



KEY ELEMENTS FOR SERVING WOMEN MSMES

A Practical Guide for National Development Banks

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ABSTRACT:

National development banks (NDBs) are key players in promoting financing for women micro, small, and medium enterprises (MSMEs). This document summarizes good practices that can be replicated by NDBs to improve access to and use of credit by women enterprises. The main elements are sex-disaggregated data, acting as second-tier banks, non-financial services, moving toward institutional transformation and how to take advantage of their performance in a COVID-19 scenario.

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Key Issues

WHAT IS IT FOR?



- **TO LEARN** about the reality of access to financing for women micro, small and medium enterprises (MSMEs), and their needs and preferences.
- **TO MAKE** the business model for serving women MSMEs visible, to understand their product demands and preferences, their access to financing, their share in the different productive sectors and their financial behavior (repayments, savings rates, credit risk, etc.)
- **TO MONITOR** indicators and know the success/profitability of programs and products focused on women MSMEs.
- **TO UNDERSTAND** whether the work of national development banks (NDBs) for financial inclusion is being effective and inclusive of women and their MSMEs, and design programs accordingly.

ROLE OF THE NATIONAL DEVELOPMENT BANKS



- **TO PROPOSE** and adopt a definition of a woman enterprise that includes both ownership and leadership criteria for classification.
- **TO COLLECT**, disaggregate, and analyze data to understand women MSMEs access to, use of, and demand for financial products.
- **TO REQUEST** disaggregated data from financial institutions (FIs) and to support them in the collection, analysis, and use of such data.
- **TO FINANCE** FIs' technological adjustments to allow for sex-disaggregated data.

NDBs have a catalytic power in the financial sector because of their outreach to a large number of FIs, which can encourage and support setting up these data collection practices in the sector.

Who should be involved?

Senior management

To lead a strategic transition, make decisions based on disaggregated indicators, and connect with national regulators.

Information technology

To ensure that the systems allow for the disaggregation and analysis of data and adjust if necessary.

Credit officials

To identify women MSMEs, act as the first gateway to map women's specific needs, and collect data.

Financial sector

To request disaggregated data from FIs that are compatible with NDB indicators.



Elements to Consider

SELF-DIAGNOSIS



Do we collect sex-disaggregated data from our clients/beneficiaries?

YES

How often? What do we use the data for? Is there a standardized methodology? Is there training on the collection, disaggregation and use of data?

NO

Is this because of technological barriers or because of lack of culture and knowledge? What do we need to get started?

BASELINE



Starting point to measure evolution after intervention. Provide manually if there are no disaggregated data.

TECHNOLOGY



Automate data collection and analysis. Invest in technology if the current technology does not allow for disaggregation and creation of indicators.

TRAINING



Focused on the importance of collecting and disaggregating data, methodology, and use of data for decision making.

GOALS



Set up goals in financial inclusion indicators for women MSMEs, as well as in non-financial services.



Definition of a Woman Enterprise

A woman enterprise is defined on the basis of two criteria: ownership of the company and presence of women in leadership positions. According to the International Finance Corporation (IFC), "it is one in which at least 51 percent of the capital is in the hands of women; or one in which one or more women own at least 20 percent of the capital, has at least one woman in the position of CEO, COO, President or Vice President of the company; and at least 30 percent of the Board of Directors is composed of women."

OPTIONS UNTIL AUTOMATING DATA COLLECTION

I **EXISTING INFORMATION AS AN APPROACH:**

Using documents that identify MSME ownership to determine gender according to ownership and leadership criteria.

II **LEVERAGING COMMERCIAL AGENTS' KNOWLEDGE** of their client portfolio.

III **SAMPLING AS AN INITIAL SURVEY:**

If not allowed by time and funds, a sample should be analyzed and extrapolated.

IV **CLIENT SURVEY:**

If satisfaction surveys are periodically implemented, the gender variable should be included.

