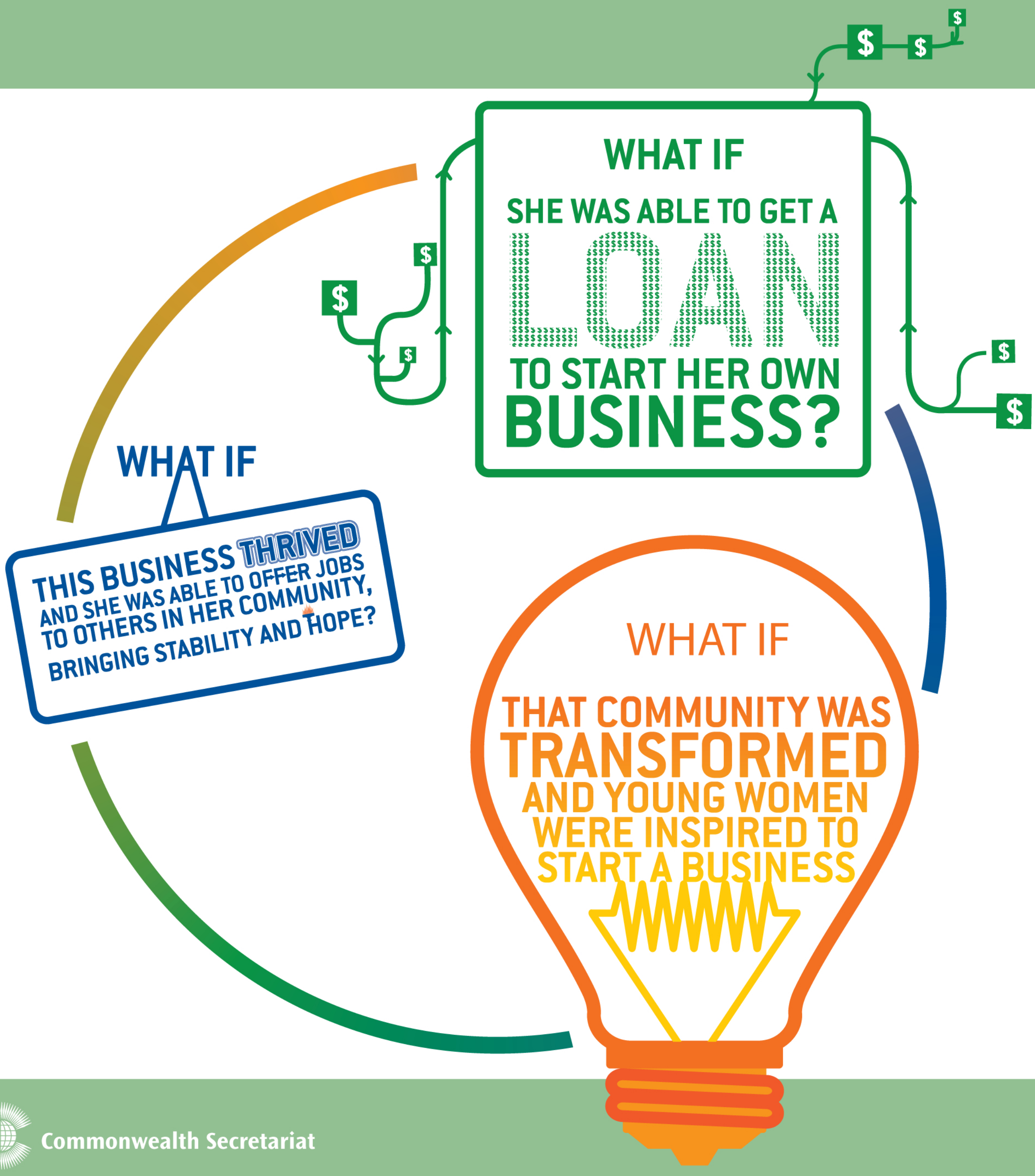
Gender Responsive Investment Handbook

Commonwealth Secretariat



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Gender Responsive Investment Handbook

Addressing the Barriers to Financial Access for Women's Enterprise

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Commonwealth Secretariat

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Foreword

Almost everywhere women entrepreneurs struggle to access finance to start businesses. In some instances this problem is compounded by unequal laws, regulatory barriers or discouraging community practices. While most global institutions advocate banking for the poor, in many regions little has changed in terms of women's ability to secure loans or finance, especially the larger sums needed to pursue their aspirations for enterprise.

The Handbook is a response to the growing interest in gender responsive investment among policy-makers, finance operatives and the development community. It is based on research commissioned by the Commonwealth Secretariat. The research highlighted a need to focus on regulatory frameworks, policy gaps and financial institution models aimed at enhancing women's access to finance that can be replicated across the Commonwealth.

The Handbook is therefore intended to serve as a guide to policy-makers and practitioners, illustrating examples of good practice through case studies, and to suggest policy options that might be adopted by stakeholders. It will also provide information to donors who wish to promote financial inclusion in their development programmes.

Programmes aimed at enhancing women's access to finance have tended to focus on microfinances. But microfinance does not always enable women to break the cycle of poverty by graduating from micro enterprises to small and medium enterprises. It is therefore important to develop funding mechanisms that address the 'missing middle'. This Handbook explores some possibilities, such as savings and credit organisations, women's investment funds, and credit guarantee schemes.

We hope that disseminating knowledge of such mechanisms more widely will help reduce the gender disparity in access to finance. It has been established that when opportunities for women's access to productive resources are increased, most significantly that of finance, economies are likely to show reductions in poverty levels and positive impact on growth and social indicators.

We hope that the users of this Handbook will find it practical and a useful tool in advancing the priority goal of developing strategies to enhance women's access to finance both within the Commonwealth and more widely.

Kamalesh Sharma
Commonwealth Secretary-General

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Abbreviations and acronyms

DFCU	Development Finance Company of Uganda
EIS	Enterprise Investment Scheme
GDP	gross domestic product
GRI	gender responsive investment
IFC	International Finance Corporation
ILO	International Labour Organization
LSB	Licensed Specialised Bank
NGO	non-governmental organisation
PPP	purchasing power parity
RDB	Regional Development Bank
SACO	Savings and Credit Organisation
SBS	Samurdhi Bank Society, Sri Lanka
SMEs	small and medium-sized enterprises
WAMM	Women's Affairs Ministers Meeting
UNESCO	United Nations Educational, Scientific and Cultural Organization
VAT	value added tax

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Chapter 1

Overview

1.1 Introduction

One of the main aims of the Ninth Commonwealth Women's Affairs Ministers Meeting (9WAMM), held in Barbados in 2010, was to highlight and explore the links between securing gender equality and economic development. The need to research and document best practices and modalities on gender responsive investment (GRI) was emphasised in order for gender equitable access to finance to become an effective tool for women's economic empowerment.

In the decade prior to 9WAMM, governments and international institutions had become increasingly aware of the pressing need to develop inclusive financial sectors, widening the opportunity for marginalised poor people to access finance. In particular the Monterrey Consensus, adopted by Heads of State and Government at the International Conference on Financing for Development in March 2002, declared a new global commitment to collective coherent action on the interconnected policy challenges that shape financing for development. UN Secretary-General Kofi Annan stated in December 2003 that 'The stark reality is that most poor people in the world still lack access to sustainable financial services, whether it is savings, credit or insurance. The great challenge before us is to address the constraints that exclude people from full participation in the financial sector. Together we can and must build inclusive financial sectors that help people improve their lives' (quoted in Microcredit Summit 2004).

During the global economic crisis of 2008–2009, credit services suffered the most; liquidity began to disappear and the worldwide volume of deposits and loans shrank (CGAP and World Bank 2010). In light of the crisis, governments are seeking new sources of economic growth and development. Financial access is a critical element of this; the bulk of empirical evidence suggests that developing the financial sector and improving access to finance is likely not only to accelerate economic growth but also to reduce income inequality and poverty (World Bank 2008). The Commonwealth Secretariat recognises that sustainable post-crisis recovery can only happen when all parts of society contribute to, participate in and benefit from economic growth.

According to the International Finance Corporation (IFC), 8 to 10 million small and medium-sized enterprises (SMEs) are owned by women in emerging market economies (IFC 2011a). And yet high numbers of women are unbanked and receive a low proportion of credit. Worldwide, 35 per cent of firms have female participation in ownership but only 5 to 10 per cent of women-run SMEs have access to credit and their businesses grow more slowly, on average, then those owned by men (IFC 2011a).[1] While the combined earnings potential of women-run businesses is significant for long-term macroeconomic growth rates, the relatively low levels of enterprise development can be attributed to a number of interconnected issues: lack or minimal access to financial services; low levels of financial literacy; regulatory issues; institutional issues exacerbated by relatively fewer years of formal education and/or work experience; the burden of domestic work, compounded by its exclusion from traditional economic assessments; and the fact the these type of businesses are usually confined to slow-growth sectors. For example, in Malaysia, women-run businesses grow at a rate of 7.83 per cent compared with 9.7 per cent for male-run SMEs (McKinsey-IFC database, based on 2008 data).

Clearly, for GRI to become mainstream governments will require support to identify the policies, laws and regulations that hinder access to finance for women, and financial services providers may also require support to identify and explore opportunities to deliver inclusive products and services for women.

This Handbook seeks to take forward the 9WAMM outcomes and deepen work on GRI.

1.2 Gender responsive investment

GRI is a process of ensuring gender-equitable access to financial services and ancillary investment resources through rigorous assessment of the differing needs of women and men. It is a strategy for ensuring that financial products, policies and programmes are neither gender blind nor biased in their design, implementation, monitoring or evaluation at all levels of engagement in order that women and men benefit equitably and that inequality in the provision of financial services is eliminated.

Additionally, it is recognised that a more equitable allocation of productive resources – including finance – will have greater long-term impacts on sustainable economic development, with long-term benefits for the whole economy. GRI contributes to women's economic empowerment and supports the narrowing of gender gaps generally, particularly in employment and entrepreneurship.

Governments have a critical role to play in creating an enabling environment that supports financial inclusivity for women, while financial institutions can achieve greater outreach to women by understanding the women's market and providing innovative products and services that meet the unique needs of businesswomen.

Research by the World Bank and the IFC supports the premise that the development of small firms bolsters economic development (World Bank 2011b). In order to bridge the gap and foster GRI, there is a need for the establishment of indicators, the collection of sex-disaggregated data and wide-ranging research. An enhancement of skills through capacity building for the broad range of financial sector players and government agencies is also necessary given the historical lack of focus on gender equity as an economic imperative.

1.3 Scope of the Handbook

Women make a significant contribution to the economy but access a substantially lower level of financial services relative to their male counterparts. This has an impact on poverty reduction and growth in gross domestic product (GDP) (given the link between access to financial services and economic growth) and represents a missed opportunity for financial institutions. The key objective of this Handbook is to support policy-makers, financial institutions and business support organisations in Commonwealth countries to formulate policies and initiatives to address the issue by:

i. facilitating dialogue and engagement;

ii. creating an understanding of the barriers women face in accessing financial services;

iii. sharing best practice initiatives through the use of case studies;

iv. putting forward recommendations; and

v. providing broad indicators on how to institute GRI.

The Handbook will also help parliamentarians, high-level policy-makers and financial services providers place GRI initiatives in a broader context. This is an essential element to ensure that the spread of GRI is deepened and widened, resulting in long-term sustainable opportunities for women.

1.3.1 Structure of the Handbook

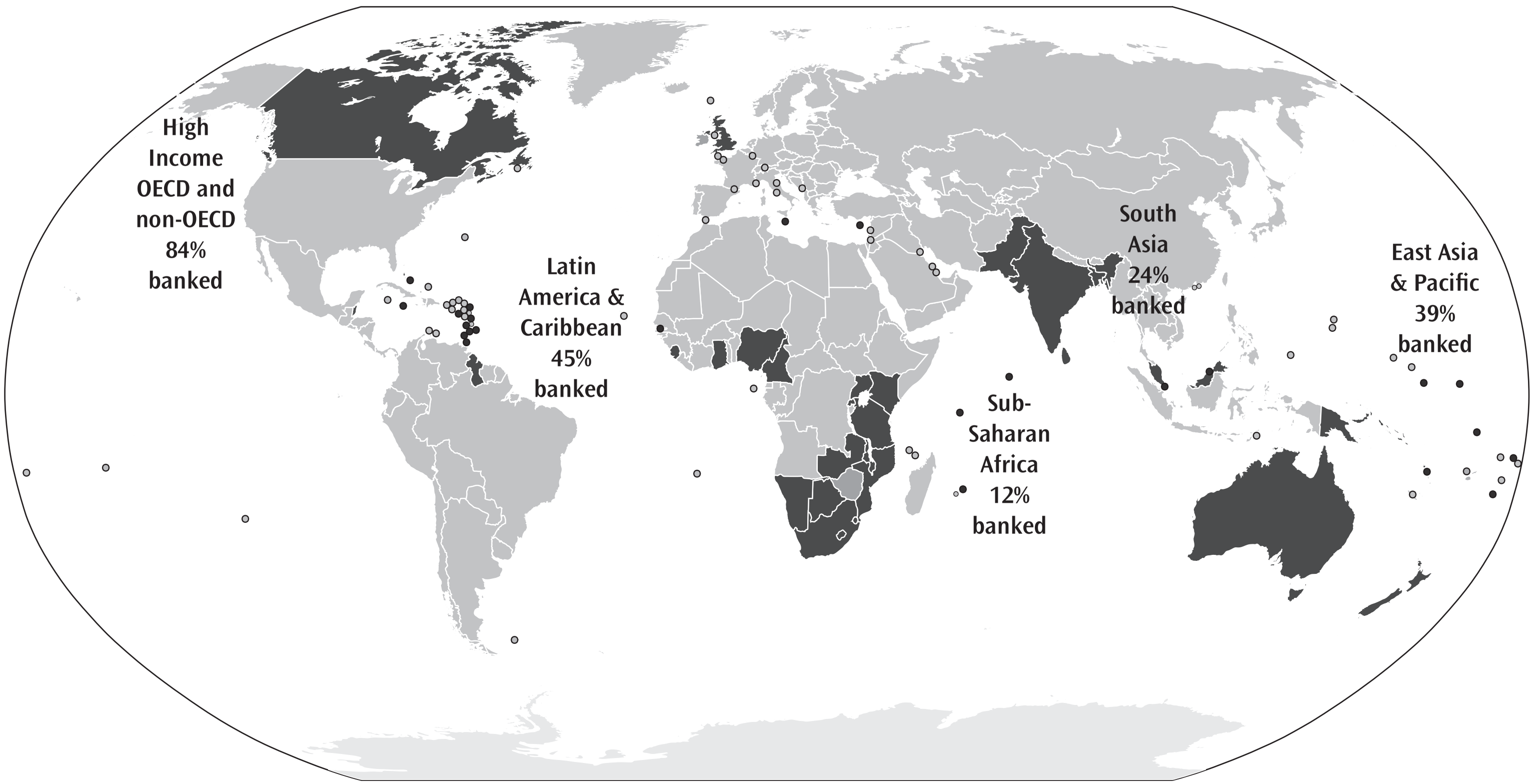
The following section 1.4 establishes the narrative and background to GRI and the rationale for dedicated support to women entrepreneurs. Chapter 2 looks at the state of the policy environment while chapter 3, on the business environment, is targeted at policy-makers and explores the gender dimensions of financial services infrastructure as well as the regulatory barriers that women entrepreneurs face in accessing finance by identifying priority areas, diagnosing the issues and making recommendations to address them. Chapter 4 delves into the role of financial institutions and the interventions they can implement to improve financial access for women's enterprise – from training and internal restructuring to the types of products and services that can be developed.

The Handbook does not focus solely on access to credit but covers access to the broad range of financial services required by SMEs and individuals. This is because credit products are a narrow (and not necessarily mandatory) aspect of financial services needs and non-credit products can be an important entry point into the formal financial sector.

1.3.2 What's not included in the Handbook

The Handbook features limited coverage of microfinance. Microfinance has played a major role in empowering poor women to access basic financial services, with women accounting for 83.4 per cent of the 106.6 million of the world's poorest people now being served by microfinance institutions (Daley-Harris 2009). Indeed there are a multitude of microfinance initiatives within the Commonwealth that have had varying degrees of success. However, consensus has yet to be reached as to the efficacy of microfinance in poverty reduction, with the bulk going towards consumption as opposed to investment. Furthermore, much of the industry relies on grants and subsidies to sustain it; funds that, if invested in other critical sectors such as health and education, may (or may not) deliver a comparatively greater impact. Poor management of

Figure 1.1 Percentage of population within each region that is banked (Commonwealth countries)



Source: Map from en.wikipedia.org/wiki/File:Commonwealth_of_Nations.svg and financial data from World Bank 2009 microfinance services delivered in Andhra Pradesh, India, has resulted in 9.2 million poor women being considered delinquent in their loan repayments. These women now form the largest bloc of blacklisted borrowers in the world; with their credit histories recorded by the credit bureau, they will find it nearly impossible to access credit for the rest of their lives (Legatum Limited 2012). This highlights the high stakes and signals the need for careful regulation of the industry.

Yet, microfinance has helped women entrepreneurs support what are generally low-revenue generating informal sector firms and helped them weather economic downturns. The major challenge to microfinance projects remains scale of coverage. Microfinance institutions often lack commercial viability and, like SMEs, face a restrictive investment climate for sustained growth that is limited in scale to the demands of enterprise development. According to the IFC (2011b), in 2010 microfinance projects were able to address the needs of about 10 per cent of the world's potential 1.2 billion clients.

The financing of large, established firms is also not addressed in this Handbook since the majority of women-owned businesses are SMEs. Research shows that SMEs drive job creation; in a study of 54 economies where SMEs were defined to have circa 200–300 employees, they were found to contribute to approximately 17 per cent of employment in low-income countries and 57 per cent in high-income countries and, similarly, 16 per cent of GDP in low-income countries and 51 per cent of GDP in high-income countries (Ayyagari et al. 2003). It is important to note that the definition of SMEs differs from country to country, is correlated with the size of the economy and is predicated on various parameters including number of employees, turnover and total net assets. One universal characteristic of SMEs is that they are formal businesses.

A 2005 study found that financing constraints reduced the growth of larger firms by 6 per cent on average but by 10 per cent for smaller firms (Beck et al. 2005). More than 40 per cent of large firms in World Bank Enterprise Surveys and Investment Climate Surveys report the use of external finance compared to just over 20 per cent of small firms (Kuntchev, et al. 2012). In addition, SMEs in developing countries are 30 per cent more likely than

Box 1.1 Gender responsive investments, gender responsive budgets and microfinance

The Paris Declaration on Aid Effectiveness and the Accra Agenda for Action (2008) established the principle of utilising country systems as the first line of support for efforts aimed at linking aid programmes to the public sector, thus ensuring countries and development partners implement policies in accordance with international commitments on poverty reduction, human rights and gender equality, among other responsibilities.

