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.

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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.

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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.

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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.

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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

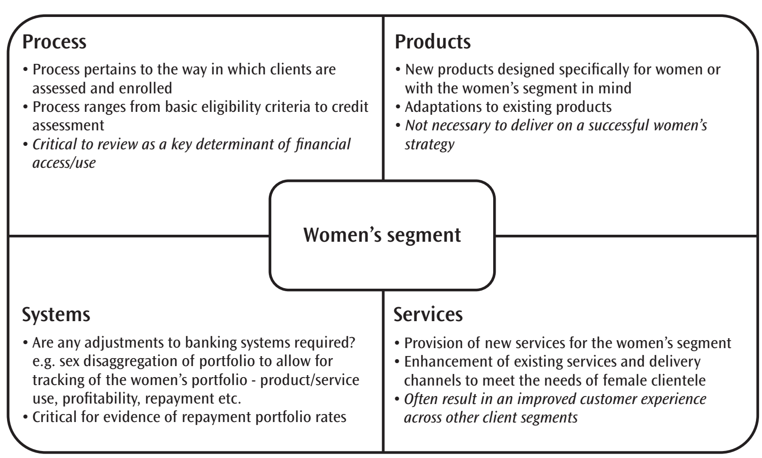
rather than ghettoising initiatives. While this would seem intuitive given that delivery on business strategy involves business units across the institution – for example, IT for data mining and documentation, front line customer services staff, product development staff and so on – it is interesting 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.

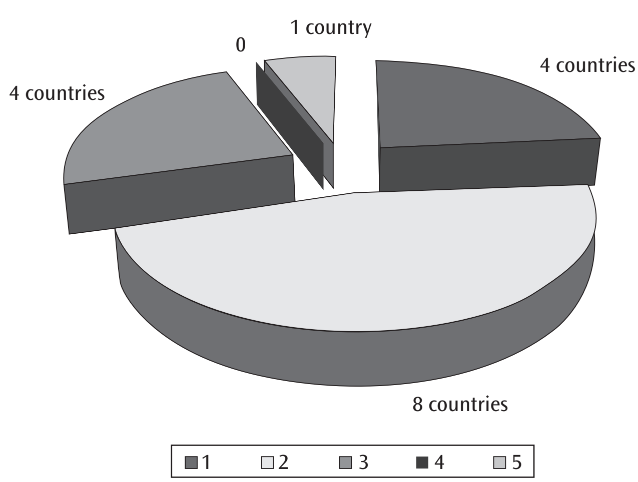
4.4.1 Lack of proper documentation

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.

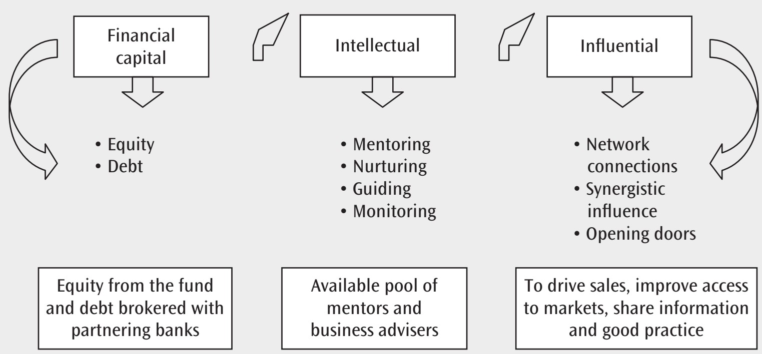
Description of initiative

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