

# **Financing Women Entrepreneurs for Growth**

## **IFC's Financial Institutions Group**

### **Banking on Women (BOW)**

February 2014

## Context

- In many countries women have lower access to education, employment, business opportunities and financial services, as well as unequal social status and rights
- Together these contribute to gender inequality, inequality of economic opportunities for women, and ultimately, these inequalities slow economic growth and development and perpetuate poverty
- Increasing gender equality is a fundamental goal of the World Bank Group and IFC
- IFC is playing its part by focusing on access to finance and to training. IFC is also working with the public sector to create enabling environments to support the women's market
- Efforts by individual entities are at best opportunistic, partnerships grounded in the business case and shared values allow for setting of ambitious targets with well developed tools for measuring both the business and development results

## What is the opportunity for IFC?

### Market Opportunity

- There are an estimated 8 to 10 million formal women-owned SMEs in emerging markets.
- This is equivalent to 31-38% of all formal SMEs in these countries. These women-owned businesses have a financing gap of approximately \$260 billion -320 billion in unmet financing needs per year, representing about 27-33% of the total SME Credit Gap.
- Most women-owned enterprises have unmet financing needs: 24-29% of formal, women-owned SMEs in emerging markets claim that access to finance is their biggest barrier to growth and development.
- The top 5 banks that serve MSMEs in each region collectively reach only about 20% of formal MSMEs in emerging markets.

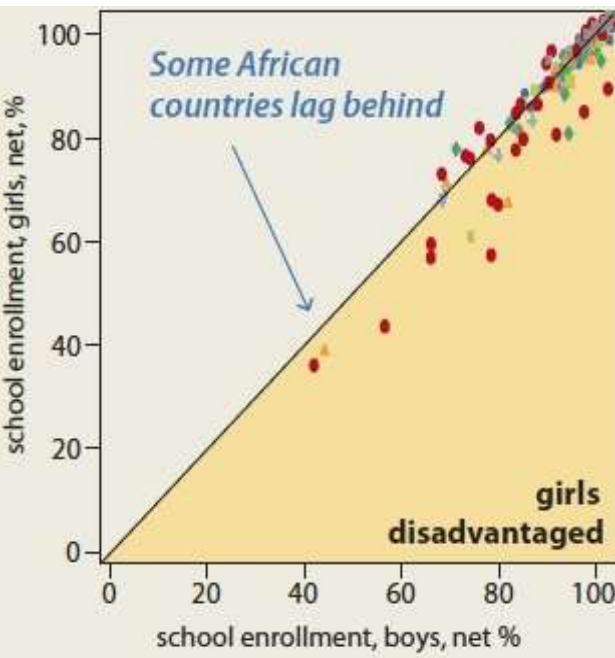
### Development Impact

- The UN estimates that gender equality and women's economic empowerment could prevent a reduction of per capita income rates by .1-.3 % points. (G20 report)
- Research suggests that there is a link between women's unequal access to resources (e.g., credit) and macro-economic growth, (the Gender Growth Assessment for Uganda showed that Uganda had forgone 2% of GDP growth per year because of policies that restrict women's full participation in the economy). (CWBR)
- If women's labor participation were closer to the male participation rate, then about 203 million more women would be employed, this would contribute \$1 trillion to GDP in the Emerging Markets. (IFC FM Analysis)

