



# GROWING AS EQUALS

Banking on women,  
a business opportunity

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## About IDB Invest:

IDB Invest, the private sector institution of the Inter-American Development Bank (IDB) Group, is a multilateral development bank committed to supporting business in Latin America and the Caribbean. It finances sustainable enterprises and projects to achieve financial results that maximize economic, social, and environmental development in the region. With a portfolio of US\$11.2 billion under management and 330 clients in 23 countries, IDB Invest works across sectors to provide innovative financial solutions and advisory services that meet the evolving demands of its clients. As of November 2017, IDB Invest is the trade name of the Inter-American Investment Corporation.

The opinions expressed in this publication are those of the authors and do not reflect the point of view of IDB Invest, its board of executive directors, or the clients it represents.

IDB Invest, August 2018.

The women's market is the largest emerging economy in the world and is underserved by the banking sector. This is an economy that, according to the Global Banking Alliance for Women (GBA), generates a consumption of US\$20 billion and revenues of US\$18 billion, which represents an amount that is greater than the Gross Domestic Product (GDP) of the U.S. and China put together. Forecasts indicate that it will not stop growing. GBA estimates that by 2020, 870 million women will be participants in the world economy.

In Latin America and the Caribbean, only 49% of women have a bank account, 11% have a savings account, (space between this line and previous is off a bit) and 10% have access to credit while men account for 54%, 16%, and 13% respectively.<sup>1</sup> Women should therefore be a highly desirable client segment for banks. In fact, reports released by GBA confirm that they have a better credit history than men and are responsible for making or influencing 80% of purchase decisions for the family unit.

Fifty-one percent of banks in Latin America and the Caribbean do not collect basic information, such as gender, from their clients. Of those that do, less than half use this information to make decisions.

Not knowing who the client is results in a loss of business opportunities for banks. In this region it is even more apparent with the world's largest finance access gap between men and women (US\$86 billion) among micro, small and medium-sized enterprises (MSMEs).<sup>3</sup>

In fact, the GBA states that 73% of women are not satisfied with the services they receive. The IDB Group survey indicates that 84% of banks believe they are catering to this sector adequately and are not aware of the volume of business being lost. There is therefore a disconnect between how the banks perceive their own practices and how these practices are perceived by women.

At the IDB Group, we understood this disconnect as an opportunity to intervene and support the financial inclusion of female entrepreneurs. In 2012 a joint effort between the IDB and the Multilateral Investment Fund (MIF)--a member of the IDB Group--launched women entrepreneurshipBanking (weB), a program to reduce the access barriers to credit for businesses owned by women in the region. The initiative combines advice, investment, and assistance to financial<sup>4</sup> intermediaries to develop and adapt their products and services for the women's market. The possibilities are so great that in just six years weB has worked with 17 banks and approved US\$675 million in loans.

It is time now to work toward gender equality in banking. The IDB Group is working to reduce the credit gap and improve access to finance; we aim for inclusive economic development. I encourage you to read about our experience with the weB program, and I hope our examples will inspire financial intermediaries and companies in general to integrate a gender-focused perspective in their businesses. **Because aiming towards gender equality is akin to success.**

Gema Sacristán  
Chief Investment Officer, IDB Invest

<sup>1</sup> Latin American Development Bank (CAF), "Financial Inclusion of women in Latin America. Current situation and policy recommendations", 2018.

<sup>2</sup> The "SMES in Latin America and the Caribbean: Closing the gap for banks in the region" survey was commissioned by the IDB Group and the Latin American Federation of Banks (FELABAN), 2013

<sup>3</sup> International Finance Corporation (IFC), "Women-owned SMEs: A Business Opportunity for Financial Institutions. A Market Credit Gap Assessment and IFC's Portfolio Gender Baseline", 2014.

<sup>4</sup> Financial Intermediary: commercial banks, microfinance institutions, factoring and financial leasing companies, providers of financial services through digital platforms and private equity funds.



## Introduction: A history of growth

### Closing the gender gap as a business opportunity

In response to the need to work toward financial inclusion of women entrepreneurs and businesswomen, IDB Invest has created a program to support those financial intermediaries in Latin America and the Caribbean who would like to do business with micro, small and medium-sized enterprises (MSMEs) led by women.

weB's success will allow us to reduce the gender credit gap in the near future, bringing about significant benefits to the region's economy. It also establishes a regional network of financial institutions to exchange practices on how to better serve this market.

Women entrepreneurshipBanking or "weB", is a set of innovative services for female entrepreneurs. In this report we will go through the keys to its implementation and illustrate the results with three examples.



## 1. About us

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IDB Invest: We work with companies that last; we create markets that thrive and invest in opportunities.