FOR FURTHER INFORMATION



- **Case Study: BancoEstado**, Financial Alliance for Women.
- **Gender Performance Indicators**, Women's World Banking (WWB).
- **Global Business Case Tool for Financial Services Providers**, Financial Alliance for Women.
- **Sex-disaggregated Supply-side Data Relevant to Financial Inclusion**, BID Invest.



Products

FINANCING



- ▶ **Assigning an amount or percentage** of general lines of credit to women MSMEs.
- ▶ **Designing specific lines of credit for women MSMEs** whose characteristics, conditions and delivery channels consider the needs and realities of local women MSMEs.
- ▶ **Improving the conditions** of general financing when reaching a minimum percentage of women entrepreneurs or women MSMEs.

Goals

Increasing financing available to women MSMEs, given that general lines of credit for this type of enterprise do not consider the specific needs of women entrepreneurs, which prevents the latter from accessing financing on an equitable basis.

COLLATERALS



- ▶ **Tailored to the life cycle of the business:** From companies that have never received formal financing to those that are underserved. Incorporating products to strengthen financial inclusion as well as collaterals for MSMEs that need to increase the amounts received.
- ▶ **They should be dependable and operational** to respond to the needs of FIs with respect to the women's market meter and incorporate risk management.

Goals

Decreasing FIs' perceived risk of working with women MSMEs as they have less information available on their credit history and accounting.

Creating knowledge in FIs about the financial behavior and needs of women MSMEs.

Reaffirming the commitment of multilateral banks to provide collaterals for women MSMEs.



Other relevant features

1

Strengthening the generation of knowledge:

Local market studies are needed to systematize available information and provide FIs with tools to understand what sectors women MSMEs are operating in, what financial needs they have, what delivery channels they prefer, what sub-segments can be found, and other key information to customize products.

2

Encouraging the innovation of financial products:

With the purpose of eliminating common barriers for women entrepreneurs to access financing and providing product alternatives that improve women's conditions of use of and access to the financial system (e.g., micro-leasing for income-generating assets to address barriers of access to collaterals).

3

Exploring the use of new tools:

i) Algorithms for credit scoring that combine information on payments to the business, utilities, mobile communication, social media, credit bureau data, among others, providing an estimate of the financial risk of those clients with little traditional credit information.

ii) Psychometric tools to assess personality, willingness to pay, and integrity of loan applicants, with the possibility of identifying an applicant's ability and willingness to pay

iii) Exploration of non-traditional collateral regimes and other forms of collateral to which women have greater access and availability.

Who should be involved?

Senior management

To lead strategic transition, product design and product budget.

Computer systems

To introduce new product features.

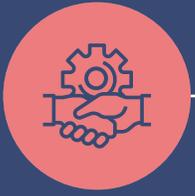
Financial sector

To tailor these sex-sensitive products and services to FIs.

FOR FURTHER INFORMATION



- **Are Psychometric Tools a Viable Screening Method for Small and Medium Enterprise Lending?** BID Invest.
- **La banca de desarrollo y la creación de productos para la inclusión financiera**, Latin American Association of Development Financing Institutions (ALIDE).
- **Inclusión Financiera de las mujeres en América Latina. Situación actual y recomendaciones de política**, Latin American Development Bank (CAF).



Key issues

WHAT ARE THEY FOR?



- **TO INVESTIGATE** the main knowledge needs of women MSMEs and how to strengthen their profile, addressing the main barriers they face in accessing financing to scale their business models.
- **TO CREATE** value for women entrepreneurs, increasing their satisfaction with and loyalty to the FI.

ROLE OF THE NATIONAL DEVELOPMENT BANKS



- **TO IDENTIFY** major barriers and non-financial needs of local women entrepreneurs.
- **TO DETECT** best practices of financial education programs to forward to FIs.
- **TO OFFER** FIs non-financial services to improve their work with women MSMEs.
- **TO OFFER** or articulate non-financial services through alliances and relevant partners.