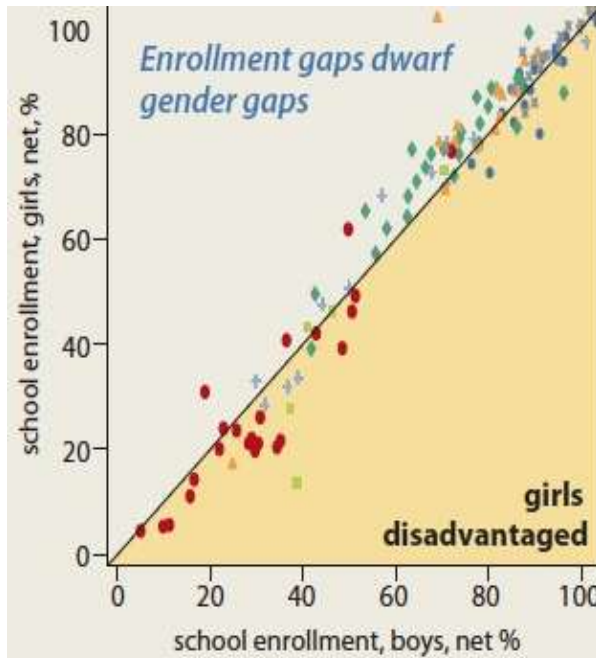
## Female Participation in Education is Unequal and Mostly Lower than of Men

- In most regions, primary and secondary enrollment favors boys. This puts more boys in the “market production” and leaves more women in “home production”
- In ECA (Europe and Central Asia) and LAC (Latin American and the Caribbean), tertiary education enrollment favors women, and we find higher levels of female A2F in these region.

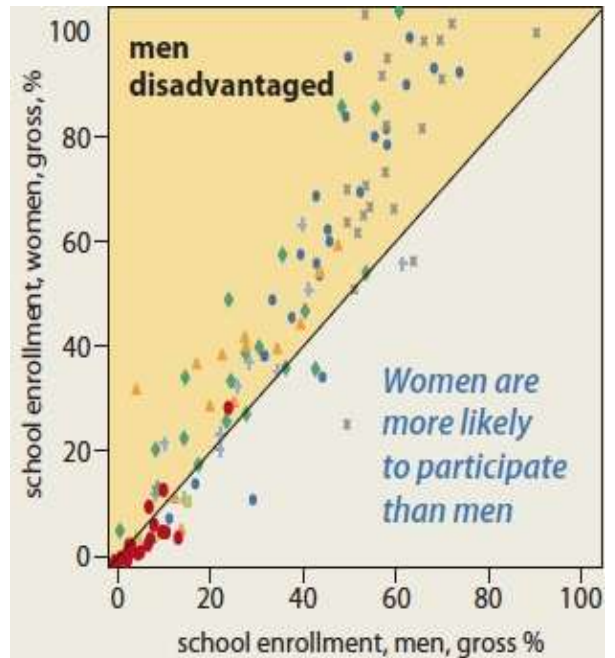
Primary enrollment (%)



Secondary enrollment (%)

