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Women-Led SMEs and the Finance Challenge

By Matthew Gamser of the SME Finance Forum, Mary Ellen Iskenderian of Women's World Banking and Michael Koenitzer of the World Economic Forum



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Women represent a powerful source of economic growth and opportunity. They produce more than half of the world's food and control about \$20 trillion in consumer spending. However, financial exclusion holds back many women from participating in the economy and from improving their lives and those of their families.

Women in emerging markets face a range of barriers and constraints to benefiting fully from financial services. The Global Findex, a comprehensive database measuring how people save, borrow, and manage risk in 148 countries, found that women are less likely than men to have a formal bank account; in fact, a gender gap of between 6 and 9 percentage points persists across income groups in developing economies.

According to the G20-commissioned report by IFC and McKinsey, "*Scaling up Access to Finance for Women Entrepreneurs*"¹, women own one-third of small and medium enterprises (SMEs), which are top drivers of job creation in emerging markets. Evidence further indicates that only 6% of the SME banking portfolio is allocated to women. The report found that women in emerging markets face a global credit gap of \$260-\$320 billion. The top five banks that serve SMEs in each region reach only about 20% of formal SMEs in emerging markets.

Another key gap identified in the report was the availability of information, research and best practices on financing women-owned SMEs. Hence, the G-20 included a strong focus on women entrepreneurs and finance as an integral part of the SME Finance Forum managed by the International Finance Corporation (IFC). The Forum is a virtual platform to share knowledge and promote best practices across countries and institutions and to establish baselines for the measurement of progress. Since its April 2012 inception, the Forum has exerted a strong influence in the gender entrepreneurship finance space, building a knowledge bank, connecting peers and bringing various organizations and stakeholders together, to work towards a harmonized approach to facilitating increased access to finance for women-owned SMEs. It provides resources to financial institutions to

¹ <http://smefinanceforum.org/post/strengthening-access-to-finance-for-women-owned-smes-in-developing-countries>

enable them to better serve women-owned SMEs and facilitates peer-to-peer/ stakeholder connections.

In addition, a recent report conducted by Women's World Banking studied global best practices in serving women-led SMEs in order to provide specific, actionable recommendations for banks to develop successful strategies for reaching this fast-growing segment.

For banks looking to act on the tremendous market opportunity of the women-led SME segment, six best practices emerged for banks to adopt:

- **Know Your Market and Customer.** For many banks, product offerings were 'marked' for women, but were not based on market research to understand needs.
- **View Women-Led SMEs as a Distinct Group.** Research showed that women don't necessarily want differentiated financial products but they do want to be served differently and treated with respect. Marketing materials that reflect women's needs and training relationship managers to serve the women's market are necessary steps to success.
- **Build Internal Capacity.** Buy-in from the Board and Executive Management is necessary to build the internal capacity to serve the women's market. A commitment to gender diversity and an internal champion are critical success factors.
- **Adapt Your Credit Processes, Lending Methodologies and Delivery Models.** Standardized measures such as credit scoring can help assess and mitigate risk and should be supplemented with analysis of formal and informal data sources, such as the SME's track record and future outlook.
- **Offer Women a Comprehensive Mix of Financial and Non-Financial Products and Services.** A full value proposition for women includes core professional products, value-added financial and non-financial services and personal financial products.
- **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.

These six best practices should be adopted by banks 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

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products to women-led SMEs. The full report, *Global Best Practices in Banking Women-Led SMEs* can be found [here](#).²

Looking Forward


With a clear understanding of both the financing and knowledge gaps in serving women-led SMEs, strategic partnerships will be critically important. The World Bank Group has made significant interventions to address women's access-to-finance needs by providing evidence-based policy advice to governments and regulators, while also working with banks to better serve women-owned SMEs and providing capacity-building to women entrepreneurs. For example, IFC issued the first "women's bond," raising more than \$160 million to increase access to finance for women entrepreneurs. IFC and The Coca-Cola Co. established a \$100 million joint initiative to provide access to finance for women entrepreneurs in Eurasia and Africa. The Women Entrepreneurs Opportunity Facility was also established by IFC and Goldman Sachs's "10,000 Women" initiative. It is the first-ever global finance facility dedicated exclusively to women-owned small and medium-sized enterprises and will enable approximately 100,000 women to access capital.

By removing the barriers women face in accessing financial services, governments, regulators and the private sector can provide women with the opportunities to build shared prosperity. Successful case studies demonstrate the value of targeting the women's segment for business results. The financing gap requires a coordinated effort from key stakeholders to address the gender gap.

The World Economic Forum can play a major role in closing this gap. It is focused on bringing policymakers, regulators, financial institutions, entrepreneurs, and development agencies together to identify actions to transform women's access to financial services. Priorities include increasing access to finance for women-owned SMEs through building women's financial capability, as well as developing innovative solutions such as mobile banking for the SME market. Their activities, which are managed across several different work streams, such as the [Promoting Global Financial Inclusion](#) initiative as well as the [Global Agenda Council on the Future of Financial & Capital](#), aim to:

- Raise the level of understanding of the barriers affecting women's access to finance, as well as the opportunities that financial inclusion can open up to women in emerging markets

² <http://www.womensworldbanking.org/wp-content/uploads/2014/11/Global-Best-Practices-Banking-Women-Led-SMEs-WomensWorldBanking.pdf>

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- Identify and build public/private momentum around the policy, regulatory, and private sector actions to address these barriers
 - Inform and contribute to research and data on women and financial inclusion 

Women's World Banking and the SME Finance Forum contributed to this article. Both organizations are members of the World Economic Forum's Global Agenda Council on the Future of Financing & Capital.

About the SME Finance Forum: *The SME Finance Forum is a global membership organization that works to expand access to finance for small and medium businesses. It accelerates access to finance for small and medium businesses worldwide by promoting knowledge exchange, policy change and new connections.*

The SME Finance Forum brings together financial institutions, technology companies, and development finance institutions to share knowledge, spur innovation, and promote the growth of SMEs.

Managed by IFC, the SME Finance Forum was established by the G-20 in 2012.

About Women's World Banking: *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. Headquartered in New York, Women's World Banking works with 34 institutions in 24 countries with a reach of 14 million women to create access to finance on a greater scale than ever before.*

About the World Economic Forum and its Global Agenda Councils: *The World Economic Forum is the international institution committed to improving the state of the world through public-private cooperation. The Global Agenda Councils are a network of invitation-only groups that study the most pressing issues facing the world. Each council is made of up of 15-20 experts, who come together to provide interdisciplinary thinking, stimulate dialogue, shape agendas and drive initiatives. Council Members meet annually at the Summit on the Global Agenda, the world's largest brainstorming event, which is hosted in partnership with the government of the United Arab Emirates.*