As a result, public sector financial management and national budgeting processes have become increasingly gender responsive, allocating public resources more efficiently to recognise the differing priorities of women and men.

Microfinance institutions have enabled women to access formal channels of credit finance. Gender responsive budget initiatives, with their focus on gender equality and the principles of non-discrimination, provide a favourable climate for rethinking economic policy by integrating gender analysis into fiscal policies and national budget planning. Together, both initiatives testify to the strong working partnerships needed among governments, civil society, donors, non-governmental organisations (NGOs) and policy-makers to address the financial and resource constraints of vulnerable groups.

However, as women entrepreneurs grow in number, they need financial products and services beyond micro-credit that will allow them to expand their businesses. Also, as governments look to develop their economies and build on their commitments to gender equality and other international protocols, the need to facilitate financial inclusion is now a necessary component of the development agenda.

Well-functioning financial markets develop in countries with strong investment climates, necessitating government and policy support. GRI recognises not just the potential of SMEs for overall economic growth but also the vital role of women as participants in working towards the achievement of gender equality and development.

large firms to rate financing concerns as a major obstacle to growth (Beck 2007). Addressing the financial access issues of the SME segment should have a positive effect on the ability of larger firms to access services as well.

1.4 Rationale for GRI

1.4.1 Women are an economic force

Women make significant contributions to the economy. Worldwide, 35 per cent of micro, small and medium-sized enterprises are wholly or partly owned by women. In the Commonwealth, at the top end of the spectrum this figure can range from 90.6 per cent female-run enterprises in Botswana to 80.9 per cent in Guyana and 73.5 per cent in Antigua and Barbuda in 2010.[2] The most significant obstacle to business development and growth cited is lack of access to finance and land. Yet, there is considerable understanding that women's entrepreneurship is an untapped source of economic growth.

1.4.2 Access to financial services directly impacts GDP growth

The bulk of empirical evidence suggests that developing the financial sector and improving access to finance is likely not only to accelerate economic growth but also to reduce income inequality and poverty. Stronger financial systems can, among other things, promote business start-up, enterprise growth and innovation thereby improving aggregate economic performance (World Bank 2008).

1.4.3 A large proportion of women are unbanked

This means that women receive a substantially lower proportion of credit (see Box 1.2). Research shows that despite women starting and running businesses in record numbers, they remain under-represented in the formal banking system. The Commonwealth is largely comprised of developing countries (41 of the 54 member countries), where a substantial segment of the population is unbanked. In sub-Saharan Africa, only 13 per cent of the bottom 40 per cent of the population in terms of income have an account at a formal financial institution compared with 25 per cent in Latin America and the Caribbean and 26 per cent in South Asia.[3] Regardless of regional disparities, women continue to be disproportionately affected and experience specific legal and institutional barriers as well as cultural and social obstacles. The structure of financial systems and provision of products and services also affect women's ability to access finance.

Box 1.2 Women access a low proportion of credit

Kenya: Women represent 48 per cent of business owners but receive only 7 per cent of formal credit (IFC 2006).

Pakistan: Women's entrepreneurship is on the rise; however, only 5 per cent of women business owners access credit from formal sources (Niethammer et al. 2007).

Tanzania: 8 per cent of women-owned businesses have access to bank finance compared to 27 per cent of businesses owned by their male counterparts (World Bank 2005).

Uganda: Women contribute 50 per cent of GDP and own 39 per cent of registered businesses with premises, yet they receive only 9 per cent of available bank credit (Ellis et al. 2005).

1.4.4 Legislative barriers exist for women entrepreneurs

Many countries retain legislation that treats women and men differently in ways that may affect their opportunities as entrepreneurs and workers (World Bank 2010). Of the 25 Commonwealth countries covered in the World Bank's 'Women, business and the law' report, only four – Botswana, Canada, New Zealand and the United Kingdom – set equal rights for women and men in nine key areas examined. This includes ownership of and inheritance rights to assets that are required by banks as collateral for credit, working hours and age of retirement in the private sector (see Appendix C).

Women's access to financial services is further constrained by 'gender-blind' legislative and structural barriers. Key elements of the financial services infrastructure that disproportionately affect women include:

a. A paucity of historical credit data, leading to the inability of lenders to make informed decisions about creditworthiness and use reputation as a form of collateral. While evidence shows that better credit information systems result in greater access to loans, the minimum loan threshold required by private credit bureaus and public credit registries also matters for women-owned businesses as these are on average smaller than businesses owned by men and take out smaller loans. Twenty-four Commonwealth countries have the lowest rating of 0.4

b. Weak secured transaction regulations mean that financial institutions are limited in the range of collateral they will accept as security for loans because of ambiguity in the priority of creditors in the event of default. In fact, data reveal that in emerging markets, 78 per cent of assets held by firms are movable and include stocks, machinery and equipment and debtors, while only 22 per cent are immovable assets such as property (Alvarez de la Campa 2011). Gender matters because in developing countries women are less likely to own and control property often required as collateral for loans.

c. Non-possession of formal identity documentation can create eligibility barriers to accessing financial services. In many developing economies, there might be limited types of formal identity documents and only a small proportion of the population may possess these. Often financial institutions require identity cards or passports, proof of address (a serious constraint in countries where the addressing systems are for all intents and purposes not functioning), wage slips and so on. Women, who are largely in the informal sector, are less likely to possess these documents.

d. Physical access to services, especially in developing countries, is another key barrier that disproportionately affects women who, due to their domestic responsibilities, are more likely to be time constrained. In all regions women spend at least twice as much time as men on unpaid domestic work (United Nations 2010). Women are also more likely to have concerns for their personal safety when faced with travelling long distances for financial services.

e. The high cost of credit, account fees and relatively large minimum balances, or the requirement of periodic deposit amounts in relation to GDP per capita, represent a significant barrier to entry, rendering the formal banking sector difficult to access for small businesses in general and more so for women, whose businesses are smaller on average.

f. Reliance on past evidence of employment in the sector in which businesses operate, or of formal employment at all, precludes many women from accessing finance for SME development in the formal economy.

1.4.5 Women take a different approach to the use of financial services

Research has shown that women have different attitudes towards finance and risk and are less likely to switch providers of financial services (Global Entrepreneurship Monitor 2007). It is also interesting to note that women tend to be better prepared by the time they approach a bank and are therefore less likely to be declined on application than their male counterparts (Global Entrepreneurship Monitor 2007). In the UK, research commissioned by the Financial Services Authority revealed that 6 per cent of women had no financial products at all compared to 4 per cent of men; they owned slightly fewer products and preferred different distribution and delivery channels to men – having a much stronger preference for more traditional face-to-face transactions (Financial Services Authority 2001). Women's businesses in the UK tend to be undercapitalised at the start up stage, seeking less external finance in general and equity finance in particular (Women's Enterprise Task Force 2009). In the past, financial services providers have traditionally delivered the same offerings to women and men. With the unambiguous difference in the two consumer segments and the increasing economic significance of women, it follows logically that not only are tailored products and services required, but it also makes economic sense to provide these.

1.4.6 Enterprise support services are crucial

Women are less likely to have experience dealing with formal financial institutions, less financial knowledge and education, lower confidence and a relative lack of established professional networks. Business support services are therefore of even greater importance to women entrepreneurs, providing essential training and business information and thus helping them prepare bankable proposals and equipping them with the know-how to establish broad business skills and negotiate for critical financial services from providers.

1.4.7 Women are an untapped opportunity

The 2008–2009 global economic crisis and the ongoing sovereign debt crisis continue to have an unfavourable impact on poverty reduction and economic growth, spurring governments to consider ways in which to respond to the resulting challenges. Supporting GRI can be a key potential source of growth for economies across the world. GRI recognises women's economic participation as entrepreneurs, employees and decision-makers in the wider macroeconomic context. Although women's economic participation is on the rise, addressing the significant disparities that exist would enable them to establish and grow their own businesses, access financial resources and have the full scope of their productivity – including domestic labour, childrearing and informal sector activities – formally recognised.

In the emerging markets, the number of formal micro, small and medium-sized enterprises with all, or partial, female ownership stands at between 8 and 10 million (IFC 2011a). This represents not only income generation potential but also a significant share of employment creation. This potential cannot be realised without closing the gender gap on key indicators such as health, education, political empowerment and economic participation, all of which are tied to the achievement of Millennium Development Goal 3 on the promotion of gender equality.

It is a common misconception to characterise women and other vulnerable populations in situations of crises as victims. The active role women are now acknowledged to take in such situations has led to new understandings of how to support that role and utilise the opportunities generated by crises, such as the breakdown of traditional social barriers and gender discriminatory practices, to construct equitable social and institutional frameworks that promote and enforce new mechanisms and legislation upholding women's political, socio-economic and cultural rights.

'By 2020, 53% of millionaires in the UK will be female.'

– *Barclays Wealth 2007*

The notion of wealth gained by inheritance or marriage is becoming outdated, according to a study by Barclays Wealth (2007).

Commonwealth countries have felt – and have dealt with – the most recent global financial crises in different ways. The recovery phase is a critical period for transforming gender and social relations and thus providing opportunities for eliminating pervasive gender-based discrimination and inequality. The global financial crisis pushed many people into unemployment, and the informal economy is often the only viable livelihoods option.

Evidence-based research suggests economic hardship has an adverse effect on the stability of household structures (Elson 1993; World Bank 2011a). Women and men – and, as a result, social and gender relations – are influenced by many elements of identity such as race, ethnicity, religion, sexuality, politics and socio-economic class; overwhelmingly, however, women's overall access to decision-making, livelihoods and civic engagement is blighted by gender inequality.

The benefits to promoting and sustaining a favourable investment climate for the growth of small-scale business activity and entrepreneurialism is favourable to governments and financial institutions over the long term through private-sector development, wealth creation and investment in human capital. Empirical evidence has shown women re-invest in the home and their family's health, nutrition and education (World Bank 2008). Apart from improvements in individual well-being, at the macroeconomic level there is an improvement in human capital, labour productivity and stimulation of economic growth.

The benefits to financial institutions that pursue GRI include profit growth by increasing the pipeline of new, profitable customers; portfolio diversification through adoption of a women's market strategy to broaden the client base and even possibly enter into new segments; lower risk as experience has shown that repayment is higher among female borrowers due to more conservative investments and lower moral hazard risk (World Bank 2008); increased customer loyalty; innovation; greater social license to operate and improved reputation in the community in which the financial institution operates; and differentiation from competitors. Women are more likely to share their customer experiences, good and bad, and therefore represent an opportunity for 'word of mouth' marketing.

Chapter 2

State of the Policy Environment

Discourse around the critical linkages between poverty reduction, growth and financing for development from a gender perspective has been prevalent for decades. Yet, notwithstanding the studies, debates, agreements and measures to stimulate and finance development, progress on gender equitable access to finance remains slow. Global and national finance-related mandates, policies and corresponding programmes and services still reflect significant gender gaps. The policy deficits resulting from the failure to capture women's and men's concerns in the regulatory and operational systems guiding the financial sector require closer attention in the aftermath of the 2008–2009 global financial crisis and the current sovereign debt crisis. This chapter examines the gender policy concerns, including gaps and barriers, with a view to increasing the understanding of policy-makers and financial sector operatives on the valuable role inclusive policies can play in encouraging sustainable economic growth.

2.1 Outstanding policy gaps

When the Commonwealth Secretariat launched the Gender Management System (GMS) in the late 1990s, it acknowledged the changing role of Commonwealth finance and planning ministries. It also recognised barriers that constrained the engendering of the work of these ministries and resulted in near gender-blind macroeconomic policies that largely excluded women as full and active participants in economic sectors. There is now considerable literature on gender barriers within and across sectors and more specifically in the finance sector. Key among these challenges, which remain pervasive two decades later, are:

- Insufficient analytic clarity regarding the work of finance ministries and, in particular, their changing role during the recent period of globalisation;
- The absence of a clear understanding of how gender is linked to the role and mandate of finance ministries;
- Non-conducive institutional structures and the ethos with which finance ministries function, especially given the

weak adoption of gender responsive budgets as an accountability tool;

- Poor understanding of the attitudes and biases prevalent among those who work within finance and other ministries and how these have evolved over time; and
- Insufficient knowledge and capacity among national women's machineries and civil society organisations to advocate effectively for a gender focus in macroeconomic policy debates.

It is acknowledged that significant changes have taken place since the 1990s to better analyse and capture women's views, voices and concerns in the debates around the development of financial markets and policies. The following are some of the fundamental and persistent gender biases that underpin barriers to gender inclusive and responsive operations of financial institutions and remain unaddressed by financial legislation, regulation and policies.

2.1.1 Women are under-represented in decision-making institutions

Women continue to be under-represented among main decision makers in financial markets and institutions and have less access to business, social and political networks and decision-making channels that can influence policy formulation. This results in a tendency to marginalise women's issues, priorities and concerns in policy processes and programming, especially with respect to government lending, investment rules and regulations and private sector financial activities. The private sector is not structured any differently, and corporate decision-making on finance takes place in almost all-male domains.

Regardless of the gender imbalance in the governance of global institutions, the consequences of decisions taken are borne by both women and men in their diverse roles as producers, employees, consumers, taxpayers, borrowers, users of public goods and services, home managers, community care providers and economic agents. Data reveal though that, overall, the negative effects are experienced more by women due to a range of factors (Women's Enterprise Task Force 2009).

Tax policies also fall into the same category, with women absent from decision-making forums but having to bear the consequences of such decisions. For instance, value added tax (VAT) has a disproportionately negative impact on women, who are often responsible for household consumption and therefore experience relatively greater taxation of their income. VAT is levied on women and men to the same degree and the difference in purchasing power, which often favours men, is not taken into account in VAT-related taxation policy formulation.

2.1.2 Inequitable economic positions and gender-based distortion of markets

Globalisation of finance has created opportunities and advantages through increased competition and supply of credit to diversified target groups including women. Access to financial services has thus improved and women have gained some entry to foreign exchange markets in order to receive or send remittances. Women's participation in waged employment has also increased.

These gains, however, must be balanced against attendant losses encountered by women. The distortions and imperfections of financial markets are characterised by asymmetric information, agency problems and adverse selection processes that are often gender biased. In the credit market, differential transaction costs on both the supply side (credit institutions) and the demand side (borrowers) vary for female borrowers in comparison with male borrowers. These costs tend to limit the net gains accruing from transactions for women, making them less attractive as clients, while at the same time financial services are practically less accessible and more expensive for women.

Three categories of constraint that have a bearing on transaction costs are gender inequality in property rights, gender segmentation of financial markets and discriminatory norms in financial markets. Failure of policy measures to take these into account will continue to limit women's equal participation in and benefits from financial markets.

2.2 Financial crises and vulnerable populations

In the immediate aftermath of the global financial crisis in 2009, the number of working poor reached 40 million, with 52 per cent of women (compared with 49 per cent of men) placed in the category of 'vulnerable unemployment' in sectors characterised by long hours, low wage standards, no employment protection and other forms of uncertainty resulting from the informal and irregular nature of labour (ILO 2011).

Table 2.1 Gender-biased distortion of markets

Type of gender-biased distortion	*Transaction costs for credit institution*	*Transaction cost for female borrowers*
Information constraint	Women are perceived as risky and not creditworthy enough; data collection is usually not sex disaggregated, resulting in poor understanding of gender differences in borrower profiles; information processing is often shaped by male perspectives.	Women have lower literacy rates and are less mobile, which results in less access to financial market information.
Negotiation constraint	Women have less experience in taking formal credit, which requires more time from bank personnel; women have less prior or formal experience of working in the sectors in which their business or proposed business operates, making it difficult to assume a strong negotiating position.	Women may require their husband's permission, have higher opportunity costs to travel to a bank and may face discriminatory attitude from bank personnel.
Monitoring constraint	Women's economic activities may be more difficult to monitor since they are often in different sectors and on average run smaller enterprises than traditionally male-dominated sectors that are financed through credit.	Women may find it difficult to control their loans in the household when other family members (particularly men) determine it is their right to exercise control over this money.
Enforcement constraint	Women often lack formal property rights, which makes it difficult for creditors to claim non-movable collateral when a loan is not repaid.	Women may be more susceptible to pressure, intimidation or violence from creditors or their agents.

Source: Adapted from Baden (1996)

The differential impact of the global financial crisis on women calls for a closer look at sources of financial instability such as currency risk, capital flight risk, contagion risk and sovereignty risk. While it is long established that uncertainty is an inherent feature of economic processes, the question is the adequacy and appropriateness of measures and institutional frameworks guiding national and international financial markets. Some forms of austerity measures and financial consolidation on social spending tend to shift the burden of financial risks to vulnerable segments of the population, including women.

The International Labour Organization (2011) identified certain sectoral trends that are adversely affected by budget cutbacks. For example, more women than men work in public sector jobs and charity organisations. Rollbacks in social protection spending such as child benefit allowances and state-funded education programmes and the closure of childcare centres particularly affect female-headed households and single mothers on low incomes.

At the household level, effective functioning of the care economy largely relies on women's inputs, which tend to be extensive and intricate. Austerity measures negatively affect the quality of health and hygiene, human capital formation of the young and the quality of care, results that are not only inequitable but also inefficient. In addition, the recovery of the monetised economy is protracted and can stall (when non-monetised savings resulting from greater unpaid care labour increase over and above investment), which has further long-run implications for the care economy and women's central role within that sector. Consequently, effective demand in the monetised economy suffers. Safeguard measures in financial institutions need to better address how financial instability can be prevented, taking into account the associated risks of over-burdening the care economy and its managers, who are predominantly women.

2.3 Inefficient resource allocation

Inefficient resource allocation and the financial exclusion of women and other vulnerable groups are partly, though not entirely, due to the propensity of these groups out of either necessity or choice to operate smaller and informal businesses (IFC 2011a). There are, of course, gender-specific constraints discussed earlier that act as barriers to women, such as legislative restrictions or access to land. However, other important factors that determine credit worthiness and financial resources include firm size, performance and the type of sector the business operates in.

Women-led businesses tend to be small in size and operate in the services sector, which means returns to creditors and other stakeholders is lower, particularly during times of economic crises. Financial institutions and other types of lender may perceive these businesses to be riskier. A weak investment climate for formal and informal businesses will affect women disproportionately, undermining their overall profitability. Survey results reveal that male-run businesses of similar size do not face the same problems growing their businesses, though they may feel industry- or sector-related downturns in equal measure (IFC 2011a). Policy-makers then must consider the regulatory, cultural and institutional barriers to access to resources, including credit (ibid.).