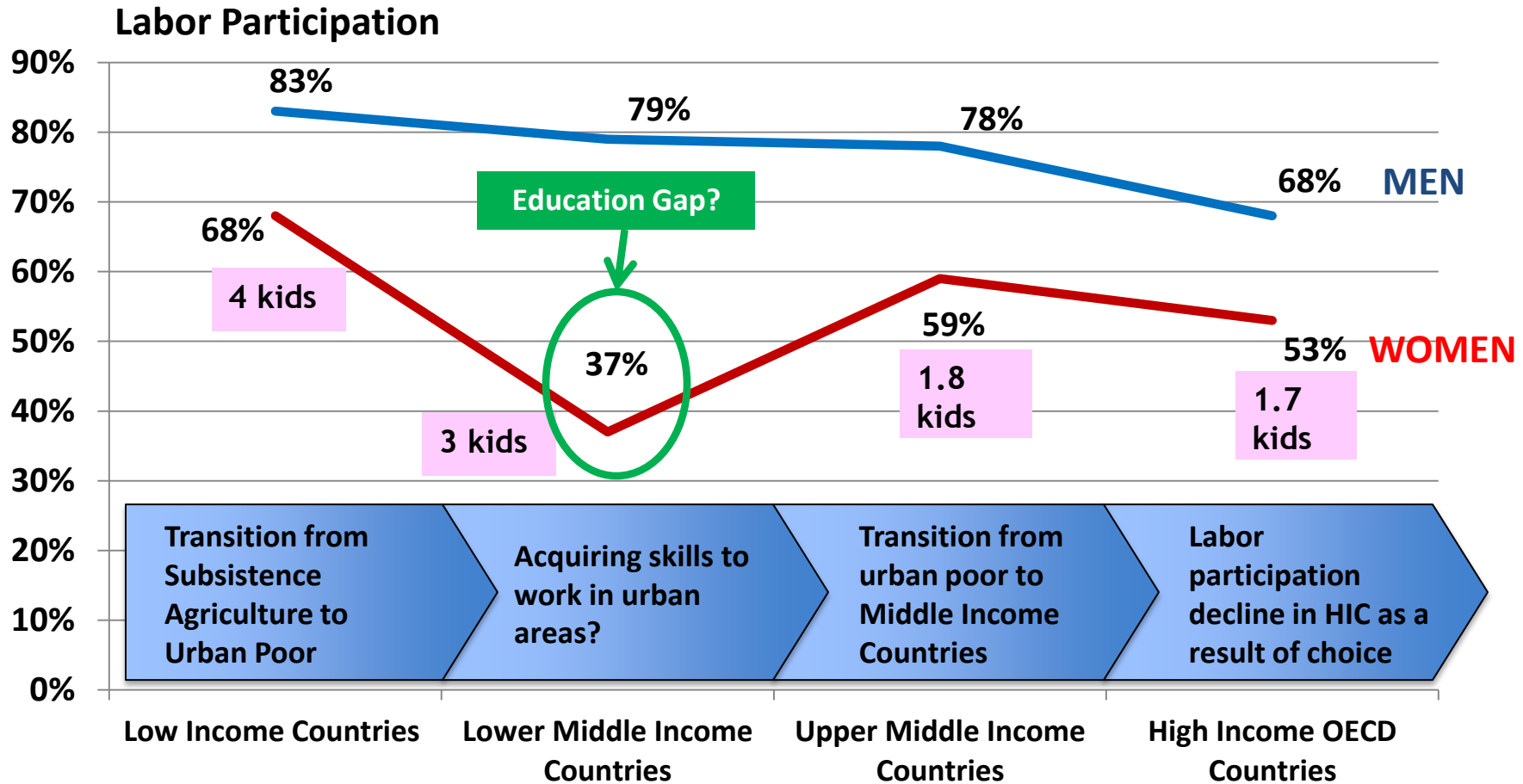


Tertiary enrollment (%)



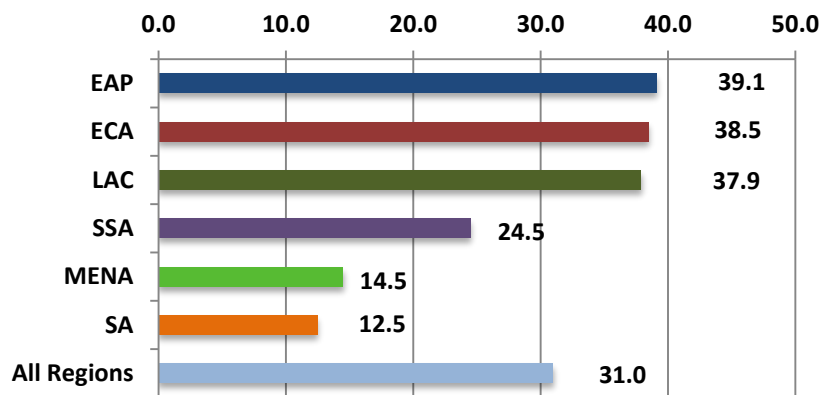
- + East Asia and Pacific
- Europe and Central Asia
- ◆ Latin America and the Caribbean
- ▲ Middle East and North Africa
- South Asia
- Sub-Saharan Africa
- × High-income countries

## The Labor Participation Gap Is Driven By Underlying Problems including Social Norms, Skills gap, Child Care, Urbanization, Legal Rights, Access to Finance