Main features

- ▶ Connection to the financial products offered, especially in the case of financial capabilities to set up a direct application of the services received and to apply the principle of "learning by doing."
- ▶ Design following a market study of the needs of local women enterprises, customizing services to fit the needs of the different sub-segments.
- ▶ Achieving efficiency as a key feature of services: Women entrepreneurs have limited time.
- ▶ Ensuring delivery and deployment when clients need non-financial services.
- ▶ Measuring the correlation of non-financial services with products (e.g., how over-indebtedness decreases as credit literacy increases).



MAIN GOALS OF NON-FINANCIAL SERVICES RENDERED TO WOMEN ENTREPRENEURS





Related barriers



- ▶ **Business training programs designed without considering the needs of women entrepreneurs.**
- ▶ **Lack of professional networks focused on the segment of women entrepreneurs.**
- ▶ **Gender biases.**
- ▶ **Reduced access to markets.**

Who should be involved?

Senior management

To lead a strategic transition.

Computer systems

To enable monitoring services and to connect to financial products.

Commercial agents

To guide women entrepreneurs with regards to appropriate services and to serve as channels of financial literacy.

Financial sector

To share and bring best practices to FIs with regards to non-financial services and to lead training sessions.

FOR FURTHER INFORMATION



- **Bank of Palestine Strengthens Women-Owned Businesses and the Economy**, IFC.
- **Non-Financial Services: The Key to Unlocking the Growth Potential of Women-led SMEs for Banks**, IFC.
- **Less is More: Experimental Evidence on Heuristics-Based Business Training in Ecuador**, IDB Invest.



Key issues

WHAT IS IT?



- ▶ Including the gender perspective as part of the organization's identity.
- ▶ It implies changes in culture, procedures, practices, communication, and human talent strategies.
- ▶ It is a key step to serve women enterprises successfully.

ROLE OF THE NATIONAL DEVELOPMENT BANKS



- ▶ To make the gender perspective transversal in order to improve financial inclusion, serving as a model for other FIs.
- ▶ To support suppliers and clients in their transition along this road, strengthening the gender perspective in the work chain.

Steps

1

Diagnosis

Analyzing the status of the gender perspective in the institution, which includes institutional policies and non-discriminatory human talent practices in terms of gender equality (in recruitment as well as in professional development); products, and services designed for women; gender equality and flexible maternity and paternity-related work policies; an environment free from sexual violence and harassment; development of suppliers and value chains; etc.

2

Action plan

Short, medium, and long-term goals, incorporating budget-linked activities to make changes, and with the commitment of the employees.

3

Monitoring and assessment

Moving toward a results-oriented culture that incorporates the gender perspective, where programs are measured and adjusted.





Main elements

MANAGEMENT COMMITMENT



Most banks with profitable women's programs have their executive leadership involved.

EMPLOYEE INVOLVEMENT



There must be an understanding and acceptance to serve the women SMEs segment at all levels of the organization.

EMPLOYEE TRAINING



On the main conceptual elements, the need for gender-inclusive products, and services and development of content that includes bias-related knowledge and skills to serve women entrepreneurs.

CONTINUOUS INTERNAL COMMUNICATION



How to develop a focused communication strategy with inclusive language to serve the women MSMEs segment, evolution of indicators and messages from the senior management supporting the program.

STRENGTHENING SYSTEMS AND KEY PERFORMANCE INDICATORS (KPIs)



Understanding what the women MSMEs program needs and what motivates employee involvement to make it work. Relevant sex-disaggregated KPIs should be set up to ensure the long-term success of the strategy.

ALIGNING THE EXTERNAL STRATEGY WITH THE INTERNAL STRATEGY



Setting up a diversity and inclusion program within the organization is sometimes considered a prerequisite to design a successful women's program.



Who should be involved?

Senior management

Lead strategic change and to motivate and involve the rest of the employees

Computer systems

To ensure that monitoring sex-disaggregated indicators is included in the institutional transition.