Human capital, characterised not only by years of formal education but also by financial literacy and professional experience, including business skills and managerial development, is often cited as a reason why women lack access to credit. Yet, human capital remains one of the key measures of a country's productivity. Though governments have generally allocated basic social spending equitably, particularly in the area of education (Lesotho and Sri Lanka are two examples), in the area of financial literacy women lag behind their male counterparts.

To rectify and remediate these policy gaps and reduce gender deficits of macroeconomic policies in the context of complex and dynamic globalisation phenomena, it is important to incorporate gender equality measures into the conceptual, financial and operational frameworks that guide global and national financing for development policies. The Monterrey Consensus of 2002 was a good starting point for seeking the necessary changes that would create the appropriate platforms to promote equity and women's empowerment as pre-requisites for ensuring that people benefit from global advancements and accelerated transformation on the basis of equality.

From a gender perspective, the Monterrey Consensus did not particularly redress the orthodoxy of the Washington Consensus.[4] Due to its limited scope, it did not re-invent the economic and financial paradigms that structure the definition, search for solutions and actual delivery of development financing. Gender omissions and ambiguities in the Monterrey Consensus limit its capacity to assist countries to respond to the urgent needs of its citizens (both female and male). This is particularly true of unresolved macroeconomic policy challenges such as mobilising domestic and international financial resources.

• *Mobilising domestic financial resources*: To create stability and a favourable climate for private and foreign investment, macro policies often erode the tax base and place the burden of raising financial capital and resources for large-scale development on all citizens regardless of gender. The cutbacks in spending on basic services that governments must make in order to achieve strict deficit controls often have a more negative impact on women. Concerted efforts are therefore required to apply corrective measures to these policy prescriptions and practices if benefits from financial products and services are to be equitable.

- *Mobilising international development resources:* To increase foreign direct investment (FDI) flows, government policies aim at creating a favourable environment for the rise and growth of both national and foreign enterprises. This often entails the adoption and support of fiscal exemptions, networks of sub-contracted employment and deterioration of employment standards – particularly in export processing zones (EPZs). These measures translate into severely lowered social standards and an erosion of workers' bargaining powers, which results in a fall in real income earnings and poorer living standards for families.

Case Study I: Country Report – Sri Lanka

Sri Lanka is positioned roughly mid-way in the UN Human Development Index, at 97 out of 186 countries (UNDP 2011). It is classified as a lower-middle income country and, with a population of 20.5 million people, GDP per capita at purchasing power parity (PPP) stands at US$4,646.

Sri Lanka ranks 31 out of 135 countries in the Global Gender Gap Index[5] with a score of 0.721 out of 1 in the gender equity rankings. In the Asia Pacific region, its gender equity rank puts it in 4th position after New Zealand, the Philippines and Australia. In the Gender Gap Sub-indexes, the gender gap remains at its widest discrepancy for earned income, with male estimated earnings at US$7,070 compared with females at US$2,542 (a score of 0.36 out of 1 in the equity rankings). About 38 per cent of women aged above 15 years old participate in the labour force compared to 80 per cent of men, with wage equality for similar work ranking 0.74 out of 1 (Hausmann et al. 2011).

With regards to economic participation, the Women's Economic Opportunity Index assesses three areas that indicate women's access to financial services: initiatives to provide financial accounts, such as savings and deposits; improvements in providing access to credit for women entrepreneurs; and training programmes on types of financial facilities and services, including risk management (Economist Intelligence Unit 2010). Sri Lanka scored mid-way on its ability to remove the barriers that prevent women from accessing these services, keeping in mind that the indicators refer only to women who are employed in the formal sector.

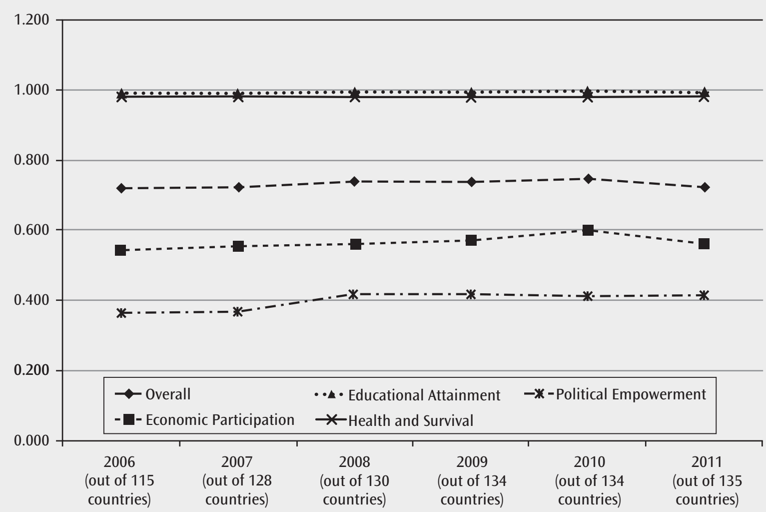
(*Continued*)

Case Study I: Country Report – Sri Lanka (cont.)

The female unemployment rate stands at 8 per cent of the female adult labour force, compared with 4 per cent for men. Nearly 30 per cent of women participate in non-agricultural paid labour, and access to land ownership stands at 0.50 (on a scale of 0 to 1). Women's access to bank loans is 0.00[6], whereas women's access to finance programmes is 3[7]. This highlights some interesting contradictions: fair levels of access to credit and yet restricted access to other finance instruments, as well as restricted access to land and to property other than land, combined with low levels of participation in ownership of firms, and yet scoring 5 (out of 7, which is the best score) in ability to rise to position of enterprise leadership.

The figure below provides a compelling visual representation of these trends. The health and survival indicators reveal consistent high levels of progress in the past five years, and the political empowerment indicators show a slight rise from 2007 with steady progress. But there is a slight decline in economic empowerment year-on-year from a world ranking of 89 (out of 134 countries in 2010, itself an improvement over 2009 and 2008 where the country stood at 99th position) to 102 (out of 135 countries) in 2011.

Figure 2.1 Evolution of Sri Lanka's gender gap index and sub-indexes, 2006–2011



Source: Haussman et al. 2011

Broadly speaking, then, Sri Lanka has moved steadily to close the gender gaps in health and education but with indicators that point to significantly low levels of women's economic and political participation. Its gender achievements thus far are the result of sustained and broad-based social welfare programmes for state-sponsored education, health care and food rations that have been the mainstay of government policy since independence in 1948. However, despite these investments, the barriers that curtail women's participation in the economy and the type of work that is recognised and adequately remunerated have not been removed.

(*Continued*)

Case Study I: Country Report – Sri Lanka (cont.)

In the Commonwealth Asia and Pacific region, Sri Lanka joins Australia and New Zealand in being able to invest equitably in its human capital and is often cited as a model in terms of state-sponsored poverty alleviation programmes that reflect the government's vision and programme of work. On the other hand, the Budget Speech for 2011 still did not refer to gender outside the context of social welfare and thus did not set out clear appropriations of funding for the implementation of measures to remove barriers that prevent women's access to full economic participation and advancement.

The guiding policy document for Sri Lanka's economic development is 'Regaining Sri Lanka: a vision and strategy for accelerated development',[8] which was formulated in 2001 to prioritise the country's recovery from the debt crisis and stimulate the economy by creating a favourable environment for privatisation and deregulation. As this document demonstrates, however, national economic planning has not been supported by adequate gender analysis. Particularly within production sectors, agriculture and industry, access to and participation of women in government-supported programmes is low, and these are key sectors in the government's plan for national economic recovery. The assumption that this vital policy document is gender neutral is likely to overlook the gender differences that amount to tangible disadvantages women face, particularly in these sectors.

Part of the problem is the cultural root of gender discrimination. To take one variable as an example, the differential in earned income between women and men stems from a dated assumption that men are the sole economic provider, neglecting the statistics on the number of female-headed households, the rising costs of living, growing urbanisation, immigration and women's unpaid contribution to the economy.

Sri Lanka is characterised by low levels of financial inclusion, ranking 63rd in the Index of Financial Inclusion (IFI) out of 100 countries surveyed, with no change in the rankings from the previous year (Sarma and Pais 2008). Women's access to bank loans, to property other than land, and to land ownership is still fairly unequal (Hausmann et al. 2011). In 2011, 67 per cent of Sri Lankan women had an account with a formal financial institution compared with 70 per cent of men. This figure is still significantly higher than 23 per cent of women in lower middle-income countries and 25 per cent in South Asia (Demirgüç-Kunt and Klapper 2012[9]).

Of the bottom 40 per cent of the population, in terms of income, 58 per cent of Sri Lankans have an account with a formal institution, whereas only 28 per cent saved with a financial institution, and 18 per cent received a loan from a bank compared with 13 per cent that received a loan from a friend or relative. About 9 per cent saved using a savings club (IFC 2011a).

Efforts have been made to address financial exclusion. Rural financial institutions are mandated to provide access to services and trained to work with vulnerable populations, particularly women in villages, agricultural estates and fishing communities. The government provides subsidies to community-based organisations and formal financial institutions on extending access to credit, banking services and payment systems through:[10]

- Regional Development Banks (RDBs) and other Licensed Specialised Banks (LSBs). The Regional Development Bank, established in 2010, and the SANASA Development Bank are supervised by the central bank.
- Samurdhi Bank Societies (SBSs) established in 1996 as part of the government's poverty alleviation programme and regulated by the Samurdhi Authority of Sri Lanka.
- Thrift and Credit Cooperative Societies (TCCSs, and SANASA partner societies) have been regulated by SANASA since the 1970s although TCCSs in the North remain independent.

(*Continued*)

Case Study I: Country Report – Sri Lanka (cont.)

Of the approximately 4 million potential household clients, less than 50 per cent are financed through micro-credit. Microfinance institutions have about 10,000 service centres, spread unevenly throughout the country. RDBs and LSBs, on average, transact 86 per cent of their business lending through microfinance, with a client base of 1.85 million and a credit line of about US$250 million. SBSs have over 1,000 service centres, with a deposit base of US$5.8 million, and have about 2.3 million members and 227,000 non-member clients. SANASA primarily lends through TCCSs and has nearly 200,000 borrowers (GTZ ProMiS[11] and BWTP 2010).

Together with the Sarvodaya Economic Enterprise Development Services (SEEDS) and other microfinance lenders, these institutions seek to promote household savings, enhance productivity and mitigate the effects of unemployment. Even with the strides these institutions have made towards poverty alleviation, however, the sustainability of the sector is uncertain as most government-supervised microfinance programmes have subsidised interest rates, weak repayment rates and high recurrent costs.

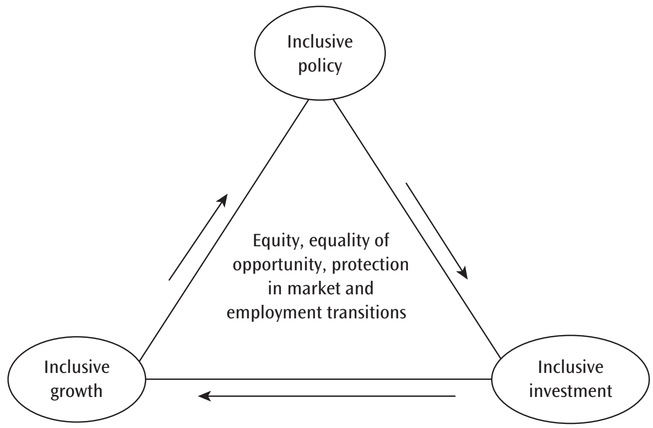
The challenge remains now for Sri Lanka to grow out of this government-subsidised sector of lending as well as over-reliance on foreign donors to build on financial inclusion through private sector development, given that microfinance lending currently only covers about 17 per cent of business and enterprise growth. Although target SME loan schemes have been launched – in conjunction with addressing lack of access to credit, improving financial literacy and encouraging entrepreneurs – lack of adequate forms of collateral, reliable credit registries and ratings systems are major barriers to access. Sri Lanka is well placed for the type of critical engagement that the framework of GRI can provide.

2.4 Addressing systemic and institutional issues

Reforming co-ordination of policies among relevant ministries and institutions is a key challenge that is geared at achieving greater transparency, cohesiveness and participation for all. From a gender standpoint, the deficiency of policy measures in this regard is their failure to integrate gender considerations into the design of options for restructuring the international financial architecture.

A key question that financial policies must answer is whether inclusive growth is an explicit and deliberate target or focus. Gender equality considerations need to be incorporated into regulatory policies such that the financial services sector may develop in a more inclusive way. Furthermore, measuring the effectiveness of government policies should entail benchmarking inclusion at the levels of political leadership and governance, co-ordination and supervision, implementation, monitoring and evaluation.

Figure 2.2 Inclusive growth planning chain



Inclusive growth should have distinct features that highlight both the pace and pattern of growth. The conceptual assumption for this position is that rapid and sustained poverty reduction requires an inclusive growth model that allows people (both female and male) to contribute to and benefit from economic growth as an overarching policy objective.

This concept of inclusiveness as defined by the Commission on Growth and Development encompasses the notions of equity, equality of opportunity and protection in market and employment transitions (Ianchovichina and Lundstrom 2009). The failure of existing financial policies to fully accommodate these fundamentals to inclusive growth planning points to gaps in efforts to promote successful growth strategies. Consequently proactive and forward-looking policies need to emphasise equality of opportunity both in terms of access to markets and resources as well as the existence of an unbiased regulatory environment for businesses and individuals. The systematic inequality of opportunity in financial markets should be deemed 'toxic', with the potential to derail the economic growth process either through political channels or social conflict and stratification.

Case Study II: Country Report – Uganda

Uganda is a key country for assessing the links between gender and economic growth within the context of promoting financial inclusion, decision-making and entrepreneurship. Ugandan women and men are both recognised to play significant, if different, roles in their contributions to the country's economy. These differences are the result of complex social, cultural and political practices that specifically disadvantage women and other marginalised social groups.

Uganda is characterised by low values of financial inclusion, ranking 48th in the Index of Financial Inclusion (IFI) out of 49 countries surveyed, with no change in the rankings from the previous year (Sarma and Pais 2010). The index takes into account three aspects of the population's ability to access financial services: accessibility, measured in terms of banking penetration; availability of banking services; and frequency of usage (Sarma and Pais 2008).

Access to credit in Uganda is noted to be diverse and variable considering the overall level of the country's economic and social development (FinScope Uganda 2006, in Johnson and Nino-Zarazua 2011). The Ugandan financial sector is comprised of:

- *Formal financial institutions, regulated by the Bank of Uganda*: Commercial banks and credit institutions; microfinance deposit-taking institutions.
- *Semi-formal institutions, licensed or registered under an Act of Parliament*: Credit-only microfinance institutions (companies limited by shares or by guarantees) supervised by the Bank of Uganda; and Savings and Credit Cooperatives (SACCOs).
- *Informal institutions*: savings clubs, private moneylenders, friends and family as lenders, Rotating Savings and Credit Associations (ROSCAs) and Accumulating Savings and Credit Associations (ASCAs).

Gender bias still permeates traditional financial institutions. Low levels of financial literacy mean women in particular are unable to seek access to credit from reputable financial institutions and/or run the risk of borrowing with high repayment rates. They are also unable to benefit from good credit records, access information about how to formally register a business, formulate a business plan or carry out a thorough audit of their financial statements. In addition, users of financial services are required to meet a series of requirements such as the need for collateral and guarantor, documentation, minimum account balance, banking fees and transaction costs, many of which are beyond the reach of poor people.

Formal financial institutions often require women to provide a co-signatory, usually the husband, although there is no legal justification for this. Collateral in the form of land, which is not easily accessible to Ugandan woman, poses a challenge to, for example, the sustainability of female-headed enterprises. Financial institutions do not favour other forms of collateral such as stock, merchandise and machinery, a distinction that resides in dated personal property and security laws. The only way to access this form of financing is to use a 'formalised' asset, i.e. those assets belonging to a registered business. The process of incorporation under Uganda's Companies Act limits this as a form of access to credit for women since informal businesses, where most women are invested, are not registered as companies.

Uganda ranks 25th (out of 135 countries) in the index for political participation, gaining 4 places as the percentage of women parliamentarians increased from 31 per cent to 35 per cent (Haussman et al. 2011). And yet, while the gender parity index in the area of education is 0.998 (out of 1), Uganda ranks 117th (out of 135 countries) in overall educational attainment. Though Uganda has made great strides in halving the poverty rate recorded in 1992–1993, when it stood at 56 per cent of the population, it remains a poor country, with per capita income of US$1,129 at PPP and slow progress made on the health and survival indices as the result of uneven access to basic social services (ibid.).

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Case Study II: Country Report – Uganda (cont.)

Despite these challenges, Uganda has achieved significant milestones towards closing the gender gap. Though classified as a low-income country by the World Economic Forum (Hausmann et al. 2011) and UNDP (2011), Uganda ranks 29th out of 135 countries on the overall Gender Gap Index, 26th in labour force participation and 6th in wage equality for similar work. The female adult unemployment rate is 4 per cent of the female labour force compared to 3 per cent of male adult unemployment (ibid.).

Women's access to bank loans, to property other than land and to land ownership is still fairly unequal (Hausmann et al. 2011). In 2011, 15.1 per cent of Ugandan women had an account with a formal financial institution compared with 25.8 per cent of men and significantly lower than 20.4 per cent of women in low-income countries and 21.5 per cent in sub-Saharan Africa overall (Demirgüç-Kunt and Klapper 2012).

In general, the figures for access to financial services across the Ugandan population are low, lower than in most low-income countries, including other countries in sub-Saharan Africa. Of the bottom 40 per cent of the population in terms of income, only 8 per cent of Ugandans have an account with a formal institution, and 46 per cent received a loan from a friend or relative compared with 9 per cent of the population aged 15+ that can access a loan from a formal financial institution. About 19 per cent of Ugandans aged 15+ saved using a savings club compared with 16 per cent of savings placed with a formal financial institution (IFC 2011a).

Uganda ranks 161 on the 2011 Human Development Index (UNDP 2011). Despite low levels of financial inclusion and considerable levels of poverty, over 31 per cent of the population is engaged in some form of entrepreneurial activity, seen as the most viable way to make a living, particularly during periods of economic crises.[12] The levels of entrepreneurialism, defined as self-employment in any kind of remunerated activity that also includes informal sector employment, has been constant in Uganda over the last six years (IFC 2011a).

Women still remain a largely marginalised group when referring to actual contribution to the economy due to a number of factors, which also dictate their levels of financial inclusion. The mean age of marriage is 20 years of age and women have on average six children. Uganda has been identified as a country with a high percentage of unmet contraceptive needs (UNDP 2011). Women's school career from primary to secondary education spans 10 years, a year less than men's schooling (Haussman et al. 2011). Statistics reveal that women, and especially single household heads, are more vulnerable to volatile income and unemployment.