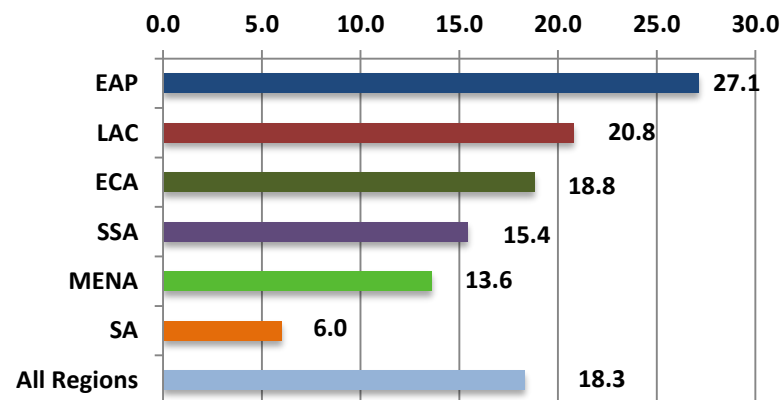


## Female Roles Show Marked but Consistent Differences By Region - Driven Largely by Social Norms

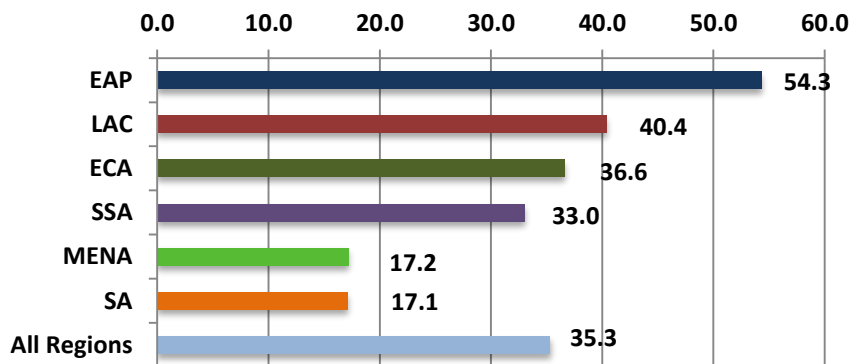
**% of Full-time Female Workers**



**% of Female Top Managers**



**% of Firms with Female Owners**



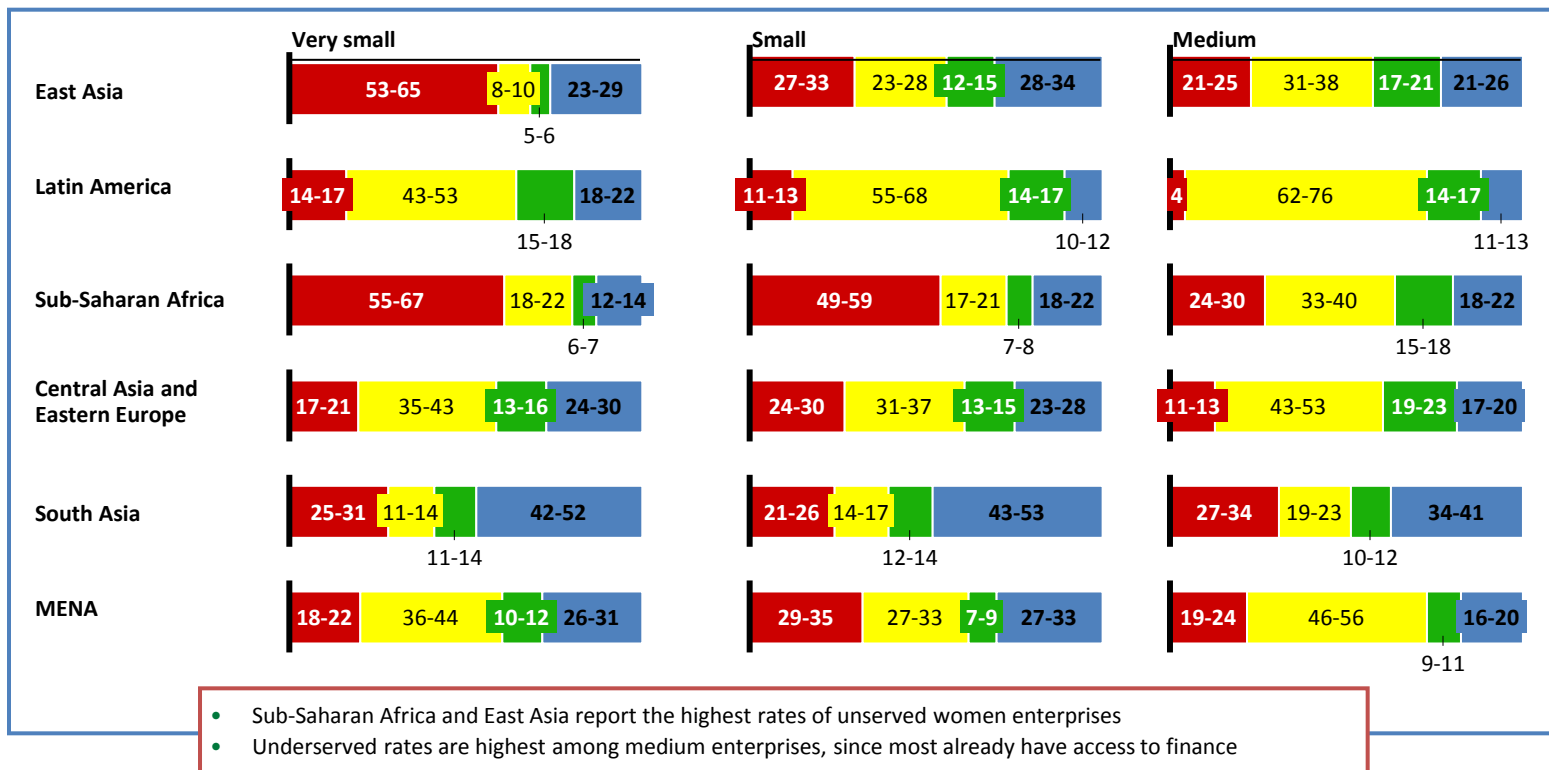
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Source: World Bank Enterprise Survey  
 (Please note that in the Enterprise Survey results SA includes Pakistan)

## Estimated credit gap of women-owned formal SMEs in emerging markets - \$260 billion to \$320 billion

■ Unserved      ■ Well served  
■ Under served      ■ Do not need credit

Credit needs and access for formal SMEs with at least one female owner by region<sup>1</sup>, Percent



<sup>1</sup> Definitions : Unserved: Do not have a loan AND applied OR needed loan; Underserved: Have a loan but access to finance is a constraint (but not necessarily a “major” or “severe” constraint); Well-served: Have a loan AND access to finance is not a constraint; No need: Do not have a loan AND did not apply AND did not need

SOURCE: IFC SME database, Enterprise Survey, team analysis

## IFC’s Gender Baseline Survey Shows Similar Patterns

- Data from 34 IFC client banks in 25 countries covering 6 regions shows that about 16% of our client banks’ SME portfolios consist of loans to women-owned SMEs (with 51%+ women ownership)

Region	% of women-owned SMEs in IFC client bank portfolios
East Asia and Pacific	26.6%
Latin America and the Caribbean	22.2%
Europe & Central Asia	18.1%
Sub-Saharan Africa	15.1%
South Asia	9.5%
Middle East & North Africa	5.7%
Global	16.4%

