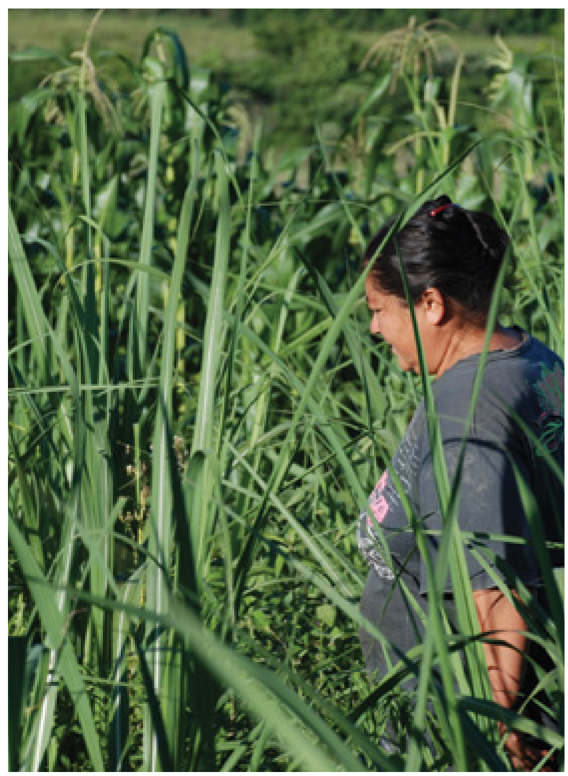
Health crises place tremendous stress on rural families and health insurance that helps them cover these costs could be the difference between growing a business and selling livestock to pay medical bills and transportation costs to access medical care. One of the most frequently cited reasons clients fall behind on payments is a family health emergency, second only to climate and pricing fluctuations. For example, at Interfisa 26 percent of clients are behind on their payments due to health and family emergencies; climate and price changes account for 36 percent.

Beyond offering a full suite of products, clients need the services to support those products. Most rural clients don't have access to financial education and financial institutions wishing to serve them will need to build this into product design and delivery. Clients were also asking for support to build their business—technical advice to increase crop yields or prevent loss due to disease or business training to increase sales. Fundación delamujer is working with a government agency to provide training courses, the first of which on blackberry production has been completed.

4. Don't underestimate the need to ensure that staff and leadership understand that serving women is an institutional commitment at all levels

Re-orienting staff to serve a new market, sometimes counter to their cultural norms, requires constant reinforcement by senior management. "We had a lot of surprises when we launched this project and the products in the branches. One of these was the difficulty our staff had in adopting the agricultural loans. They were used to a loan method that was easier, or that they already knew very well, so starting something new was difficult for them. As a result, a lot of people rejected the idea," says Rodriguez of Caja Arequipa. Leaders of all three institutions talked about the ongoing need to remind staff that while it may take more effort, there are social and financial benefits to understanding and serving rural women.

We said 'no, no, no… we cannot [serve rural women], it's very risky because we saw this as a very informal segment of society and we didn't even consider it. We never analyzed the work they were doing, but rather how they could prove it in papers, without analyzing deeply what our clients, these men or women we were influencing financially, were doing. Today that has changed drastically. The biggest change was in ourselves to consider these women as potential clients and see them as a good business opportunity. And, in fact, they have become a really good business for us today. —AURELIANO ACOSTA ALFONSO, REGIONAL MANAGER, INTERFISA FINANCIERA



What does it take to serve women?

EMBRACE THE DIFFERENCES

Women have different preferences and uses for financial services than men. They may not be attracted to the features that appeal to men, and make decisions differently, often consulting friends or family members before trying a new service. A product designed for women will often also attract men, but the converse is usually not true.

PATIENCE, CHANGE TAKES TIME

Successfully serving women requires focus and dedication. The type of changes that are necessary to re-orient an organization to see women as a viable business segment do not happen overnight. Loan officers in some of the branches were slow to accept change, particularly veteran loan officers who have more difficulty adapting to new rules or who skip some of the steps inherent to the individual methodology assessment. In the case of Caja Arequipa, loan officers sometimes relied on information from the credit bureau in lieu of filling out all the documentation. They fear losing clients if they ask for too much paperwork, as clients in some locations have bargaining power due to the presence of many financial providers. Interfisa is facing similar challenges as the product is rolled out to more branches.