Women's lack of control over productive resources, assets and any resulting income from labour activities is a pervasive and systemic problem (UNDP 2011; IFC 2011a). Roughly 60 per cent of Ugandan women work in the agricultural sector, yet less than 20 per cent of them own land; and 39 per cent of businesses with a registered premise are owned by women, yet they received less than 10 per cent of commercial credit. Legislative reform to correct inequalities in land and property ownership and marital laws where cultural dynamics dominate is proceeding at a gradual pace.

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Case Study II: Country Report – Uganda (cont.)

Uganda's Participatory Poverty Assessment Papers[13] reveal that the notion of ownership of assets by women is underpinned in the country's laws. Men fear that if their wives or partners work, they will become promiscuous, unruly or disrespectful and pose a threat to the traditional family structure of man as the breadwinner. Conversely, men will shift the burden of income generation onto women once they perceive their ability to generate income is to their advantage. Women who are 'permitted' to work must also shoulder not just the domestic chores but also the financial burden of school fees, food, medicines, taxes, clothing and other household provisions (Brock and McGee 2002).

The government has sought to address these issues in its five-year National Development Plan (NDP) 2010–2015, replacing the Poverty Eradication Action Plan (1997), which aims for Uganda to become a middle-income country through proposals focused on infrastructure and private sector development. Steps towards achieving gender equality feature frequently in this policy document, fully recognising that legislative and economic barriers act as barriers to financial inclusion. The government is striving to address some of these through partnerships with the IFC, for example, which in 2008 helped local banks through a credit line dedicated specifically to women entrepreneurs.

The government also began rolling out Regulatory Impact Assessments as critical tools in policy-making to assess the economic, social and environmental impacts of any proposed legislation or policy. These are seen as opportunities to mainstream gender into all policy-making and impact analysis processes. As part of these ongoing reforms, the Ministry of Gender, Labour and Social Development remains an important institution to advocate for GRI in private sector development. Through partnerships and with its constituent stakeholders, the Ministry promotes women's participation in key sector development policy and implementation.

Chapter 3

State of the Business Environment

> 'That growth [of women's income] represents the biggest emerging market in the history of the planet. … It's seismic stuff, and the impact of the shift – one that few leaders, either in the political world or in business, have fully grasped – will be broad and deep.'
>
> – '*The real emerging market*', Newsweek *(Foroohar 2009)*

Against the backdrop of what is considered to be the worst financial crisis since the depression of the 1930s there could not be a more apt moment for policy-makers in the Commonwealth to implement measures that support GRI. This chapter examines the role governments play in facilitating GRI as well as the key areas policy-makers might consider focusing on in order to fully maximise the potential of women. It reviews factors within the enabling environment that affect women's ability to access the financial services that are critical to enterprise development and the stimulation of economic growth.

3.1 What does gender have to do with the enabling environment?

The attainment of gender equality and women's empowerment depends heavily on resource requirements such as education, livelihood opportunities and political and civic engagement. While the potential exists for such resources to contribute to positive change in women's lives, they are governed by social and institutional frameworks that determine how these resources can be realised.

The majority of Commonwealth governments have policies in place to create an enabling environment for enterprise; these are aimed at generating greater economic opportunities, increasing job and wealth creation and stimulating economic growth. However, if governments are to encourage a more equitable distribution of income, closing the gap in gender equality is a necessary condition to create an egalitarian environment; in the long term, a country's competitiveness, GDP per capital and level of human development will be directly correlated to its ability to do this (Hausmann et al. 2011).

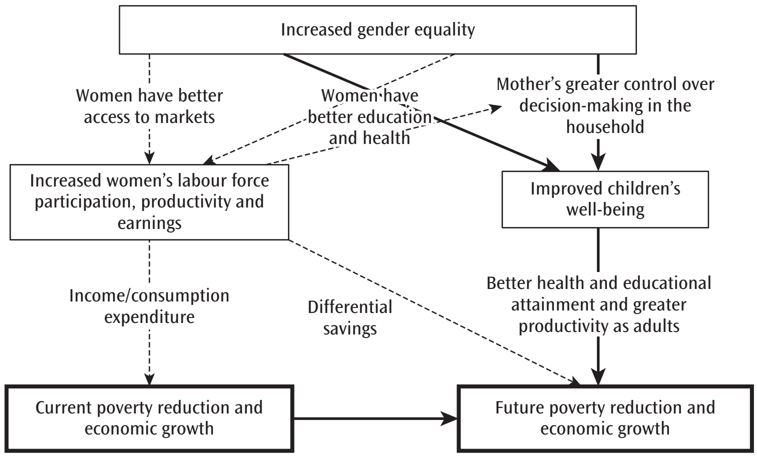
Empirical research by the World Economic Forum measured the impact in countries closing the gap in gender equality in the areas of health and survival, educational attainment, political participation and economic empowerment and found increased levels of household savings rates and a shift in spending patterns to certain industry sectors such as food, health care, childcare, education, consumer durables and financial services (Hausmann et al. 2011). In Bangladesh and India, research suggests that increased political participation and civic decision-making have led women who occupy roles in local government to implement policies that have better outcomes for the community than when men are in charge of budget allocation (ibid; Rahman Khan 2006).

However, even countries that have fully closed the gaps in gender equality in some areas and have made equitable investments to provide universal access to education and health will have significant pockets of inequality, particularly in the areas of political participation and economic empowerment (Hausmann et al. 2011). For example, gender mainstreaming, especially with regards to gender responsive budgets, has had some limited success but often uses women's productivity as a measure of economic empowerment and poverty alleviation, ignoring the impact of a broad range of social divisions and social relations that constrain women's economic choices and opportunities and not measuring the full scope of women's productivity in economic terms. This trend renders women less visible and overlooks critical social and institutional factors that perpetuate this imbalance. These inconsistencies arise largely from developing and implementing gender-neutral policies that are neither gender sensitive nor inclusive.

There are compelling reasons for governments to create an environment where women can access greater economic opportunities, but this must be done with the understanding that gender-neutral policies often have gender-biased outcomes (Simavi et al. 2010). A country's legal and regulatory framework may impede access to credit, resources, land, information, skills development and training. This type of bias may be based on gender as well as availability of time, documentation, formal schooling and other relevant resources that can facilitate access.

Similarly, institutions charged with overseeing investment climate reforms need to be sensitive to the fact that gender-neutral policy-making and implementation is no guarantee of accessibility to services and information.

Figure 3.1 A framework for understanding the links between gender equality and growth/poverty reduction



Source: Morrison et al. 2007: 2

Case Study III: Country Report – United Kingdom

In the United Kingdom, economic inequality between women and men still remains despite an emergency budget judicial review carried out in 2010. The judgment ruled that any measures outlined in national budgets are subject to equality law and called for better data collection methods to formally assess the impact of budget allocations on women and men (Women's Budget Group 2011).

The UK Women's Budget Group noted at the time that this recognition had to be accompanied by the consideration that economic policies and decisions bear a wider, and often disparate, impact on society in general because each budget measure has the potential to perpetuate or worsen existing levels of inequality (ibid.).

Though the UK ranks 16th (out of 135 countries) in the Gender Gap Index, it ranks 47th for labour force participation and 57th for wage equality for similar work, with female labour force participation of 69 per cent compared with 89 per cent for men (Hausmann et al. 2011). The pay gap between women and men in full-time employment is 15.5 per cent, and 64 per cent of low-paid workers are women (Office for National Statistics 2010). The gaps in wage equality, as well as the indicators on women's political empowerment sub-indexes, are factors in the UK's ranking behind other European countries.

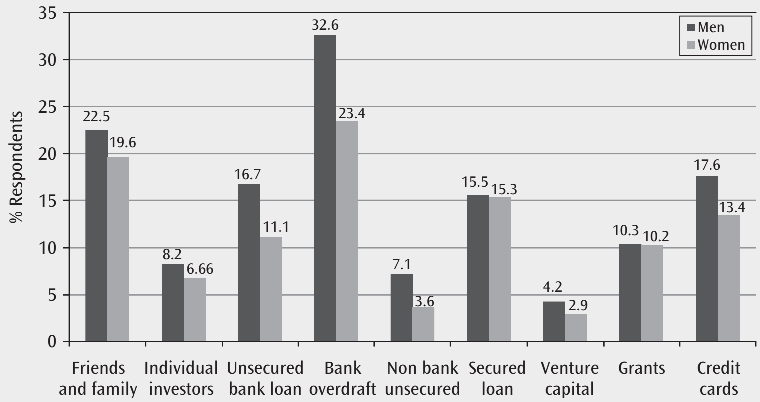
Recent expenditure cuts outlined in the Spending Review are expected to affect single mothers, female pensioners and female heads of household in particular. It is estimated that within the next two or three years, households in the UK will lose public services benefits of the equivalent of 6.8 per cent of their income, with female single pensioners losing 11.7 per cent and single mothers 18.5 per cent. The Women's Budget Group estimates women are the hardest hit by these cuts because they contribute up to 72 per cent in savings contributions as a result of changes in personal taxes and other sector cutbacks in benefits in the June 2010 budget. The imbalance of these effects has not been addressed in the 2011 budget.

(*Continued*)

Case Study III: Country Report – United Kingdom (cont.)

Research commissioned by the Financial Services Authority revealed that 6 per cent of women in the UK had no financial products at all compared to only 4 per cent of men. Indeed the differences between women's and men's use of financial services in Britain run deeper. Women's businesses tend to be undercapitalised at the start-up stage and seek less external finance in general and equity finance in particular (Women's Enterprise Task Force 2009). Women also own slightly fewer products and prefer different distribution and delivery channels to men – having a much stronger preference for more traditional face-to-face transactions (Financial Services Authority 2001).

Figure 3.2 Sources of finance for business start-up, UK



Source: Global Entrepreneurship Monitor 'UK Adult Population Survey 2007', see : www. Icpsr.umich.edu/ICPSR/studies/20320 (accessed 4 March 2013)

In the area of access to formal banks, 96 per cent of women in the UK over the age of 15 years have a bank account and 54 per cent of the population have placed their savings in a financial institution according to research conducted in 2011; however, only 12 per cent received a loan from a formal lender compared with 14 per cent who received a loan from a family member or friend.[14] These low formalised levels of lending indicate a certain amount of financial exclusion, specifically to the extent that bank account holders utilise other forms of financial services.

Women and lone parents remain particularly vulnerable to financial exclusion. Research carried out by the Financial Inclusion Taskforce suggests the majority of users approaching illegal moneylenders are women and often single parents. The number of unbanked households seeking to open bank accounts is rising among the single head of household demographic, where it is most likely the women is a single mother. The Department for Business, Enterprise and Regulatory Reform (BERR) has tried to address these issues by providing free money advice to over 66,000 people, half of whom are women. BERR has also instituted projects throughout the UK to tackle illegal lending and provide support for victims (HM Treasury 2007).

The government's efforts in the area of financial inclusion are wide-ranging to fit the scale and scope of private sector development in the UK, which is a positive characteristic in keeping with the different levels of need and priorities of the population. For example, of the 46,000 affordable loans provided by the Department for Work and Pensions (DWP) Growth Fund, 46 per cent are allocated to women.

(*Continued*)

Case Study III: Country Report – United Kingdom (cont.)

The 'Thoresen review of generic financial advice' (HM Treasury 2008) identified areas where financial inclusion initiatives can help one group but not have measurable effects on other groups. This is not a negative characteristic of inclusion programmes in the UK but does reflect the need to provide information on the variety of ways in which these services help excluded groups and, more importantly, the need to consider the ways in which these groups are able to access the services.

Overall, the review found that once an individual was ready to seek advice, it was readily available, and generally there is continuity of services and funding throughout. Financial advisers are trained in issues related to vulnerable groups and they are able to advise and inform clients objectively. Financial service advisers and providers were generally found to be trusted by users and to have an impact on the reduction in use of illegal moneylenders and unreliable credit and savings schemes.

The review recommended several initiatives to money and debt advice service providers, notably understanding when to deliver assistance to vulnerable groups and recognising that financial exclusion may be one of several problems the client may face. For example, sensitivity to cultural biases regarding women's access to financial services is one of the areas to be considered. The review also made specific recommendations to central, local and devolved governments, including the provision of funding to financial and debt advice capability programmes to ensure continuity of service to users and investments in training staff, particularly those working with women and vulnerable groups.

3.2 Current status of women in the economy

3.2.1 The playing field is not level

While women business owners are significant contributors to GDP growth, many economies still retain legislation and/or regulations that treat women and men differently in ways that may affect their opportunities as entrepreneurs and workers (World Bank 2010). Globally, informal sector producers and traders – a sector where women are heavily represented – experience efficiency constraints due to exploitation at the hands of petty officials and by traditional barriers to women's access to and control over productive assets. Women's potential as producers is undermined by lack of land rights or inadequate access to technology, credit or other services. Of the 33 Commonwealth countries covered in the CGAP and World Bank's 'Financial Access 2009: measuring access to financial services around the world' report, only seven – Ghana, India, Malawi, Mozambique, South Africa, Swaziland and Zimbabwe – made exceptions from requirements to open a bank account for low-income applicants. Usually these requirements include 'proof of income' and 'proof of employment', which are often difficult for women producers in the informal sector to comply with.

3.2.2 Women's labour force participation generally lags behind men's

Evidence-based research indicates that closing the gender gap, particularly in the areas of education and labour participation, leads to benefits at the household level, raising women's bargaining capabilities within the domestic sphere (Simavi et al. 2010). At the macroeconomic level, from a competitiveness perspective, women's low participation in remunerated work and exclusion from formal employment results in occupational segregation. This tends to reduce the allocation of human capital and distorts the allocation of economic resources that could enhance sectoral development.

The Bahamas rank 1st and Lesotho 2nd (the only country in sub-Saharan Africa to have closed the gap in both education and health) out of 135 countries in the Global Gender Gap sub-index for economic participation, ahead of New Zealand (11th), Canada (10th) and Australia (18th). This means both women and men are afforded equal opportunities for economic participation and yet there is an income differential between women and men for similar work done, suggesting that other factors determine labour force participation.

In Lesotho (9th in the overall Gender Gap Index), for example, 72 per cent of women compared with 79 per cent of men participate in the labour force and wage equality for similar work is 0.83, above the regional average of 0.65 (Hausmann et al. 2011). However, property and inheritance legislation favours men. There is no measure as yet of women's access to financial services, and access to land and financial resources is limited. In The Bahamas, 72 per cent of women participate in the labour force compared with 83 per cent of men, but despite the country's relatively high ranking (22nd) on the overall Gender Gap Index, there is no measure of the wage inequality or indicators to measure financial exclusion.

High female participation rates are also determined by their ability to combine childcare and work through shared participation in the care of family members; equitable distribution of domestic duties; work-life balance favourably determined by declining birth-rates; availability of affordable childcare centres; remunerated maternity leave and extended paternity leave combined with other schemes such as flexible working hours or job share; and other benefits such as tax incentives, social insurance funds and other programmes to help women re-enter the job market after having children.

Box 3.1 Commonwealth Caribbean – closing the gender equality gaps

Overall, the Caribbean region is a consistent performer in the areas of educational attainment and health and survival, holding 2nd position after North America in the regional rankings and ahead of Europe and Central Asia.

Trinidad and Tobago is the best performing country in the region (21st in the overall rankings) with women making up 43 per cent of legislators, senior officials and managers and holding 34 per cent of ministerial positions.

However, the gap in labour force participation remains wide in many Commonwealth Caribbean countries. In Jamaica, for example, the female labour force participation rate is 61 per cent compared to a male participation rate of 78 per cent. In Belize, female labour force participation stands at 50 per cent when compared to 83 per cent male participation.

Source: Hausmann et al. 2011

While the past 10 years have seen the gap in labour force participation between women and men narrowing, there remains much to be done as women rarely hold positions of authority economically or politically (United Nations 2010).

3.2.3 Women spend at least twice as much time as men on domestic work

In every region of the world, women bear the brunt of domestic responsibilities including caring for children and other dependent household members, preparing meals and doing other housework, which limits the amount of time they have to put towards economically productive activities. Studies have shown that there are factors such as cultural attitudes towards women, time spent in paid employment, economic power within the household and degree of educational attainment that can redistribute the burden of domestic labour (Baxter 1992).

Research indicates that agency in the gendered division of labour is determined as much by structural factors, such as the cultural and socio-political context, as by the effect that the availability of resources available to women, including employment outside the home, has on their bargaining capabilities within the household (Crompton et al. 2005).

While women undertake the large majority of household and childcare tasks in most countries regardless of their employment status, employment can influence the gender imbalance in the allocation of domestic work. The probability of men working in the home is increased by the number of hours his partner works outside the home – though this redistribution of labour is restricted because it is related to the actual change in housework time, which is also limited. More importantly, women working outside the home experience a change in their bargaining capabilities. They may also find they can pay to outsource household work. Though paid employment will have no measurable effect on men's housework hours, unemployment resulting in loss of financial income will increase both men's and women's housework hours. High-income earning potential also influences the gendered division of domestic labour as do years of formal schooling, high educational attainment and age, factors associated increasingly with more egalitarian attitudes toward women (Fortin 2005).

3.2.4 Women are disproportionately affected by barriers limiting access to investment

Businesswomen are less likely to have ownership or control of assets to pledge to lenders as collateral and tend to have lower education in the less developed regions. They can be more affected by eligibility barriers due to difficulties in obtaining documentation required; by physical barriers due to difficulties in physically accessing services; and by affordability barriers, given that on average women's income is lower than men's. In many countries, traditional views about women's roles also prevent them from fully participating economically.

Women require the support of well-conceived government policies, as well as practical assistance in the workings of institutions and programmes in order to thrive. Policy-makers need to understand women's enterprise and the constraints to women accessing finance in order to implement engendered investment policies.

3.3 Benefits of GRI to the economy

3.3.1 Access to financial services directly impacts GDP growth

The bulk of empirical evidence suggests that developing the financial sector and improving access to finance is likely to not only accelerate economic growth but also reduce income inequality and poverty. Stronger financial systems can, among other things, promote business start-up, enterprise growth and innovation, thereby improving aggregate economic performance (World Bank 2008). Governments have an important role to play in increasing financial access, particularly to women, who remain an under-served market.

3.3.2 Increasing the proportion of women who are banked

Despite the benefits of greater financial inclusivity, women receive a substantially lower proportion of credit. Women-owned businesses across the Commonwealth tend to be smaller and use less external financing. Women are starting and running businesses in record numbers but remain under-represented in the formal banking system (Financial Access 2009).

3.3.3 Poverty reduction

GRI provides opportunities for women to access funds for productive uses thus encouraging enterprise development, boosting growth and reducing poverty. Greater inclusivity is critical for sustainable economic growth and leads to greater equality of income and poverty reduction.