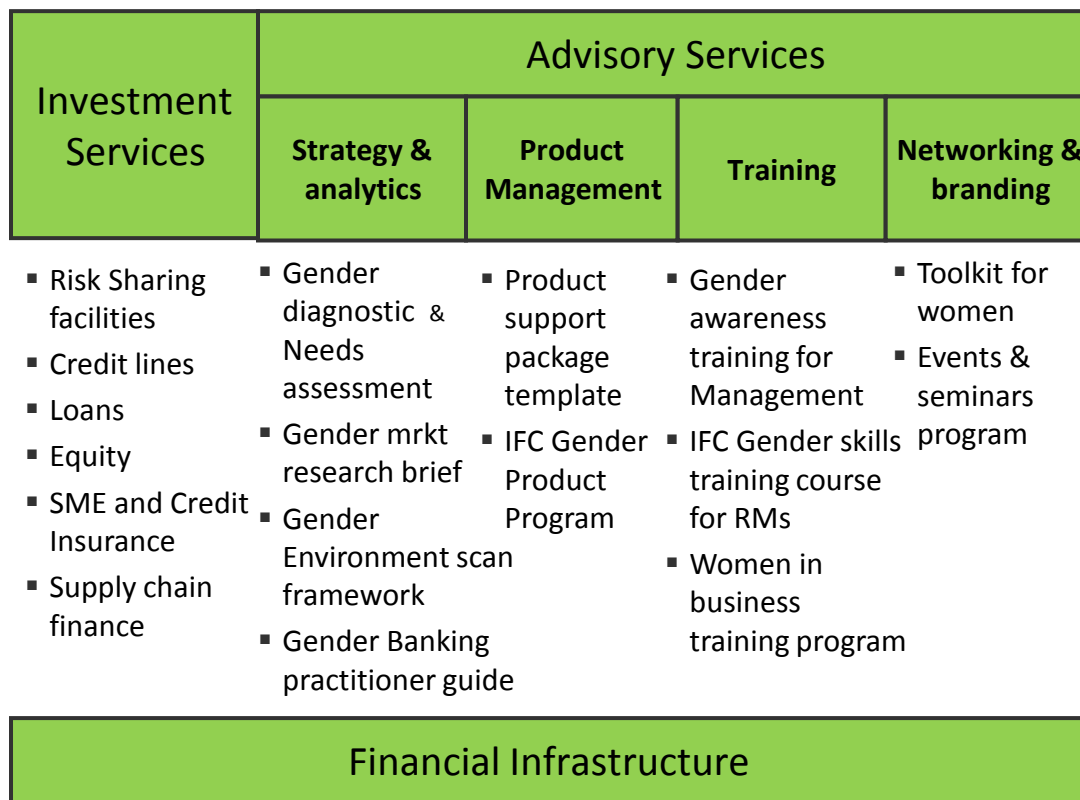
- Regional percentages allow for establishment of minimum regional thresholds for investment projects
- Regional numbers also enable regions to fine tune SME and Banking on Women (BOW) strategies and set up IDG3 gender targets



## IFC has a unique value proposition, combining both investment and advisory services

- Facilitate financial institutions to recognize and seize the untapped and profitable opportunities that women entrepreneurs represent
- Support financing needs to effectively target women entrepreneurs
- Raise awareness of best practices and build capacity of partner FIs committed to offering financial services to women entrepreneurs

### IFC's Banking on Women Proposition



## Business Case for Banks: Why Focus on the Women's Market?

### Business Case

- Market differentiation
- Expansion of market share
- Greater profitability
- Enhanced performance, especially when the institution is one where “women like to work, prefer to bank, and wish to invest”

### What We Know

- Female customers are better depositors and deposits from female customers have been growing at faster rate
- Because of historic access gap it is easier to innovate around an offering for the female segment
- Positive fee generation impact due to higher footings

### Development Imperative

- Good Economics to include 50% of world's population in development
- Data shows women make 80% of household spend decision
- 70% of that spend is for education and healthcare resulting in sustained GDP growth

### IFC Value Proposition

- IFC's Capital and/or AAA balance sheet support (FIG)
- IFC's strategic advise on customer acquisition and management (A2F)
- IFC's assistance with pipeline development and strengthening (SBA)