Commercial agents

To empower agents and make them understand the importance of appropriate services and products for women entrepreneurs, with professional treatment accordingly.

Human resources

To analyze the processes of attracting, selecting, hiring, and training employees; mentoring and coaching programs; promotions; consideration of salary gaps, etcetera.

Communication

To set up inclusive guidelines for internal and external communication with a gender perspective.

Financial system

To transfer the strategy to all FI partners.

FOR FURTHER INFORMATION



-
- **Driving Change: Achieving Gender Balanced Leadership in Financial Services**, Financial Alliance for Women.
 - **Global Business Case Tool for Financial Services Providers**, Financial Alliance for Women.
 - **Gender Self-Assessment Toolkit for Financial Service Providers**, United Nations Capital Development Fund (UNCDF).



Impact of financial shocks IN THE FINANCING OF WOMEN MSMES

05

Key elements

GREATER EXPOSURE IN TIMES OF CRISIS



- ▶ **Overrepresented** in the most vulnerable sectors in times of crisis, such as services.
- ▶ **Lower capacity to absorb financial shocks**, which prevents women from surviving for several months without an income, as they must make investments to adapt to new ways of operating as well.
- ▶ **Socially imposed double burden:** caregiving and household tasks.
- ▶ **Increase of cases of sex-based violence**, which hurt their economic capacity.

LESS ACCESS TO FINANCING



- ▶ **Tougher structural barriers** of access to and use of financial products, which deepens the gender gap.
- ▶ **Supply limitations:** FIs, with less funds available due to the crisis, increase their preference toward men MSMEs as they consider them less risky.
- ▶ **Demand reduction:** Because of care and risk aversion, lack of financial education programs and time constraints.

Role of the national development banks

- ▶ **Monitoring** access to financing and emergency measures for women MSMEs during and after an event of crisis.
- ▶ **Upgrading** technology to offer efficient digital services with simplified processes.
- ▶ **Offering** financial products and services with a gender perspective, especially collaterals.
- ▶ **Including** a gender perspective in the design of new programs, particularly those whose goal is to improve the digitalization of MSMEs or their integration into value chains.
- ▶ **Encouraging** the participation of women MSMEs in the country's economic recovery through access to financing to keep the activity going, jobs, demand for consumables, among others.



MAIN INTERVENTIONS



Digitalization of financial services, which reduces transaction times, allows access without the need to go to the branch, offers time flexibility, and reduces costs. This must be combined with on-site banking not to deepen a double gap (the gender gap and the technological gap).



Training in digitalization, both for customers, so they can digitalize their buying and selling processes and their relationship with FIs, and for internal staff, so they know how to handle and offer products through other than on-site channels. This includes training in cybersecurity, fraud, and risky behavior.



Centralized and simplified information on support and financing opportunities during and after the COVID-19 crisis.



Sex-disaggregated data to monitor women MSMEs' access to interventions to cope with the economic crisis and design specific interventions to meet the particular needs of women entrepreneurs during such crisis.



Collaterals and financing tailored to the most affected sectors, where women MSMEs are overrepresented, including financial products to cover personal needs, such as medical insurance, financing for education, and household services (rent, mortgage).



Non-financial services related to the needs caused by the pandemic: Training for the adaptation of businesses to health requirements; resources for sex-based violence situations; tools for stress management, etcetera.

Who should be involved?

Senior management

To support strategic change.

Computer systems

To allow for the digitalization of financial transactions and relationships.

Financial sector

To encourage these interventions in FIs as well. To create alliances with Fintech and other key agents for a new way of operating.

FOR FURTHER INFORMATION



- **On the front line: The global economic impact of COVID-19 on women**, AXA.
- **Responding to COVID-19**, Accenture.
- **Acciones de la Banca de Desarrollo frente a la Crisis**, Latin American Association of Development Financing Institutions (ALIDE).