3.3.4 Increasing the number of women trading in the formal sector

If women are able to manage their businesses within the formal sector of the economy, they are more likely to access the supporting business services they need to expand. Furthermore, formal businesses are more likely to pay appropriate business taxes to provincial and/or central governments, with clear benefits to the economy.

3.3.5 A channel for social protection

Social protection is defined by the United Nations Research Institute for Social Development (UNRISD) as policies and programmes aimed at addressing, managing and preventing the causes of poverty, vulnerability and exposure to social and economic risks such as unemployment, exclusion, illness, disability and old age (UNRISD 2010).

With respect to GRI, social protection concerns include the informalisation of women's labour within certain service sectors, particularly during periods of economic downturn, and the implications for women's access to social security, labour rights, insurance and pension schemes, and women's ability to find paid employment, skills training and professional and entrepreneurial development.

The principle of addressing inequality and vulnerability is ingrained in development practice, yet social policy spending by national governments generally makes up a proportionally small percentage of GDP, and is under constant threat of cutbacks to meet other budget obligations (Fine 2009). Social protection systems are failing families and communities, 'with social insurance giving way to social assistance with an array of poverty traps and unemployment traps' (Standing 2007). This is because social protection systems are not always attuned to difference – not just gender difference, but to the specific needs and priorities of individuals. Neglecting those differences affects policy outcomes and therefore has long-run implications for the efficacy of policy design.

GRI addresses these differences to allow for more inclusive policy outcomes that stem not from a provision of basic welfare but from the understanding that gender differences are entrenched in legislative and regulatory systems, social and cultural practices, and lack of access to civic institutions and decision-making channels.

3.4 Framework for policy-makers

In order for government to act as an effective catalyst for GRI it needs to have comprehensive policies as well as a broad set of institutions to implement, monitor and evaluate those policies. Policy should broadly support long-term transformation in the way in which women are viewed in society, placing more women into positions of leadership within politics and government agencies as well as encouraging the private sector to invest in promoting women to senior management and board level positions.

Policy recommendations for financial inclusion are already part of the work most governments plan and provide for. Enhanced education and financial literacy, increased training in non-traditional sectors to redress the imbalance of SME concentration in the service industry, helping women and other vulnerable groups develop work experience and professional networks, and creating an inclusive investment climate are policies already in place within other programmes such as microfinance lending, agricultural reform, infrastructure investments and private sector development. Focusing on GRI is a necessary component of the sustainability and success of policy implementation over the long term.

3.4.1 Education

Investment in education, particularly to facilitate universal access to tertiary education, is a key strategy in human capital formation and ensuring productivity. Helping women further develop their education, skills and experience is fundamental in helping them access financial resources. Since 1970, the number of women taking up tertiary education has grown at a rate almost double to that of men (UIS 2010). The United Nations Educational, Scientific and Cultural Organization (UNESCO) measure of the tertiary gender enrolment ratio (GER) is now higher for women than men in 92 out of 131 countries, though sub-Saharan Africa and South and Central Asia still exhibit low female participation at this level. However, this positive trend has yet to translate into greater representation of women in managerial positions and sustainable entrepreneurial businesses.

Women tend to have lower financial literacy in developing countries, and even within developed countries women appear less comfortable dealing with complex financial products. Research is also emerging suggesting that women are reluctant to engage with complex financial products because these are poorly designed for their needs (Silverstein and Sayre 2009a). Yet, this may directly affect their ability to establish and grow enterprises in the formal sector and in turn their ability to access finance.

3.4.2 Legal and regulatory environment

According to the IFC, up to 80 per cent of economic activity in developing countries takes place in the informal sector. The informalisation of the labour market is due to barriers to access to formal sectors of the economy regulated by bureaucracy, lack of institutional transparency, skewed competition practices favouring big firms, and established social networks.

In many developing economies, non-capitalist modes of production function parallel to the formal market. Subsistence farming, animal and petty commodity production and bartering frequently blur the connection between home-based labour and production and the market economy. Participation in the informal economy ignores the impact of a broad range of factors that constrain and limit livelihood and employment opportunities that could lead to poverty eradication. Social transformation in the area of economic development is vital in setting an agenda that aims to change the institutional practices that are gender blind and discriminatory.

Of fundamental importance in developing formal businesses and fostering entrepreneurialism is the right to access and control property. There are quantifiable gender differences in legal status and property rights that bear directly on women's ability to access economic resources. Of 136 countries surveyed by the IFC, only in 20 countries were legislative gaps between women's and men's economic rights closed (IFC 2011a). Governments are encouraged to understand the differences between recognising the principles of non-discrimination and equality within their own constitutions and legislation that reinforces a husband's legal right to control his wife's property or inheritance laws that render women's property rights less secure.

Determining property rights is a complicated process, particularly in countries where non-codified customary law is a formal source of law, such as the Pacific islands (see Box 3.2). In sub-Saharan Africa, most land is awarded to men under customary law. In Kenya women make up 5 per cent of registered landowners, while in Ghana men's share in landholding exceeds women's by up to three times (IFC 2011a).

Insufficient collateral, deemed by formal credit institutions as immovable assets such as land and property, is cited as one of the main reasons for rejecting business loan applications. Not having access to collateral is cited, in turn, as one of the main reasons women will not seek out a loan to start a business. In Bangladesh and India, where marital practices often transfer women's ownership of land to the husband, the absence of land deeds also acts as a barrier to women farmers seeking credit (IFC 2011a). Rural and agricultural reforms and land development programmes that grant deeds and land titles to the head of household, presumed to be the man, also undermine women's property rights. Customary laws may require women to seek their husband's permission to gain access to land, property or other assets that are in turn

Box 3.2 The Pacific islands – some discriminatory laws

In the five Commonwealth Pacific islands – Papua New Guinea, Samoa, Solomon Islands, Tonga and Vanuatu – gender constraints are wide-ranging and entrenched in cultural and historic factors. Women are significant private sector players but remain in the informal sector.

Customary law tends to include discriminatory practices against women – for example, in relation to property rights and the allocation of resources such as land. These are key productive assets that can be pledged to lenders as collateral. In all five islands, for example, laws on inheritance in the absence of a will are discriminatory and could affect women's economic opportunities:

Papua New Guinea	Samoa	Solomon Islands	Tonga	Vanuatu
The Wills and Probate Act provides for the application of customary law where there is no will. As customary inheritance laws are based on patrilineal lines, they discriminate against women.	Although the Administration Act 1975 provides for equal treatment, customary law applies to land and discriminates against women.	The Wills Probate and Administration Act gives equal inheritance rights to women and men. However, customary law has constitutional status and customary inheritance laws discriminate against women.	The Probate and Administration Act has codified customary law and contains discriminatory provisions, including that on the death of her husband the wife only inherits a third of the estate (as opposed to the husband who inherits the whole estate from his wife).	The English Administration of Estates Act 1925 applies where customary practices do not. The custom in some communities is that daughters lose their entitlement to land when they marry.

All five islands have entered into international commitments on gender equality

Source: Hedditch and Manuel 2010

required as collateral when seeking credit and formalising a business.

Regulatory changes that encourage the formalisation of businesses lead to an increase in access to finance (IFC 2011a). Women entrepreneurs in particular choose to stay informal due to a number of constraints including high business entry costs and burdensome registration processes. Studies have shown that investment climates with high entry costs are associated with a larger informal sector. In sub-Saharan Africa and the Pacific islands, while both women and men face constraints in formalising their businesses, women face additional challenges due to overall lower levels of financial literacy, professional experience, proper documentation and credit needed to register and upkeep their enterprises.

Regulatory reform in the financial sector can help address the problem. For example, in India, Pakistan and Sri Lanka, women commonly hold their wealth in gold, traditionally in the form of jewellery, which is now accepted by some formal institutions as collateral.

With respect to GRI, investment climate development and reform is necessarily carried out with national and international development partners, financial institutions and private sector stakeholders due to the nature of gender-specific factors related to financial inclusion. Gender-specific policy prescriptions formulated among a broad range of actors and stakeholders would address gender bias in investment climate reforms.

3.4.3 Financial infrastructure

The benefits of improved secured transaction laws that allow the use of movable assets as security and are applied to all borrowers – particularly businesswomen, who are less likely to possess fixed assets as collateral – should result in increased access to finance.

Financial services regulations can strengthen the rights of lending institutions to realise security and enforce contracts, thus boosting the level of credit and lowering its cost, if they are able to count on government support. For example, DFCU Bank in Uganda, a development finance institution regulated by the central bank, designed a land loan programme to help women acquire land to build their collateral portfolios in order to grow their businesses.

Borrowers are increasingly able to take advantage of asset-based forms of financing such as leasing and factoring, key instruments in SME development. A lease is a medium-term financial instrument allowing for the rental of an asset over a contracted period of time. For example, the lease of farm machinery can help small-scale growers with a timely harvest and delivery to market. As previously noted, SMEs traditionally struggle to obtain working capital through a general lack of assets that can be used as collateral. In this case, accounts receivable is the most commonly used firm asset and these can be converted into a financial tool called factoring. In Tanzania, for example, Sero Lease and Finance Limited, a women-based microfinance leasing and finance company, provides business loans to help women-run businesses build the fixed capital investment portfolios needed to grow their businesses (see case study IV).

Reform of collateral laws and credit information systems can mitigate women's (and SMEs in general) lack of access to formal credit and land. Strong creditor's rights can allow for the use of movable property as security. This has led to higher ratios of private sector credit to GDP (IFC 2010).

Research has shown that robust credit information systems that record data on loan repayments and timely payments on utilities and to trade creditors benefit women-run businesses as they can rely on a standardised system of data collection to present their credit histories when seeking loans. The primary benefit of credit information systems is the establishment of 'reputational collateral' through the payment performance of individual and firm borrowers (Miller 2003). The reduced reliance on traditional collateral, a key factor that restricts women's access to finance, serves to make more capital available to women.

Furthermore, borrower information enables lenders to pursue alternatives to the relationship lending that is prevalent in weak financial markets and, by virtue of its reliance on personal interaction between lender and borrower, discriminates against firms outside formal credit networks – firms predominately owned by women. Not only does relationship lending entail high costs for lenders, but the availability of capital may also be restricted where it is not viable due to the small value of loans. Governments have an important role to play by facilitating the establishment of credit registries, in line with G20 leaders' agreement to the financial inclusion agenda, and by promoting legislation to facilitate information sharing between lenders and independent accredited credit bureaus.

There are two factors that may benefit women more. First, low minimum loan thresholds for private credit bureaus and public credit registries are more favourable to small businesses, which are disproportionately owned by women. Second, the collection of credit information from microfinance institutions (whose clients are mostly women) enables women to graduate from micro-credit to larger loans (World Bank 2010).

New technologies such as internet banking and mobile phone banking can also be a powerful tool for eliminating some of the barriers to physical access to financial services and lowering transaction costs. Up-to-date legislation is required to ensure that contractual obligations are enforceable and to foster innovation. There is a huge potential market in Africa, for example, where there are more mobile phones than bank accounts.

3.4.4 Business support institutions

Business support institutions such as women's business associations, business development service providers and information centres play a critical role in the growth of women's enterprises through providing practical business skills as well as networks and information. These institutions, however, often require technical support and funding to maximise their effectiveness.

3.4.5 Indicators for tracking progress

Indicators are needed to track progress from policy and planning stages to implementable strategies that effect change on women's access to finance. Systematic indicators on financial access are not readily available, particularly sex-disaggregated data. Further work on specifying indicators and collecting data on women's participation in the financial services sector is required to help policy-makers understand the impact of financial access and design better interventions. Independent surveys and research on the women's market on a regular basis and regular publishing and dissemination of data and information are important in stimulating the financial services sector to increase GRI.

The establishment of a dedicated government agency for SME development would aid policy-makers and relevant stakeholders in implementing investment climate reforms by:

- Ensuring government support mechanisms, including research agencies and credit bureaus, collect data on women's participation in the informal sectors of the economy as well as on the potential of women's entrepreneurialism for growth;
- Better addressing the gender differences in financial inclusion through research and/or interventions to expand financial literacy and business training, in association with financial institutions;

- Establishing more inclusive public-private partnerships and dialogue with women-led business leaders and related associations

Case Study IV: Leasing

SECO-IFC Leasing Programme, Tanzania

> 'These women would have been turned away by the local bank and forced to fend for themselves. I came along as an intermediary who was willing to give them a chance.'
>
> *– Victoria Kisyombe, Managing Director and Founder, SELFINA, Tanzania*

Summary

The SECO-IFC Leasing programme in Tanzania was established in 2005 to support the development of Tanzania's leasing industry. Predominately funded by the IFC and the State Secretariat for Economic Affairs of Switzerland (SECO), the programme was implemented by the IFC's technical assistance arm PEP-Africa.

The programme included analytical work on existing leasing laws, drafting and enacting of new leasing legislation and capacity building of legislators, regulators, parliamentarians and the private sector to create a dynamic leasing industry. IFC also organised workshops and conferences to promote the industry and galvanise new local and international investment.

Leasing is an important alternative financing instrument for micro, small and medium-sized enterprises unable to obtain term financing from banks due to collateral constraints and unavailability of long-term capital. Leasing companies that benefited from the programme include Sero Lease and Finance Limited (SELFINA), a woman-owned micro-leasing company that has to date extended over 16,000 micro-lease contracts to women.

Issues addressed

According to the World Bank (2010), some Tanzanian legislation is differentiated by gender – for example, laws governing inheritance rights over movable and immovable property. And in practice women are less likely to inherit assets that can be offered to banks as collateral. Furthermore, women-owned SMEs are accessing only 8 per cent of available credit compared to 24 per cent by male-owned businesses (World Bank 2005). A vibrant leasing industry could provide a valuable source of financing for women-owned businesses.

In 2005, there was a lack of clarity for financial leasing under Tanzania's existing legislative framework, including the regulation of the industry and treatment of VAT, as well as light regulation by the central bank of non-deposit taking institutions such as pure leasing companies. In addition, financial services providers had concerns over dispute resolution through the judicial system. Legal uncertainty for leasing operators and unnecessary restrictions deterred operators from the leasing industry.

Tighter laws were required to attract investment to be channelled into leasing operations and to protect the interests of financiers. There was also a need to develop the nascent leasing market, particularly generating awareness and understanding of leasing, promoting investment in the industry, building technical skills and generating secondary markets for leased equipment.

(*Continued*)

Case Study IV: Leasing (cont.)

Description of initiative

Under the Tanzania Leasing Programme, a broad range of interventions were implemented as follows:

- Technical assistance and capacity building was provided to the government and central bank centred around building a favourable legislative, regulatory and tax environment to develop financial leasing;
- A regulatory framework was developed for leasing companies that included minimum capital requirements, entry and exit requirements and corporate governance;
- Leasing product and business development support was provided to over 45 institutions in order to promote the launch or expansion of leasing services; the types of organisations that benefited included banks, prospective leasing companies, equipment supply companies, institutional investors and micro-leasing companies such as SELFINA;
- Training for leasing services providers and prospective operators was delivered and included topics such as understanding of different funding mechanisms for leasing companies, leasing company structures, deal structuring, legal documentation, lease marketing, lease taxation, lease accounting and asset monitoring and management;
- Training and capacity building was provided to professional associations, firms and regulators;
- Domestic and international investment for leasing was mobilised;
- Public information and awareness campaigns on leasing issues were conducted and reached over 2,000 people;
- Support was provided for the establishment of a Tanzania Leasing Association; and
- Technical publications and materials were disseminated to over 3,000 people.

Results to date

Highlights of the programme include:

- In the three and a half years of the programme duration (May 2005 to December 2008), there was a five-fold increase in leasing activity in Tanzania from US$32.5 million to approximately US$150 million;
- At least four new leasing services providers had commenced operations by the programme closure in December 2008, with a further four more scheduled to begin operations;
- A new financial leasing law, the Financial Leasing Act (2008), was enacted;
- The Tanzania Leasing Association was established to support the sustainable development of the leasing industry; and
- SELFINA benefited from the improved leasing environment, capacity-building activities and advisory services from IFC PEP-Africa and IFC Women in Business. Key statistics include:
    - SELFINA obtained up to US$1 million in commercial bank financing for micro-leasing activities in 2007;

(*Continued*)

Case Study IV: Leasing (cont.)

- As at December 2007, a repayment rate of 100 per cent with 2 per cent repaid in arrears had been achieved;
- As at 2010, the company had provided lease contracts to over 23,000 beneficiaries for equipment such as small tractors, water pumps, irrigation equipment, sewing machines, milling machines, oil extraction machines and bicycles;
- Credit worth US$22 million was issued to women in Tanzania and more than 46,000 women benefited from a range of social and economic empowerment activities including business training, life and health management skills, legal rights and mentoring;
- The organisation obtained a further US$600,000 in quasi equity along with a grant for streamlining of operations and strengthening of management; and
- International awards received including the Schwab Foundation Social Entrepreneur of the Year for Africa (2010) award.

Sources: www.ifc.org/ifcext/gfm.nsf/Content/Leasing; The Wharton School 2010; Grassroots Business Fund undated; Schwab Foundation for Social Entrepreneurship undated

Further information: www.ifc.org/ifcext/gfm.nsf/Content/Leasing

Chapter 4

The Role of Institutions

> 'Of all the industries that affect their daily lives, women around the world have identified the financial services industry as the one they are most dissatisfied with on both a service and a product level.'
>
> – *Silverstein and Sayre 2009b*

This chapter looks at the role of institutions and the interventions they can implement to improve financial access for women's enterprise, from training, capacity building and internal restructuring to the types of products and services that can be developed. It reviews the institutional factors related to access to finance for women and the broader elements of enterprise support. The wide range of financial services required by SMEs and individuals is covered, given that non-credit products are an important entry point into the formal financial sector.

4.1 Status of women's enterprises and access to financial services

Women are the world's largest and fastest growing market, but firms across a spectrum of industries have been slow to wake up to this fact. Time and time again the discussion about women has centred on social issues; as a result, statistics about the scale of women's presence in the economy have been poorly documented and under-reported, creating a chasm of opportunity to be crossed with targeted products and services. Women entrepreneurs account for between 8 and 10 million micro, small and medium-sized businesses worldwide and have a labour force participation rate of over 40 per cent (IFC 2011a). However, as discussed previously, they access a relatively small proportion of credit and a significant number are unbanked. It is only recently that institutions have begun to investigate (to a meaningful extent) the reasons why and take a serious view of the segment as a business opportunity. There is also a key role to be played by the Third Sector (see case study below).