### IFC's Value Add:

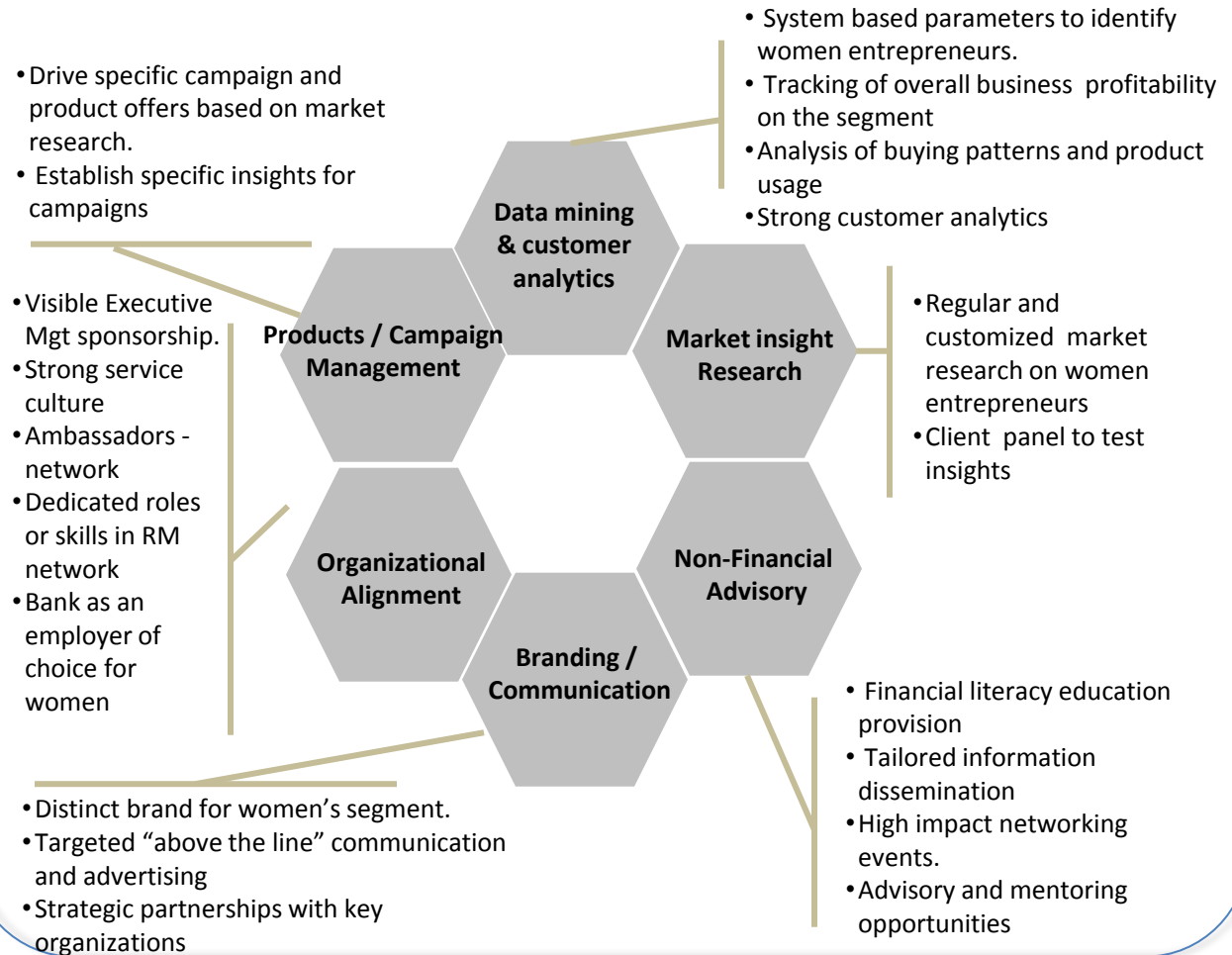
- **Financing** --Various types of lending facilities as well as equity/capital
- **Advisory Services** to banks and corporates
- **Advisory Services** to women entrepreneurs
- **Partnerships** with leading global and local women's associations
- **Dedicated global and local teams** with expertise that can be drawn upon

## IFC Advisory Offering: Developing a successful proposition to tap into the women’s market requires a commitment

### Banks need to build capacity across 6 areas to serve women as a sub segment

#### Action Plan

- Build a separate brand identity for the women segment
- Mine data base to understand patterns in behavior and establish killer insights
- Tailor product offers to meet the specific behaviors of women
- Clear segment ownership and embedded in the network for SCALE
- Include financial education and networking opportunities as a key part of the offering.