Branch managers at Interfisa confessed to being surprised to see that new loan officers were able to get so many new clients with this new methodology. One regional manager described the change in mentality. "Honestly, it was something unexpected. We said 'no, no, no… we cannot [serve rural women], it's very risky because we saw this as a very informal segment of society and we didn't even consider it. We never analyzed the work they were doing, but rather how they could prove it in papers, without analyzing deeply what our clients, these men or women we were influencing financially, were doing. Today that has changed drastically," says Alfonso of Interfisa. "The biggest change was in ourselves to consider these women as potential clients and see them as a good business opportunity. And, in fact, they have become a really good business for us today."

Moving forward: Expanding Credit for Rural Women to Finance for Rural Women

With successful products in place the institutions in this project can focus on expansion and monitoring, making adjustments as necessary. Some are focusing on making services more accessible by expanding reach via alliances with other banks and allowing clients to transact at shops that are closer to home. All are considering whether technology can reduce the amount of time both clients and loan officers spend traveling from the branch to the countryside and exploring the possibilities of collecting data directly into a tablet that syncs with the branch to prevent double entry.

All three institutions are using this experience to offer more financial services and products to rural families. Women's World Banking will use what it learned from these product introductions to help institutions in Asia and the Middle East/North Africa expand their offerings to rural women. Reaching more people through saving and insurance products and scaling these projects, expanding to include other regions or countries is one step toward closing the gap that is faced by more than a billion women globally.

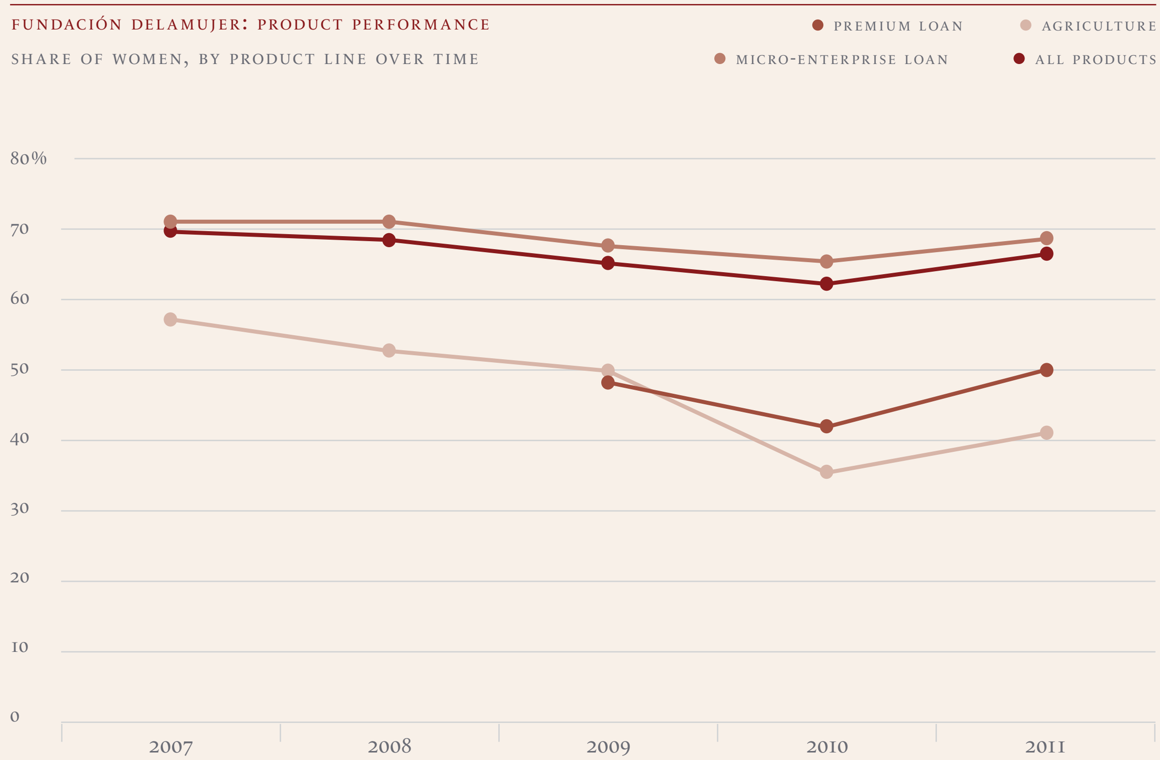
MEASURING HOW WELL WE ARE SERVING WOMEN

In 2011, Women's World Banking launched the Gender Performance Initiative (GPI) to evaluate how effectively financial institutions are serving women. The purpose of the GPI was to demonstrate the benefits of financial inclusion for women, and ultimately, build the business case that women are valuable customers and employees, as well as catalysts for social and economic change. To do this, we developed a set of indicators to measure what we call gender performance, based on Women's World Banking's extensive qualitative research on the needs and behaviors of women clients. The indicators were tested with three of our network member institutions: Finance Trust in Uganda, Fundación delamujer in Colombia and Ujjivan Financial Services in India. An extensive analysis was performed on each institution's client database, and interviews were conducted with key staff members throughout the institutions to assess the practicality of collecting, aggregating and reporting on the indicators.