It should be noted that there are significant variances within the women's demographic in some countries. In South Africa and the

UK, for example, there are differences in financial access along race and cultural lines. In South Africa, 38 per cent of black women and 44 per cent of black men are banked compared to 91 per cent of white women and 94 per cent of white men. In the UK, 31 per cent of women of Bangladeshi origin and 14 per cent of men of Bangladeshi origin are likely to have no financial product compared with 5 per cent of white women and 4 per cent of white men. Furthermore, it would be misleading not to acknowledge that systemic differences between female- and male-owned firms – for example, their distribution within industry sectors – are more pronounced in some regions than others. While not necessarily the dominant factor, systemic differences clearly have a bearing on the access and use of financial services and should therefore be taken into consideration.

Case Study V: The Third Sector

Efficacy of a self-help model to increase women's access to finance: three examples from India[15]

The importance of the Third Sector in defining new models to provide financial services for disenfranchised populations is now well recognised in the global arena. The Third Sector comprises those agencies, organisations and informal sector operatives who deliver products and services to an often excluded demographic at low cost and not for profit. Typical Third Sector entities include social enterprises, co-operatives, credit unions, savings and credit organisations, NGOs and community-based organisations. India has a long history of grass-roots organisations delivering well-designed services to rural and urban populations to inculcate sustainable livelihoods. This case study looks at three enduring examples of organisations that have designed innovative programmes.

i) SEWA Bank

Established in 1974 at the initiative of members of the Self Employed Women's Association (SEWA), SEWA Bank is a registered co-operative bank that now has nearly 200,000 women clients. SEWA Bank emphasises savings over credit, and these may be used to generate resources for enterprise expansion, to finance housing improvements and to smooth consumption. It provides facilities for savings and fixed deposit accounts, thus inculcating thrift. The impetus to form the Bank came from a recognition that mainstream commercial banks failed to address the specific needs of poor, self-employed women. SEWA Bank's response was to provide an informal delivery mechanism of loans, savings, insurance and pension products to help these women come out of the self-perpetuating cycle of poverty. In March 2012 the Bank had 165,175 loan accounts and more than 371,000 savings and deposit accounts, amounting to a total outstanding deposit base of some INR 1.11 billion (US$20,813,800) at the end of financial year 2011–2012.

(*Continued*)

Case Study V: The Third Sector (cont.)

Due to SEWA Bank's intimate knowledge of its clients' expenditure patterns, saving habits, insurance requirements and credit needs, it has been able to devise customised products for its clients' specific lifecycle needs. For example, it offers a unique loan product that provides up to INR 100,000 for repaying high-cost debts taken earlier from largely exploitative moneylenders. The Bank also encourages its clients to have recurring deposit accounts so that the women can save even meagre amounts e.g., INR 40 or US$.75 every month. Another innovative product is the Kishori Gold Yojana (buying gold scheme) for buying gold ornaments in advance for a daughter's marriage. Gold loans are also offered by SEWA Bank (up to 70 per cent of the value of the gold ornament offered as security).

Other elements of provision pioneered by the Bank include ensuring service at the clients' doorstep, thereby addressing the time constraints of informal self-employed women. The recruitment of banksaathis (commission-based agents) was an innovative experiment that allowed women clients to transact with the Bank in flexible hours without leaving the confines of their homes/shops. The banksaathis, who come from the same communities as the clients they serve, are now the Bank's frontline workers. Other innovative products include insurance (life, health, assets, widowhood and accidents) and pensions in collaboration with the UNIT Trust of India Asset Management Company. In 2011 SEWA Bank was also appointed by the Pension Fund Regulatory and Development Authority in India as an aggregator to distribute the National Pension System (NPS)-Lite Pension product. Under this scheme the government also contributes INR 1,000 per year to each NPS account.

SEWA Bank proactively organises pension and financial literacy camps to increase awareness of financial products. At these camps, the Bank shows documentaries, movies and interviews to inform women about the need and available channels for a financially secure future. In June 2003 the Indian School of Microfinance for Women (ISMW) was set up jointly by SEWA Bank and Friends of Women's World Banking, Ahmedabad to further spread financial literacy and address the capacity building requirements in the microfinance sector in the country.

ii) Annapurna Pariwar

Annapurna started operating as a Credit Co-operative Society in 1993 in the state of Maharashtra. In 2003 it registered itself as a Multi-State Co-operative Credit Society under a Central Act. It has more than 43,000 members and more than 30,000 active borrowers in financial year end 2012. The loan outstanding amounted to INR 223.50 million (US$4.19 million) and savings from members amounted to INR 87.20 million (US$1.635 million) in 2011–2012.

Annapurna loans are given for setting up or expanding a business, education, housing needs, repayment of old debts from moneylenders and asset creation. Primarily it caters to the basic economic needs of slum dwellers in Pune and Mumbai cities. Small loans are provided without any guarantee/collateral security on the basis of group guarantee. Loan amounts range between INR 5,000 and 100,000. It is mandatory that borrowers save a minimum of 10 per cent of the amount borrowed, and insurance of all clients are significant features. Annapurna also accepts monthly savings from clients on which it gives 7 per cent interest per annum.

(*Continued*)

Case Study V: The Third Sector (cont.)

The Annapurna insurance arm (owned and run by the borrowers) insures its clients against death, accidents and health hazards. Every borrower and her family is insured for INR 60,000 for health problems plus a loan write-off on death and INR 15,000 assistance for the family. On the death of a family member of the borrower an emergency relief of INR 1,000 is given. These benefits are provided against a small contribution of INR 600 per annum per family. The total number of individuals covered for health insurance is 115,000. There is a tie-in arrangement with around 195 hospitals and diagnostic centres in Pune and 94 hospitals in Mumbai. Annapurna also runs day-care centres for the children of domestic servants and other self-employed women in the slums. Today 16 such crèches are functioning in Pune and 2 in Mumbai. Research has shown that women's income has gone up as a result of placing their children in a safe environment while they work.

iii) Mann Deshi Mahila Sahakari Bank

Mann Deshi Bank is a licensed Urban Cooperative Bank (UCB) in Mhaswad, approximately 175 kms from Pune. The Bank is among only a handful of UCBs to be certified as an ISO 9001–2000 financial institution. It provides a wide range of services including savings, credit, insurance, pension and non-financial services in an integrated manner. Its client base comprises poor women with annual incomes ranging between INR 20,000 and 50,000. Nearly 70 per cent of the clients come from so-called 'backward castes'. Almost half of the clients are street vendors or day labourers with the rest made up of small enterprises, including tailoring, rope making and small dairy activities.

The Mann Deshi Bank piloted various savings and loan products to match its women customers' typical cash flows and distinctive needs. At the end of the financial year 2011–2012, the total advances of the Bank stood at INR 264 million (US$4.95 million) while total deposits amounted to more than INR 400 million (US$7.5 million). It offers innovative products such as daily, weekly and monthly savings products, mostly tiny amounts, as well as credit facilities with daily, weekly or monthly repayment facilities. The Mann Deshi model revolves around the daily collection of small deposits through a network of agents who go door-to-door to meet clients. This makes the distribution of services quicker, customer friendly and sustainable. Since rural households often live with small cash flows that may be volatile and irregular, undermining the women's efforts to plan their savings and investments, the products must be tailored accordingly.

With core banking solutions, the use of e-cards and simputers, Mann Deshi has established itself as a technology savvy co-operative bank. While it uses core banking solution software to share data between its head office and branches, its agents use handheld wireless simputers (which help them to compile data even in remote areas and transfer them to the Bank's computer on a real time basis). The Bank also took the initiative to put cutting edge technology into the hands of its women clients by launching a smart card technology in May 2010.

Mann Deshi Bank has launched several non-financial initiatives for enhancing awareness, education and economic empowerment of women. These include a mobile business school for rural women that provides free business and financial training. The school runs a flagship entrepreneurs' programme (on management of working capital, inventory, marketing etc.), vocational training (personality development, computer literacy, fashion design, etc.), financial literacy and some customised programmes for sector-specific business requirements.

(*Continued*)

Case Study V: The Third Sector (cont.)

Mann Deshi Bank has an innovative approach to the equitable development of property rights in its loan contracts. As a part of the process of taking out loans, the Bank and its associated Foundation are working to secure women's property rights by raising awareness among villagers about the benefits of transferring property in the name of women or registering a property jointly in order to reduce the displacement and social vulnerability of widows. The Bank provides an incentive of 1 per cent rebate on interest if such transfers or registrations take place.

Key lessons learnt from the India self-help model

The examples provide some insights into the key success factors and critical strategies for building and sustaining women owned/managed Savings and Credit Organisations (SACOs). Some of the broad issues that may be relevant for other women owned/managed savings and credit organisations in other developing countries are:

1. The products/services offered by such organisations need to be customised according to local requirements. Following a typical banking model may not be sufficient to cater to the financial and non-financial needs of unbanked women.
2. Savings and credit products need to be fine-tuned to cater to the various lifecycle needs of women, such as children's education, a daughter's marriage or long-term saving for old age and medical emergencies.
3. While savings and credit products remain the most important pillars for a women-owned/managed SACO, other services such as financial literacy awareness programmes, insurance services or pension products can also be delivered through the same co-operative banking channel, if regulatory institutions permit such product offering.
4. Although the grass-roots women owners and senior managers of the SACO need to be mentored and trained in the initial years, it is necessary to let them lead and choose the path for the organisation once they have matured in their leadership roles. As their sense of ownership increases, the women become more involved in running these enterprises. Grass-roots women are more aware of the key challenges that plague poor women clients. Hence, client needs' assessment becomes more comprehensive and product/service design becomes more customer-friendly.
5. The at-the-doorstep delivery mechanism adopted by these SACOs in India clearly distinguishes them from mainstream or co-operative banks. The flexible agent banking model has proved quite effective in reaching poor unbanked women in slums and in remote geographies. The same delivery channels can also be used for distributing insurance or pension products.
6. In a developing country context, the external regulatory environment of a SACO may not always be benign. A key challenge for a women owned/managed SACO would be to anticipate changes in the regulatory environment and to be flexible enough to take advantage of any positive development in the macro-environment. A strong and articulate advocacy effort in collaboration with other similar women-owned/managed SACOs may be made on an ongoing basis.
7. In India, most of these SACOs were promoted by committed and charismatic women leaders with transformational vision. Strong leadership will certainly be a key factor for a SACO in its initial years. However, developing a succession plan for key leadership positions is also critical for continuous growth of these organisations, especially after the retirement of the initial founder.

Sources: FAO 1999; Reddy and Manak 2005; Government of India 2008; SKS Microfinance 2009; Elumalai undated; www.manndeshi.org; ftp://ftp.solutionexchange.net.in/public/mf/cr-public/cr-se-mf-11021001-public.pdf

4.2 Benefits of GRI for financial services providers

> 'Women will drive an incremental $5 trillion in global spending in the next several years, which represents the most important commercial opportunity in our lifetime ...'
>
> – *Silverstein and Sayre 2009b*

Initially the financial services sector bore the brunt of the effects of the 2008–2009 economic crisis and global recession. In the process, it has become apparent that more sustainable business models are required and financial services providers are seeking alternative investments that will smooth returns and generate new revenue streams. With the increasing participation of women in the formal economy and rapid growth in their relative wealth, the women's segment is a credible market. Some of the benefits for financial institutions of GRI are given below.

4.2.1 New market entry

Firms that remain ahead of the curve and in sync with the changing shape of the consumer landscape are the ones that have longevity. With the women's market comes an opportunity for financial services providers to establish themselves in a credible and fast-growing segment.

4.2.2 Profit and portfolio growth

GRI facilitates the establishment of a healthy pipeline and acquisition of new, profitable customers. Research suggests that women are more likely to purchase a variety of financial products from the same provider and are less likely to switch between providers (IFC 2011a). For financial institutions, this trend reduces acquisition costs of a new customer base and offsets the somewhat higher costs associated with the risk of providing services to under-banked or unbanked women entrepreneurs.

4.2.3 Lower risk

Formal financial institutions do not respond to the demands of women-led SMEs. The portfolio of loans to women-run businesses tends to be lower than the share of these businesses in their target markets. The perception of higher risk in investing in women's entrepreneurialism and cultural bias among loan officers are two reasons cited by local banks as they attempt to target lending programmes for these businesses. However, research by the World Bank (2010) has shown that when combined with financial literacy programmes, there has been an increase in the number of loans to

SME segments, despite the tendency of these enterprises to be smaller, informal, home-based and heavily concentrated in the service sector.

The portfolio of loans provided to women-run businesses also indicates a lower share of non-performing loans, partly due to the fact that women tend to take the initiative to restructure early, to re-invest in their businesses and to seek out financial advice. Women business owners also tend to make more conservative investments to minimise risk (IFC 2011a).

4.2.4 Increased customer loyalty

The Financial Services Authority (2001) found that women in the UK are more loyal users of financial products. Furthermore, broader consumer research shows that women value personal relationships with individual service providers; women want to be treated as individuals while men want to feel like they are part of an important group (Melnyk et al. 2009).

4.2.5 Innovation

By taking a fresh perspective on customer needs, financial services providers can use the women's market as an opportunity for new service and product innovation to the benefit of all client segments.

4.2.6 Social licence to operate

GRI enhances the reputation of financial services providers with policy-makers and in the community of operation.

4.2.7 Differentiation from competitors

Women are more likely to share their customer experiences, good and bad, and are therefore a double-edged sword of opportunity and risk.

Marketers' experience has shown that it is detrimental to undertake superficial initiatives that pander to the women's segment as this can be perceived as patronising by women and may be off-putting to male customers (Silverstein and Sayre 2009b). Rather, seamless adaptation of product and service enhancements to benefit women will also benefit men and result in an improved customer experience across all segments.

In the past, financial services providers have traditionally delivered the same offering to women and men. It is becoming accepted that there are unambiguous differences in the two consumer segments and that women are increasingly economically significant. It therefore follows logically that not only are tailored products and services required but it makes business sense to provide them.

Case Study VI: Commercial Banking

Westpac Banking Corporation, Australia

> 'It's not a compliance issue, it's not a diversity issue, and it's not a social responsibility issue. Yes, it's the right thing to do, but it's also the strategic thing to do for Westpac.'
>
> *– David Morgan, former CEO Westpac Banking Corporation, in Westpac 2007*

Summary

The Westpac Banking Corporation is a full-service commercial bank operating predominately in Australia but with operations in the Pacific region and a presence in the world's major financial centres. Westpac is Australia's oldest bank but it was on the brink of a meltdown in the early 1990s, posting a loss of AUS$1.6 billion in 1992. When Bob Joss was appointed CEO in 1993, he instituted a major sustainability drive, born of necessity rather than opportunity, as part of the bank's turnaround.

Strikingly, the objectives of the drive initially centred on internal cultural change, with the aim of creating a bank that reflected its diverse customer base. A diversity unit was established to push forward changes and a number of initiatives were successfully implemented, including the establishment of a Women's Markets Unit in the late 1990s. This supports businesswomen by facilitating knowledge, information and networking. It has dedicated staff in each state and also hosts an online community where businesswomen can connect and learn. Today Westpac is the largest bank in Australia and has won numerous national and international rewards for sustainability.

Issues addressed

> 'Where are all the women?'
>
> *– Bob Joss, Former CEO Westpac Banking Corporation, in Stanford Graduate School for Business, 2009*

In the early 1990s, the Westpac Banking Corporation was a predominately white and (sometimes chauvinistic) male environment; for example, only 5 per cent of branches were managed by women. Evidence shows that more diverse teams deliver better performance, and the new CEO Bob Joss sought to implement a new diversity agenda to attract and retain the best staff, thus improving the bank's poor performance. Furthermore, there was a strong feeling that by reflecting its customer base more, the organisation would be able to deliver better service.

Westpac was serving the needs of 28 per cent of Australia's small businesswomen; meanwhile a survey had just been released by the Australian Bankers Association revealing that 40 per cent of women surveyed felt discriminated against by banks. Recognising the women's market as an important segment, Westpac decided to undertake its own market research. The results of focus groups and mystery shoppers showed that the bank was falling short of what its female clients wanted. The feedback from clients formed the basis of what is today the Women's Markets Unit.

(*Continued*)

Case Study VI: Commercial Banking (cont.)

Description of initiative

Internally: Westpac sought to become the 'Employer of Choice for Women' by aligning the workforce to reflect a diverse customer base and thus be better positioned to deliver products and services that meet customers' needs. Westpac committed to increasing women in the organisation 'from branch to boardroom'.

Engaging both men and women in the diversity agenda was key to successfully implementing the initiative internally. Management ensured that all staff understood the value of more women in the organisation in order to avoid alienating sections of the workforce.

Key actions:

- Women hired in to senior management positions and two women appointed to the board;
- Redefining of job descriptions;
- Career development initiatives such as the 'Westpac Women Achieve their Potential' programme, which encompasses tailored training, team projects and coaching and aims to support women advance from middle to senior management within the organisation;
- Internal mentoring programmes with women mentored by senior managers;
- Westpac implemented paid maternity leave policies in 1995, paid adoption leave in 1996, paid paternity leave in 1998 and a 12-week paid parental leave policy in 2006 (legislation for mandatory paid parental leave was only passed in Australia in mid-2010);
- Family-friendly working arrangements such as flexible working, onsite childcare, job sharing, home working and carers leave; and
- A better working environment – for example, the sexual harassment initiative saw a major education process and firing of several senior staff to send a strong message.

The impact of this was tracked by a diversity unit, which produced a report that provided data on the representation of women in junior, middle and senior management across the bank.

Externally: Westpac sought to become the bank of choice for women by realising the potential of Australia's businesswomen.

Key actions:

- Since 2002, Westpac has been the only Australian bank to have a dedicated Women's Market Unit, which consists of an anchor team at head office supported by regional managers in each state;
- Westpac is a founding member of the Global Banking Alliance for Women (GBA), a membership organisation of institutions committed to women in business and women's wealth creation worldwide;
- Internal training across the bank aimed at lifting the standard of service to women;
- Education for businesswomen including educational seminars, cash flow workshops and superannuation information sessions;

(*Continued*)

Case Study VI: Commercial Banking (cont.)

- Networking through events, business forums and a Westpac Women's Markets Networking Group;
- An online network, Ruby Connection, was established to facilitate the sharing of business experience between women (no matter who they bank with) and provide research and business information; and
- Partnerships and sponsorships of key women's business associations and awards, including sponsorship of the Australian Council for Business Women and the annual Telstra Annual Business Women's Awards.