## Deal Example: Senior Loan to Itau Unibanco Holdings in Brazil



### Investment Component

**Structure:** The Project comprises a financial package of an A/B loan (\$100M for IFC's account and \$300M for commercial FIs) to Itau Unibanco, complemented by a Parallel Loan of \$70M from other Development Financial Institutions ("DFIs").

**Objective:** Extending access to finance for women-owned SMEs and developing a specific value proposition (products) and business model (channel) to this segment.

### Advisory Services Component

- Helping the Bank develop a specific value proposition for women-owned SMEs
- Implementing an innovative psychometric credit risk scoring model to improve Itau Unibanco's lending methodology for these small entities

### Benefits to Parties

#### Benefits to the Bank:

- Market differentiation
- Expansion of market share
- Knowing their clients better
  - Learn more about the women's market behavior
  - Adjustment of financial products to meet women entrepreneurs' needs

#### Benefits to IFC:

- Increased access to finance to women entrepreneurs
- Demonstration effect for financial inclusion in the country
- Demonstration effect of the business opportunity presented by women-owned enterprises → Potential of replication with other Tier I and Tier II FIs

## Deal Example: Risk Sharing Facility in Nigeria

Coca Cola, Nigerian Bottling Company and Access Bank



access >>>



### Benefits to Partner Bank

- IFC's AAA Rating offers efficient Risk Transfer  $\Rightarrow$  Expand business line thanks to shared risks/reduced resources (exposure relief, economic capital)
- Faster portfolio growth
- Offer new products for existing clients
- Gain access to new clients with shared risk
- Scalable platform for business development
- Deepen relationship with a global corporate: Coca Cola
- IFC's Advisory Services (Business Edge and SME Toolkit) can help strengthen distributor/sub-distributor capacity, thereby simultaneously mitigating credit risk

### Benefits to Bottler

- Enable financing and capacity-building to MSMEs in Value Chain in the context of Coca Cola's 5 by 20
- Drive incremental revenues and create growth opportunities for small businesses and employment
- Economically support women-owned enterprises for sustainability and growth

### Benefits to IFC

- Scalability of global partnership with Coca Cola to achieve results under 5x20 program in emerging markets, in alignment with IFC's development goals
- Increased access to finance and capacity-building for Distributors in Bottler's value chain in emerging markets
- Demonstration effect which generates Development Impact

## Innovation Example: First Banking on Women Bond Issued

- IFC launched the first women bond program in the world, targeting the Japanese retail market and raising US\$165 million in October 2013 . Settlement was successfully completed on November 21st 2013.
- While raising funds for continued expansion in investment activities in women-owned enterprises around the world, the issuance aimed to raise awareness amongst investors of the potential of this untapped market.
- The proceeds will be used to support IFC lending to financial intermediaries that are expanding their financial services for women-owned enterprises.

Summary Terms of the Banking on Woman Bonds

Issuer	International Finance Corporation (IFC)	
Currency	Australian Dollar ("AUD")	Turkish Lira ("TRY")
Tenor	5 years	
Indicative Coupon*	3.40% ±0.50% per annum	6.50% ±1.50% per annum
Denomination	AUD 10,000	TRY 10,000
Offering Period	November 7, 2013 ~ November 19, 2013	
Delivery of the Notes in Japan	November 22, 2013	
Maturity Date	November 20, 2018	

\*Coupon rate is expected to be announced in early November.  
The actual coupon rate could be out of the range indicated above.



## IFC has a global footprint with Investment and Advisory projects for women entrepreneurs around the world

- ✓ Gender Portfolio: \$721M
- ✓ 20+ clients with gender projects
- ✓ Strong pipeline: Close to \$685
- ✓ Gender champion structure in place in HQ and Regions
- ✓ Gender SME Baseline established



FIG Gender Financing by FY in Millions