For example, research at Fundación delamujer showed that the four-year product uptake for agicultural loans was 31% for men and 12% for women. Similarly, analysis showed a decline in the overall share of women in agriculture portfolio.

FUNDACIÓN DELAMUJER: PRODUCT PERFORMANCE

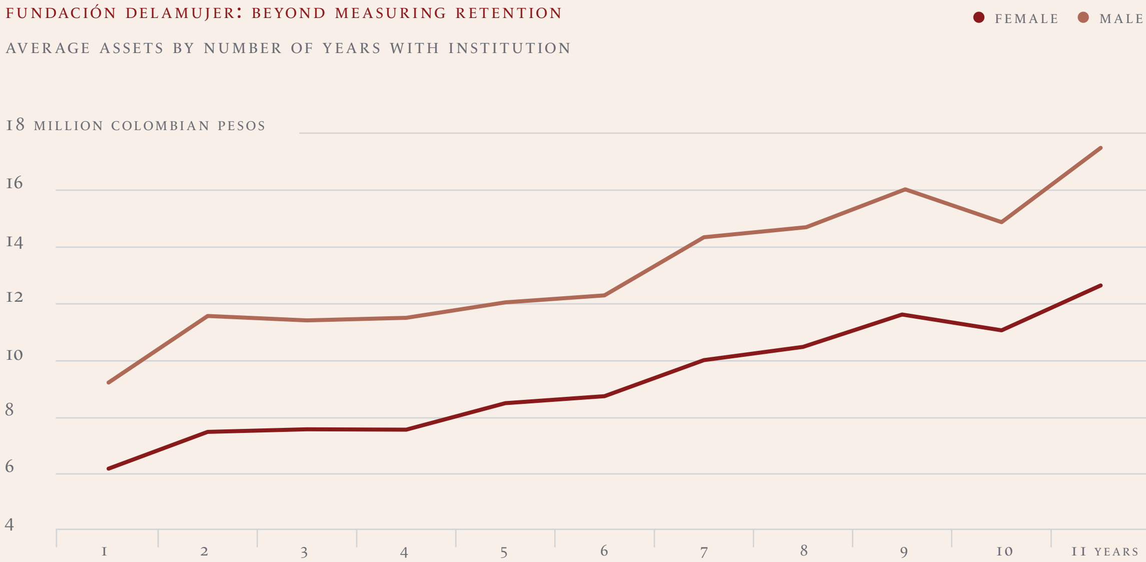
SHARE OF WOMEN, BY PRODUCT LINE OVER TIME



There were also consistent differences in retention rates between men and women: 62% for men compared to 68% for women. Additionally 27% of clients had been with the institution four years or more, 75% of whom were women, which was critical given that the longer a client is with the institution the higher her average assets.

FUNDACIÓN DELAMUJER: BEYOND MEASURING RETENTION

AVERAGE ASSETS BY NUMBER OF YEARS WITH INSTITUTION



Using the data and experience from these pilots, Women's World Banking has launched a comprehensive tool with 25 indicators for financial institutions to track—and improve—gender performance. All of its network members are reporting on a subset of these indicators. Women's World Banking recognized that in order to promote the wider adoption of these indicators, and incorporate them into the reporting mechanisms of other industry players and initiatives, it is imperative to identify a few key indicators that can provide robust and consistent data as a starting point for institutions. Through additional testing with 66 financial institutions we have selected 5 metrics that every institution should use as a starting point to measure how well they are serving women.

THE 5 METRICS, WITH FUNDACIÓN DELAMUJER DATA (2013):

1. Percentage of new women borrowers = 66% (compared to 68% women borrowers overall)
2. Average loan size per woman borrower = $873 (vs. $908 for men)
3. Women borrower retention rate = 78% (vs. 78% overall)
4. Women's PAR30 = 4.1% (vs. 4.9% for men)
5. Women staff attrition rate = 31% (vs. 45% for men)

Fundación delamujer, an institution with a long-standing commitment to serving women, sees the value of incorporating gender performance measurement throughout the institution (including Commercial, Risk, Marketing and Human Resources departments) and uses the data regularly.

The role that robust gender data can play is a potentially transformative one. If a financial institution is serious about serving women, they must collect and analyze data that supports their commitment.

The full set of indicators can be found at **womensworldbanking.org**

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