Results to date

Some of the highlights of the bank's achievements with regards to GRI include:

- AUS$2.5 billion contribution from the Women's Markets programme to Westpac's bottom line in 2009;
- Lower HR costs due to lower cost of recruitment and new staff training:
  - Higher retention rate of staff – for example, women who participated in the 'Westpac Women Achieve their Potential' programme had a resignation rate of 4.8 per cent compared to 13.2 per cent for women across the organisation; and
  - Return to work following maternity leave increased from 52 per cent to 95 per cent in the three years to 2001, saving the bank an estimated AUS$6 million.
- Increased staff morale resulted in increased staff effectiveness – of the women taking part in the 'Westpac Women Achieve their Potential' programme, the average employee satisfaction rate was 92 out of 100, well above the organisation average;
- In 2010, the proportion of women in senior management at Westpac is 23 per cent compared to Australian banks' national average of 13 per cent, and the bank recently committed to increasing this to 40 per cent by 2014;
- Gail Kelly was appointed CEO of Westpac in 2008 and is the first woman CEO of one of the big four Australian banks; prior to this, Westpac New Zealand and the Pacific had a female CEO, Anne Sherry, for five years between 2002 and 2007;
- Westpac won the Equal Opportunity for Women in the Workplace's 'Employer of Choice for Women' for 12 consecutive years from 1998 to 2008; and
- Additional national and global sustainability awards include recognition as one of the world's most ethical companies in 2008, 2009 and 2010 by Ethisphere; being the only Australian bank listed on the 2011 list of Global 100 Most Sustainable Companies; and recognition by the Dow Jones Sustainability Index as a leader in the global banking sector.

Sources: Witcher 1997; CEO Diversity Forum and Office of Equal Employment Opportunity 1999; Cleaver 2010; Johnston and Bibby 2010

Further information:

www.westpac.com.au/business-banking/women-in-business/
www.therubyconnection.com.au/
www.gbaforwomen.org/

4.3 Framework for financial services providers

4.3.1 Diagnostic phase

For financial services providers interested in increasing their share of the women's market, it is critical to undertake a proper analysis of both their internal capacity and external factors in order to ensure a successful strategy that ties into their existing business models. It is worth spending a reasonable amount of time on diagnosis and design to avoid poor implementation. Management buy in and leadership are also critical. The following questions can help guide the diagnostic phase:

- *How big is the women's market, what industries are women concentrated in, where are they physically located and, if their representation in the portfolio is low, why is this?* One of the key challenges is often the lack of sex-disaggregated data within portfolios and client bases; however, using proxy data can assist financiers to assess the opportunities. Internally, exploring where (if any) prejudices lie and understanding the status of women in the existing portfolio – from product and service use differences to repayment rates and portfolio shares – and comparing this to the broader market status quo are first steps towards identifying opportunities.

- *Which segment should be targeted and how, what is the desired outcome and are the capacity and resources available?* The next step, through consultation with managers and staff across the institution, is to identify the target market and carry out an assessment of where this sits within the existing strategy, set aside resources (technical, physical and human), identify capacity-building requirements and set goals. Goals may include a range of objectives including but not limited to reputational, revenue and longer-term market positioning objectives.

- *How can institutions obtain the information sought?* Numerous instruments can be used for undertaking a good diagnostic. The first place to seek information is, of course, within the portfolio. Internal and external interviews focus groups, mystery shopping, surveys and publicly available statistics are other good techniques for acquiring data and information about the target group.

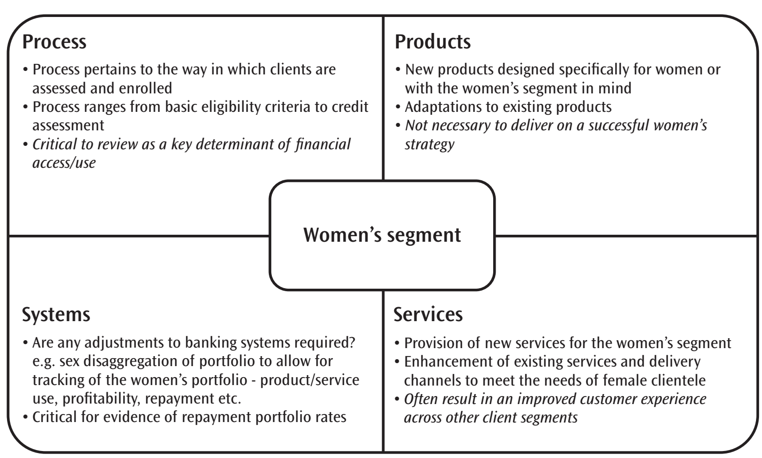
- *What are the factors for success?* Institutions that have successfully targeted the women's market have typically taken a holistic approach, obtaining the buy in of staff across business units rather than ghettoising initiatives. While this would seem intuitive given that delivery on business strategy involves business units across the institution – for example, IT for data mining and documentation, front line customer services staff, product development staff and so on – it is interesting that institutions sometimes view the women's market as a segment separate to mainstream business activities.

4.3.2 Design phase

Once a viable market opportunity and adequate capacity have been established, the next step is to identify the key barriers to access and seek ways to address them. Financial institutions generally have clear strategies and are well set up to deliver 'pure' finance; it is critical to recognise that the women's market more often than not requires more than 'pure' finance, and that strategic partnerships are essential to successfully deliver the extra elements.

Designing a successful intervention requires a holistic approach, starting with identifying the desired results (what will success look like?) and thinking about what indicators need to be measured. A good strategy will incorporate thinking around measurement indicators in the design process; measurement is critical as it not only dictates how resources are allocated and spent but also creates a better understanding of demand for and use of financial services. Furthermore, elements of the women's market intervention should be designed around the key barriers in order to temper their effect on financial access, while bearing in mind the financial institution's strengths, strategic direction and mandate.

Figure 4.1 Women's segment



4.4 Issues in the design of GRIs

The issues noted arise from the key barriers to women's access to finance identified by research and experience in Commonwealth countries.

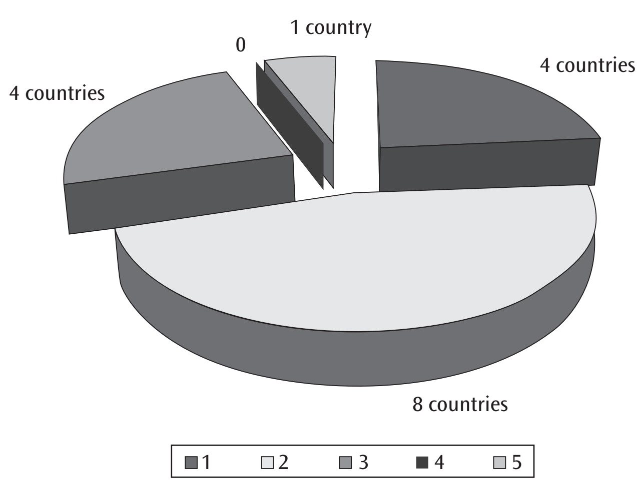
4.4.1 Lack of proper documentation

Documentation requirements can limit the eligibility of potential customers. In a global survey, of the 17 Commonwealth countries covered (incorporating responses from 57 banks), more than 3 documents were required in over 70 per cent of the countries (CGAP and World Bank 2009). Documentation requirements are usually a combination of proof of identity and proof of residential address.

In many Commonwealth countries, the documentation banks require to open an account is simply not available to the majority of the population, many of whom work in the informal sector and in rural areas. Banks in Cameroon, Sierra Leone, Uganda and Zambia require at least four different forms of documentation – including identity card and passport, letter of recommendation, wage slip and proof of address – as a prerequisite to open a current account, the first entry point into accessing formal banking services.

Women are even less likely to possess these documents in countries where, for example, it is customary for them to need their spouse's

Figure 4.2 Number of documents required to open a current account



Note: Data from 17 Commonwealth countries approval to acquire documents; take Swaziland, for example, where only recent changes in legislation have done away with the need for women to obtain spousal consent to acquire a passport. It is worth reviewing documentation requirements to eliminate onerous ones and consider including documents that are more readily accessible by women on a country-by-country basis.

4.4.2 High prices and high cost of capital

Affordability barriers affect both women and men, but women more so given the gender gap in earnings and size of business. High account opening fees, transaction fees, minimum loan amounts and maintenance fees deter a large proportion of people in low-income countries from accessing basic bank services. According to a World Bank policy report, the minimum bank balances and the cost of maintaining a bank account are prohibitive for most people (Loayza et al. 2000). In Cameroon, for example, the cost of opening a bank account is US$700, an amount that is nearly a third of the Cameroonian's GDP per capita of US$2,000 (2011 figures).

Financial institutions need to better assess the possibility of providing reasonably priced financial products that would have the additional impact of encouraging savings. Savings instruments can have a significant effect on transforming savings into productive investments necessary for economic growth.

The provision of inadequate financial services relative to the needs of the population, the costs of opening and maintaining a bank account and physical distance from banking institutions all discourage low savings rates. In addition there is little incentive to save as the interest paid out is relatively low compared to the interest charged on loans, a problem deriving from low levels of savings deposits. Banks have limited funds to lend out and this allows them to charge high interest rates.

The cost of capital is also a major issue for small businesses, reflecting high transaction costs and risk premiums. Much of the reform required to bring down the cost of capital is in the policy sphere, however, bearing in mind that women-owned businesses are on average smaller and less likely to have established credit histories.

4.4.3 Lack of collateral

Because of underdeveloped secure transaction systems and credit information systems, lenders in developing countries usually require fixed assets (land and buildings) as security for loans. In addition, lenders often have stringent requirements in terms of the location of the security, heavily discounting its value to reflect accurate potential resale values.

Not only is a lack of collateral one of the single greatest factors affecting the ability of small firms to access credit, but, as previously discussed, women are even less likely to own and control these fixed assets due to unequal property ownership and inheritance rights, as well as customary practices.

There are three key approaches financial services providers might consider to address the collateral conundrum:

- *Seek to use innovative forms of collateral that women are likely to possess.* In India, for example, gold jewellery has become increasingly popular as a form of collateral, with well-known institutions such as ICICI Bank and HDFC Bank increasing their share of lending backed by gold jewellery. The recent notification by the Reserve Bank of India in January 2011 that loans backed by jewellery as collateral would no longer be eligible for priority sector lending does not seem to have deterred lenders.

  According to data from the World Gold Council and India's central bank, the total value of gold in private hands (in India) is roughly 60 per cent of total bank deposits; gold loans are one of the country's fastest growing businesses (Bajaj 2009). The interest rates on gold loans are typically lower than those charged on personal loans. Interestingly, according to available documentation, institutions do not accept pure gold coins or bars, preferring jewellery because by their reasoning people are more attached to this. An executive of one of the major non-bank financial institutions explains that if the price of gold drops, a borrower might not return to retrieve gold coins but will be more likely to do so to retrieve a necklace bequeathed by a grandmother (Krupnick 2009). This is an example of an innovative and localised solution that makes use of a widely available (otherwise unproductive) resource and is working well.

  Where proper leasing laws are established, leasing is an important source of capital for small businesses, as described in more detail in the Tanzania Leasing Programme case study (case study IV).

- *Offering self-liquidating products that tie in cash flows from business operations for repayment.* Factoring, bill discounting and other forms of self-liquidating loans can be an invaluable source of short-term credit and working capital, relying directly on cash flow for repayment. This form of financing is particularly appropriate where there is a reputable client committed to purchasing the goods or services, indicating that they will honour settlement of their invoice. Thus, in this instance the credit reputation of the client reduces the perceived risk of the credit transaction.
- *An important role exists for equity-based funding.* This has not been a popular form of financing in developing countries due to difficulties for minority shareholders in exercising their rights and underdeveloped markets presenting limited exit options for investors. In many African Commonwealth countries, innovative organisations such as Grofin (see below) are emerging to fill the gap.

Case Study VII: Growth Capital

Grofin

Grofin is a specialist SME finance and development company providing risk finance combined with dedicated business development assistance. A higher value is placed on entrepreneur abilities and business potential, while the risk of limited collateral and track record is mitigated by forging strong partnerships with investing companies.

The company is management owned and was established in 2004 with the support of the Shell Foundation. Today it has in excess of US$250 million of funds under management, has supported over 190 businesses and is delivering triple bottom line returns to a diverse range of investors including the Syngenta Foundation, Shell, the IFC and Deutsche Bank.

Focusing on the missing middle, whose needs are not addressed by microfinance institutions that cater to individuals and small enterprises or private equity and corporate lenders who cater for larger mature companies, Grofin extends financing of between US$50,000 and 1 million in the form of debt, equity and performance-based incentives. Within the Commonwealth, operations have been established in Ghana, Kenya, Mauritius, Nigeria, Rwanda, South Africa, Tanzania and Uganda.

Grofin actively encourages businesswomen to apply for facilities, and in places such as Nigeria provides women-focused training. As of August 2010, 26 per cent of the businesses supported by Grofin were women owned, well above the continent's portfolio averages (based on anecdotal evidence) and country level figures for women accessing finance as low as 7 per cent (Kenya).

The Grofin model is so successful in delivering finance to women entrepreneurs because it eliminates the issues of lack of collateral, financial knowledge and track record that disproportionately affect businesswomen.

Further information: www.grofin.com

Research shows that in developed countries such as Canada and the United Kingdom, women are also less likely to use equity financing and access venture capital (Carter 2009). One of the reasons suggested is the existence of an 'old boys' network, with the majority of venture capitalists being men; lacking direct relationships, women are unable to gain referrals to early stage funders. As evidenced by the oversubscription of the Trapezia funds in the United Kingdom, there is a business opportunity and scope for equity funders to meet the needs of women entrepreneurs (see case study VIII).

4.4.4 Physical accessibility

Physical distance is a major barrier to financial access, especially for women as they prefer to undertake their financial transactions on a face-to-face basis and are confronted by greater risks to their personal safety travelling large distances, particularly in regions where transport infrastructure is bad. They are also likely to have less time to spend on financial transacting due to the time demands of family and carer responsibilities.

It is often difficult for women to access traditional delivery channels such as branches and ATMs, which are typically clustered in urban areas. Institutions such as DFCU Group in Uganda have recognised this access challenge and have positioned 'women-friendly' branches in locations close to where there are clusters of women entrepreneurs and aligned branch operating times to correspond with the requirements of this group of customers.

Other delivery channels such as internet and telephone banking have gained importance in recent years, particularly in economies with more developed technological infrastructure. Significant numbers of women are using internet banking: 41 per cent in the UK and 29 per cent in Malta, for example (Eurostat 2010). However, it is in the Commonwealth's developing economies such as Kenya, Malaysia and the Pacific islands of Samoa, Tonga and Vanuatu – where the historically poor fixed line infrastructure has resulted in the proliferation of mobile telephones – that cutting-edge innovation in the form of mobile phone banking is taking hold.

4.4.5 Poor financial management skills

Women are likely to have less financial knowledge and education. Business support services are therefore crucial for providing essential training and for equipping women to prepare bankable proposals, negotiate favourable financing terms and manage their businesses professionally.

For financial institutions, this is an area where partnerships with various agencies and business support institutions can result in the delivery of tailored business support services that produce better quality customers without diverting from their main line of business. Numerous institutions are already supporting training for SMEs; however, there is a case for targeted training for women-owned SMEs given the structural differences in firm make up, industry sectors as well as attitudes to finance.

4.4.6 Limited business networks

Evidence suggests women have lower confidence when it comes to economic know-how (PR Newswire 2012) and have relatively limited professional networks. This further limits their ability to form the relationships required to successfully navigate the world of business finance. With women across every economy in the world undertaking more than twice the load of domestic work than men, they are left with less time to do the important task of networking. Financial institutions might consider this as an opportunity to strengthen their relationships with the women's segment through partnerships with women's business associations or even by creating their own internal networking forums.

4.4.7 Mixed experience of financial services/products

Poor, often rural women are less likely to have experience dealing with formal financial institutions, and there is significant evidence to show that they have less confidence about financial language and complex financial products, indicating the need for adequate information and clarity in communicating with these women about financial offerings (Indian School of Microfinance 2012). Conversely, more experienced, urban women are often underestimated in terms of their knowledge of financial services products and 'cite a lack of respect, poor advice, contradictory policies and a seemingly endless tangle of red tape' (Silverstein and Sayre 2009a).

RBC Royal Bank in Canada has a long-standing commitment to women entrepreneurs, supporting events and awards for businesswomen as well as providing access to a host of invaluable resources and information for women on a dedicated section of their website.

See: www.rbcroyalbank.com/RBC:TVimt471A8cAELCqbHo/business/women/index.html

4.4.8 Data collection for performance management

Finally, it is critical to give consideration to the collection of data for performance management during the design phase. What portfolio information will be collected and how? What is the entry point of women clients into the system? How many women apply for facilities and what products do they take up as well as what is the scale of use?

4.5 Implementation and monitoring

4.5.1 Implementation

The following are some of the key factors to consider in implementing a GRI initiative:

Fit within the business. Which business unit will hold overall responsibility for the GRI initiative and how does this align with the institution's existing strategy? Which staff will have specific targets and which other business units will support the delivery of the GRI initiative – e.g., marketing, human resources, IT, credit, product development? Are specific branding and materials required?

Resource allocation. How much will it cost to deliver the GRI initiative and what are the expected returns? How many staff will be required? What additional resources are required?

Capacity building. Are there any internal training requirements and if so, what are they? What internal networks need to be established to support the core GRI unit?

Partnerships. A proportion of proposed activities might be beyond the scope of the financial institution's core business; what external partnerships are required?

4.5.2 Monitoring and evaluation

> 'What gets measured gets done.'
>
> *– a well-known aphorism often attributed to Peter F Drucker, management icon*

Different institutions will have their own frameworks for monitoring and evaluating initiatives. It is useful to think in terms of outputs, outcomes and impacts. In other words, if a set of activities is undertaken, what will be the resulting outputs; if these outputs are delivered what should be the resulting outcomes; and if these outcomes are achieved, what ultimate goal will have been achieved?

Outputs. A set of measurable activities such as research into the women's segment, training of an agreed number of women entrepreneurs, training of bank staff, marketing activities and so on.

Outcomes. Following from the outputs of an agreed set of activities, the institution might have a desired set of outcomes such as an agreed number of new borrowers, increased proportion of women-owned businesses in the portfolio, new products introduced or an agreed level of non-performing assets.

Impacts. The impacts should reflect the achievement of the ultimate goal of the GRI initiative, might be broader in nature and might be a longer-term prospect. Examples of GRI goals for financial institutions could include their influence on the financial services sector within a given economy or a shift in the way the institutions are perceived by their customer base and partners.

Case Study VIII: Venture Capital

Stargate Capital Investment Group, United Kingdom

> 'We are not in the business of gender equality; there must be a business case for supporting any of the enterprises.'
>
> – *Gita Patel, Fund Manager, Trapezia*

Summary

Stargate Capital Investment Group is a private equity and venture capital firm. It launched Trapezia EIS,[16] the first venture capital fund in the UK dedicated to women's enterprise, to provide venture capital to high-growth, women-focused businesses. The fund closed in 2006 having raised £4.5 million and received investment proposals seven times the size of the fund. It invested in 10 businesses to the tune of between £250,000 and £500,000; it is still too early to gauge the rate of return on investment. Trapezia EIS was backed by two institutional investors: HBOS Plc[17] (which itself ran a separate women in business programme, HBOS Women) and Consensus Business Group. On the back of this initial success and demonstrated demand, Stargate is seeking investors for a new fund, Trapezia EIS II, with a target of £10 million.