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IDB Invest, the private sector institution of the Inter-American Development Bank (IDB) Group, is a multilateral development bank committed to supporting Latin America and the Caribbean businesses.

We work with our partners to achieve financial results while generating social and environmental value. We design innovative solutions and provide investment advice to promote best practices in gender equality.

We strive every day to change the face of success, and we are determined to drive private capital toward the goal of reducing the gender gap. That is why we collaborate with financial intermediaries in the region to harness the potential of equality through the economic empowerment of women entrepreneurs with financing solutions, technical advice, and training. At the same time, we study the market to obtain impact data and drive smarter investment decisions.

100%

Committed to  
Gender Equality.

## 2. The women's market

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### Signs of the market

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The behavior of women as savers and borrowers should be appealing to the banking sector. They are more loyal as customers, generate higher profitability, and are more prudent savers.

The study "The Economics of Banking on Women," carried out by the Global Banking Alliance for Women in 2017, reveals that women outperformed the general market in terms of customer and credit growth as well as in increase of deposits. It also shows that despite the fact that women entrepreneurs invested 50% less capital than male entrepreneurs they tend to generate 20% more income. This means those banks that have taken advantage of the women's banking opportunity have higher growth rates.

The business case is clear: women are a loyal, profitable, and stable segment.

However, almost 70% of female entrepreneurs are rejected by financial intermediaries or do not receive adequate financing.<sup>5</sup> That is to say that even in the face of all this evidence, women remain underrepresented in banking portfolios, both in numbers and volume.

This was, and continues to be, our opportunity to grow along with them.

<sup>5</sup> IFC, Strengthening Access to Finance for Women-Owned SMEs in Developing Countries, 2011.

## THE CREDIT GAP FOR WOMEN MSMES IN THE REGION IS US\$86 BILLION<sup>6</sup>

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### Greater savings

“Women are more prudent savers”<sup>7</sup>

Women are a solid source of savings for a bank, with lower loan-to-deposit ratios observed in all regions.



### Fewer defaults

“Loans to women require less capital  
on average”<sup>8</sup>

The lower number of non-performing loans by women has a positive effect on the capital requirements of banks. A theoretical analysis concluded that, on average, loans to women would require 4% less regulatory capital.



### Higher loyalty

“Women are loyal customers”<sup>9</sup>

Although in some cases women have been customers of banks for a shorter period of time, they consume banking products at similar levels, demonstrating that the women’s segment represents a loyal customer base.

<sup>6</sup> IFC, “Women-owned SMEs: A Business Opportunity for Financial Institutions. A Market Credit Gap Assessment and IFC’s Portfolio Gender Baseline”, 2014.

<sup>7&9</sup> GBA, “The Economics of Banking on Women”, 2017, updated version 2018.

## A SIMPLE EQUATION

Savings + Loyalty – Defaults

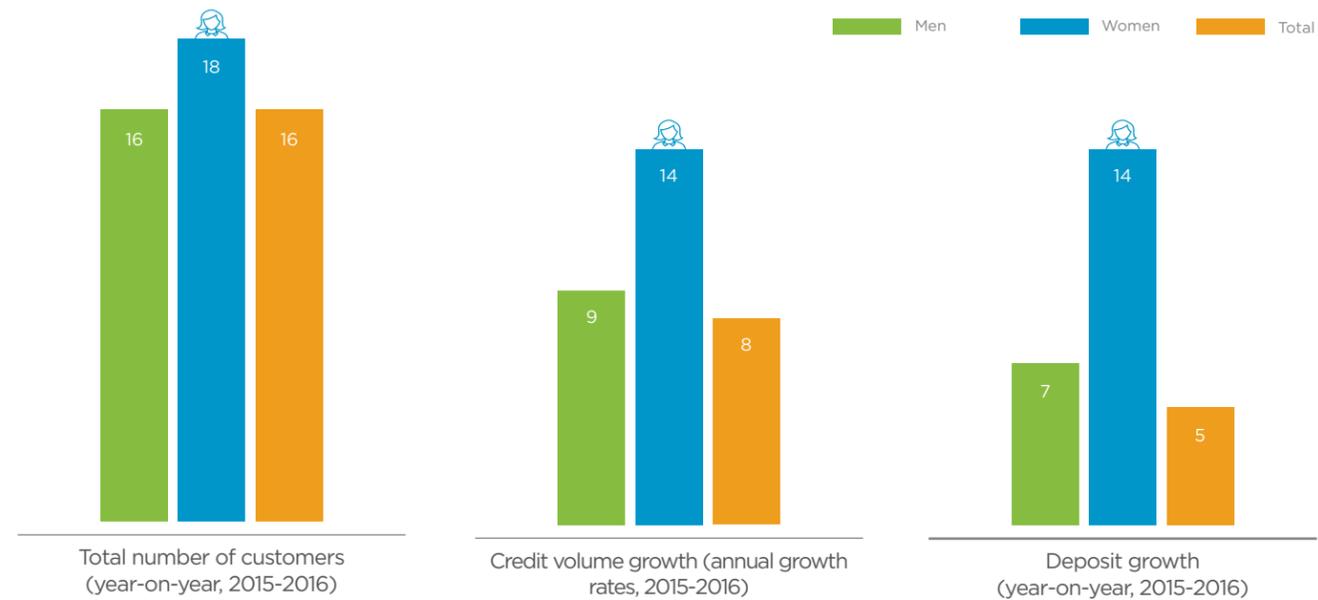
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Equality Means Success