Issues addressed

> 'In the UK … about 25 per cent of the top 100 entrepreneurs are women. Yet less than 2.5 per cent out of a total of €3.5 billion of venture capital funding in the UK and Europe is going to companies with a female chief executive.'
>
> – *Lush 2008*

In the UK, women receive little support from the male-dominated venture capital industry. Recognising an incredible market opportunity in the underserved segment of women entrepreneurs, Gita Patel, a dynamic and experienced finance executive, created the Trapezia EIS fund.

(*Continued*)

Case Study VIII: Venture Capital (cont.)

It is not yet clear why women receive so little venture capital. One possibility is that because women entrepreneurs are not in venture capital networks, and as information about the availability of capital is often not readily obtainable on the market, they find themselves at a distinct disadvantage. A second hypothesis suggests that the industry has a culture and that its majority male investors prefer to invest in familiar things or people they get on with. This trend of investors putting their money into business people who 'look' like them, running ventures in industries they understand and who have similar management styles has left women entrepreneurs out in the cold.

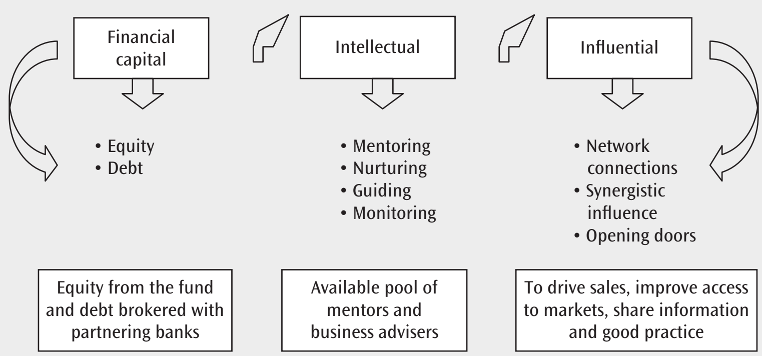
Description of initiative

The fund provides much-needed capital to women-focused businesses in the UK (with the potential to expand to Europe subject to legislation) combined with tailored support. The objective of the fund manager is to create a portfolio of strong, sustainable businesses with a target internal rate of return of 25 per cent for investors.

So sought after was the Trapezia EIS fund that the manager was left with a significant number of credible investment proposals that exceeded the fund's capacity. Due to insufficient appetite from institutional investors as a result of unfavourable market conditions, the Trapezia EIS II fund plans to raise at least £10 million from individual investors placing a minimum of £25,000 each. It aims to make investments of between £250,000 and 1 million to women-focused businesses. These are defined as companies that are substantially led, directed or managed by women or that are involved with products and services that are of relevance exclusively or primarily to women.

The fund will invest in business proposals at all stages from early stage companies to mature ventures and provide the critical business support that entrepreneurs seeking venture funding often covet as much as, if not more than, capital. This support, tailored for women entrepreneurs, is what differentiates the Trapezia offering.

Figure 4.3 The Trapezia model



Source: Trapezia EIS II information memorandum

Results to date

Some of the 10 companies that received capital under the Trapezia EIS fund are the IDL Technology Group, a market leader in processing loyalty and gift card transactions; Greener Solutions, which provides innovative environmental solutions and is dominant in mobile phone reuse and recycling; and Femeda, which produces female incontinence products.

Further information: www.stargatecapital.co.uk/trapezia_1.aspx

Chapter 5

Conclusion

Commonwealth countries are emerging from the deepest global recession since the 1930s, forcing governments to seek alternative avenues for economic recovery and development. Ignoring or undermining the potential contribution of women can lead to lost GDP growth. Despite being the fastest growing emerging market, women receive a relatively low proportion of credit worldwide. Women entrepreneurs and women farmers worldwide continue to cite the most significant obstacles to business growth as access to finance and land.

Financial access is a critical element of economic growth and development; the bulk of empirical evidence suggests that developing the financial sector and improving access to finance may also reduce income inequality and poverty. Globally, the ratio of female to male participation in ownership of firms is 35:75, yet only 5 to 10 per cent of women-run SMEs have access to credit, resulting in slower business growth on average than for those owned by men (IFC 2011a).

GRI contributes to women's economic empowerment and helps to narrow gender gaps, particularly in employment and entrepreneurship. Supporting GRI can be a key source of growth for economies across the world as well as a lucrative opportunity for financial services providers. However, the issue of financial access for women is complex and requires the participation of a broad range of stakeholders and a mixture of short-term as well as long-term strategies. There is a great need for capacity building for government agencies, private sector institutions and business support associations to foster understanding of GRI.

5.1 Levelling the playing field

Governments, particularly ministries of finance, will require support to identify the policies, laws and regulations that hinder access to finance for women, and financial services providers may also require support to identify and explore opportunities to deliver inclusive products and services for women.

From a legislative perspective, policy-makers need to fully understand women's enterprises – including how and where women are contributing to the economy and the constraints they face in accessing finance – in order to design well-conceived government policies. This will help to foster an enabling environment that supports financial inclusivity for women. Policy-makers have an important role to play in facilitating GRI by implementing appropriate legislation; establishing indicators and collecting data; supporting business development institutions, women's business associations and advocacy groups that provide practical assistance in the workings of institutions; and disseminating market information widely.

5.2 Investing for an inclusive sustainable future

Financial services institutions should be provided with incentives to widen and deepen outreach to women entrepreneurs in particular and SMEs in general. Clearly, financial services institutions will require data, information and well-placed expertise in order to research new opportunities for developing products and services targeted at women entrepreneurs. Government policy that provides for tax breaks, attractive central bank reserve levels for SME loans or research and development derogations where financial institutions choose to invest in the research of new products may offer good incentives for the uptake of GRI.

5.3 Adapting and innovating

Financial services providers should understand the status of women within their organisations and seek to promote able female staff to senior levels within the hierarchy as well as understand the women's market and explore where it can fit into their individual strategies. For some financial institutions this may result in firms taking the strategic decision to re-align themselves to women's banking (e.g., Australia's Westpac, see case study VI) or develop specific banking units that are motivated to aggressively develop women entrepreneurs (e.g., the UK Royal Bank of Scotland and Nigeria's Access Bank Plc).

5.4 Providing a regulatory framework that encourages GRI

Despite Commonwealth countries having ratified the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) and endorsed the Beijing Platform for Action and other global and Commonwealth mandates, legislative barriers persist for women entrepreneurs. The evidence is clear: a poorly designed legal and regulatory framework may impede access to credit and other essential resources. This type of bias may be explicitly based on gender or indirectly manifest through factors such as the availability of time (for time-poor women, largely as a consequence of their traditional role in the care economy) or lack of appropriate documentation, formal schooling and other relevant resources that can facilitate access.

Financial services regulations can strengthen the rights of lending institutions to realise security and enforce contracts, thus boosting the level of credit and lowering its cost, if they are able to count on government support. Designing a regulatory framework so that GRI can flourish necessitates recognising from the outset that gender-neutral policies often have gender-biased outcomes. Amending legislation and signing up to mandates alone will not be sufficient without the regulatory and government institutional authority to motivate change in diverse arenas.

Appendix A. Checklist for Policy-makers

Overview

What is the role of women in the economy? What sectors are they in and how productive are they? What is their potential GDP contribution if fully participating? What about women in positions of leadership?

What is the level of women's financial access and what is it relative to their male counterparts?

Are there any existing GRI initiatives and could they do with government support?

Business environment

Do women have the same legal status as men, particular in terms of legislation that affects their ability to enjoy equal economic opportunities (e.g., ownership and control of assets, inheritance rights, access to identity documentation)?

Is the infrastructure conducive to GRI – technology, transport infrastructure accessible to women?

Is there legislation and regulation in place to support GRI by willing institutions?

- If there are information asymmetries affecting the ability of lenders to invest, does appropriate legislation for credit information systems exist and thrive to the benefit of women?
- Does appropriate legislation exist to allow lenders to accept alternative forms of security and retain strong rights?
- Is there appropriate legislation and regulation of innovative financial products that could benefit women (e.g., mobile banking, leasing etc.)?

What resources are required to support GRI? Which department will drive GRI forward?

What capacity building is required within government departments?

Are there any international partnerships, technical assistance, resources that can be tapped into?

What indicators need to be established and how will they be measured/monitored?

Institutional and enterprise development support
What incentives can be provided to institutions to catalyse GRI?
What resources can be provided to institutions to promote GRI?
What legislation is in place to ensure that institutions are making gender responsive investments?
How much awareness raising is required?
What capacity building support can be provided to institutions to promote GRI?
Is sufficient and relevant sex-disaggregated data readily available to guide institutions' decision-making? Are census data, surveys, research, etc. regularly disseminated widely?

Appendix B. Checklist for Financial Institutions

Overview

What proportion of the institution's clientele are women – any preference for particular products?

If women are under-represented in the institution, why is this?

- What proportion of women apply for products/services?
- What proportion are successful?
- What are the relative repayment rates of credit products?

Define the objectives of implementing a women's market initiative.

Where does the support for becoming a women-friendly organisation come from – is there management buy in?

External environment

What is the position of women entrepreneurs in the economy?

In what industries/sectors are women most active?

What is the capacity of women? Education level? Financial literacy?

What is the gap in the market where there is an opportunity? Any existing government initiatives that can tie into proposed intervention?

What are competitors doing?

Internal environment

How is the organisation performing internally in terms of support for female staff? Areas for improvement?

Where does an initiative for GRI fit into the organisation's strategy and which department will drive it forward?

In terms of the four key operational areas, what is required?

- Products – Are existing products suitable for women? Any barriers to usage (e.g., lack of collateral, inappropriate for industry sector, distance from branch, documentation requirements, etc.)? Does it make sense to introduce new products to mitigate?
- Services – Are existing services meeting the needs of women entrepreneurs? What potential partnerships can be made to provide additional requirements such as business support needs, mentoring, etc. that might be required?
- Systems – Do the systems support GRI? Is customer data sex-disaggregated?
- Processes – Do existing processes support GRI (e.g., credit processing, account opening procedures)? How can they be enhanced?

What will be the delivery channels for GRI?

What resources will be required – HR, equipment, etc.?

What will be the strategy for awareness raising and new customer acquisition? Any partnership or sponsorship opportunities?

What are the training needs within the organisation?

How will the GRI initiative be measured and monitored? What will be the key indicators?

Appendix C. Commonwealth Economies with Gender-differentiated Laws

Gender difference	*Africa*	*Americas*	*Asia*	*Caribbean*	*Europe*	*Pacific*
Women and men do not have equal capacity by law	Cameroon, Ghana, Kenya, Lesotho, Malawi, Nigeria, Rwanda, Tanzania, Uganda	None	Bangladesh, Malaysia, Pakistan, Sri Lanka	Jamaica	None	None
Married women and married men do not have equal capacity by law	Cameroon, Ghana, Kenya, Lesotho, Malawi, Nigeria, Rwanda, Tanzania, Uganda	None	Bangladesh, Malaysia, Pakistan, Sri Lanka	Jamaica	None	None
Women and men do not have equal ownership rights over movable and immovable property	Cameroon	None	Sri Lanka	Jamaica	None	None
Women and men do not have equal inheritance rights over movable and immovable property	Kenya, Malawi, Nigeria, Tanzania	None	Bangladesh, India, Malaysia, Pakistan, Singapore, Sri Lanka	None	None	None
Women cannot work the same night hours as men	Cameroon, Nigeria	None	Bangladesh, Pakistan, Sri Lanka	Jamaica	None	Papua New Guinea
Women cannot work in all industries	Cameroon, Kenya, Lesotho, Nigeria	None	India, Malaysia, Pakistan	Jamaica	None	Papua New Guinea

Gender difference	*Africa*	*Americas*	*Asia*	*Caribbean*	*Europe*	*Pacific*
Pregnant and nursing mothers cannot work the same hours in the same industries as men and other women	Cameroon, Ghana, Namibia, Rwanda, Tanzania	None	None	None	None	None
Women are expected by law to retire at an earlier age than men in the private sector	Nigeria, South Africa	None	Malaysia, Pakistan, Sri Lanka	Jamaica	None	Australia
Women face higher personal income tax liability than men	None	None	None	None	None	None

Source: Adapted from World Bank 2010

Appendix D. Credit Data for Commonwealth Countries

	Strength of legal rights index (0 = weak to 10 = strong)	*Depth of credit information index (0–6)[18]*	*Public registry coverage (% of adults)[19]*	*Private bureau coverage (% of adults)[20]*
Antigua and Barbuda	7	0	0	0
Australia	9	5	0	100
Bahamas, The	9	0	0	0
Bangladesh	7	2	0.6	0
Belize	8	0	0	0
Botswana	7	4	0	57.6
Brunei Darussalam	7	0	0	0
Cameroon	3	2	2.9	0
Canada	6	6	0	100
Cyprus	9	0	0	0
Dominica	9	0	0	0
Fiji	7	4	0	47.7
Gambia, The	5	0	0	0
Ghana	8	3	0	10.3
Grenada	8	0	0	0
Guyana	4	0	0	0
India	8	4	0	10
Jamaica	8	0	0	0
Kenya	10	4	0	3.3
Kiribati	5	0	0	0
Lesotho	6	0	0	0
Malawi	7	0	0	0
Malaysia	10	6	62	100
Maldives	4	0	0	0

	Strength of legal rights index (0 = weak to 10 = strong)	*Depth of credit information index (0–6)*[18]	*Public registry coverage (% of adults)*[19]	*Private bureau coverage (% of adults)*[20]
Mauritius	5	3	49.8	0
Mozambique	2	4	2.2	0
Namibia	8	5	0	58.5
New Zealand	10	5	0	100
Nigeria	8	0	0	0
Pakistan	6	4	5.8	1.4
Papua New Guinea	5	3	0	0.6
Seychelles	4	0	0	0
Sierra Leone	6	0	0	0
Singapore	10	4	0	60.8
Solomon Islands	8	0	0	0
South Africa	9	6	0	54.9
Sri Lanka	4	5	0	18.6
St Kitts and Nevis	7	0	0	0
St Lucia	8	0	0	0
St Vincent and the Grenadines	7	0	0	0
Swaziland	6	5	0	35.7
Tonga	7	0	0	0
Trinidad and Tobago	8	4	0	45.2
Uganda	7	4	0	1.1
United Kingdom	9	6	0	100
United Republic of Tanzania	8	0	0	0
Vanuatu	9	0	0	0
Zambia	9	5	0	3

Source: World Bank Development Indicators 2011

Appendix E. Methodology for Depth of Credit Information

The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through either a public credit registry or a private credit bureau. A score of 1 is assigned for each of the following six features of the public credit registry or private credit bureau (or both):

1. Both positive credit information (e.g., outstanding loan amounts and pattern of on-time repayments) and negative information (e.g., late payments, number and amount of defaults and bankruptcies) are distributed.
2. Data on both firms and individuals are distributed.
3. Data from retailers and utility companies as well as financial institutions are distributed.
4. More than two years of historical data are distributed. Credit registries and bureaus that erase data on defaults as soon as they are repaid obtain a score of 0 for this indicator.
5. Data on loan amounts below 1 per cent of income per capita are distributed. Note that a credit registry or bureau must have a minimum coverage of 1 per cent of the adult population to score a 1 on this indicator.
6. By law, borrowers have the right to access their data in the largest credit registry or bureau in the economy. A public credit registry is managed by the public sector and is usually overseen by the central bank or affiliated banks that collect information on the creditworthiness of borrowers. The information is in the public domain and is shared among banks and regulated financial institutions.

The index ranges from 0 to 6, with higher values indicating the availability of more credit information, from either a public credit registry or a private credit bureau, to facilitate lending decisions. If the credit registry or bureau is not operational or has coverage of less than 0.1 per cent of the adult population, the score on the depth of credit information index is 0.

Notes

1 For more information, see the IFC Enterprise Survey: www.enterprisesurveys.org/data/exploreTopics/Gender
2 Custom query service through IFC Enterprise Survey Database for selected Commonwealth countries: www.enterprisesurveys.org/CustomQuery#Economies
3 2011 data. Datasets available through the World Bank Financial Inclusion database: http://datatopics.worldbank.org/financialinclusion
4 For more information on the Washington Consensus see Williamson 1989.
5 The Global Gender Gap Index, formulated by the World Economic Forum in 2006, is a framework for analysing the scale and scope of gender-based disparities in health, education, political participation and economic empowerment. Countries are evaluated on outcome variables related to basic rights rather than input measures to allow for [appropriate] comparisons.
6 Data on a scale of 0 to 1, where 1 is the worst score.
7 Data on a scale of 1 to 5, where 5 is the worst score.
8 For more information, see Asian Development Bank 2004.
9 For more information, see http://datatopics.worldbank.org/financialinclusion/country/sri-lanka
10 For more information, see Central Bank of Sri Lanka: www.cbsl.gov.lk
11 For more information, see www.microfinancefocus.com/news/2009/11/23/gtz-promis-report-lists-challenges-for-sri-lanka-microfinance/
12 For more information, see: www.internationalentrepreneurship.com/total-entrepreneurial-activity/
13 For more information, see Norton et al. 2001 and Government of Uganda 2002.
14 World Bank Financial Inclusion Data 2011. For more information and country surveys, please see: http://datatopics.worldbank.org/financialinclusion/country
15 This case study summarises material in 'India savings and credit organisations', a background paper compiled by Ananya Finance for Inclusive Growth Pvt. Ltd., commissioned by the Commonwealth Secretariat in preparation for the Commonwealth Knowledge Symposium held in India in 2012.
16 EIS refers to the Enterprise Investment Scheme as set out in the UK Income Tax Act 2007. Companies that meet the EIS requirements are eligible for income tax and capital gains tax relief.
17 HBOS Plc is the holding company of the Bank of Scotland Plc and operates the Bank of Scotland and Halifax brands in the UK along with HBOS Australia and HBOS Insurance and Investment Group Limited. It was taken over in January 2009 by Lloyds Banking Group.
18 The methodology for depth of credit information is explained in Appendix E.
19 Public credit registry coverage reports the number of individuals and firms listed in a public credit registry with current information on repayment history, unpaid debts or credit outstanding.
20 Private bureau coverage reports the number of individuals or firms listed by a private credit bureau with current information on repayment history, unpaid debts or credit outstanding.

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