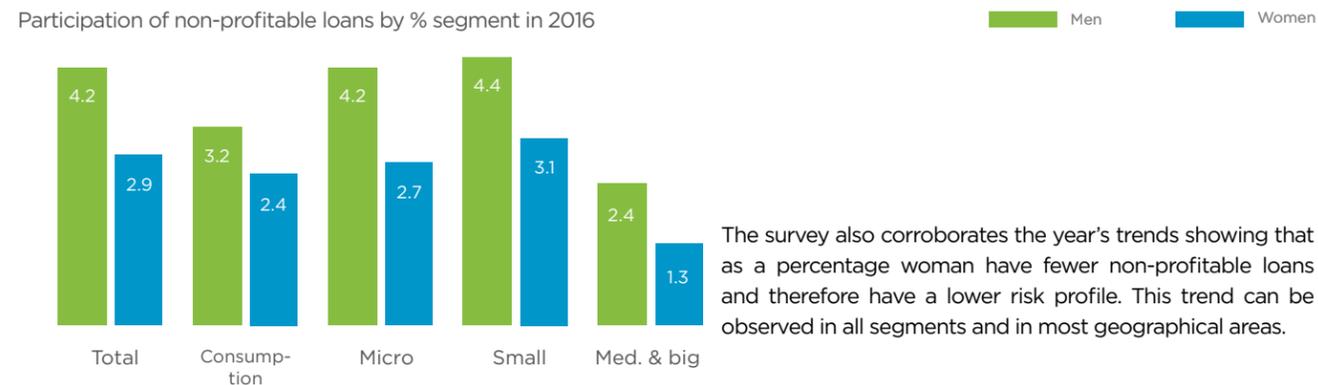
# The women's market, a potential yet to be harnessed

As shown by the following illustrations<sup>10</sup>, despite the fact banks that worked with the women's market have proven it is a highly profitable business opportunity, the financial services industry is only just beginning to target this market.

## THE WOMEN'S MARKET HAS STRONG GROWTH POTENTIAL

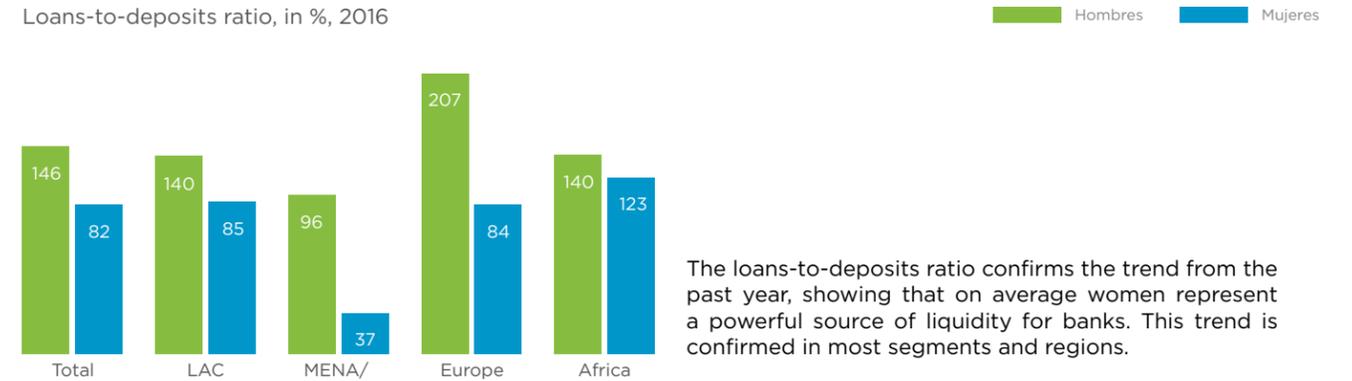


## WOMEN ARE PRUDENT BORROWERS

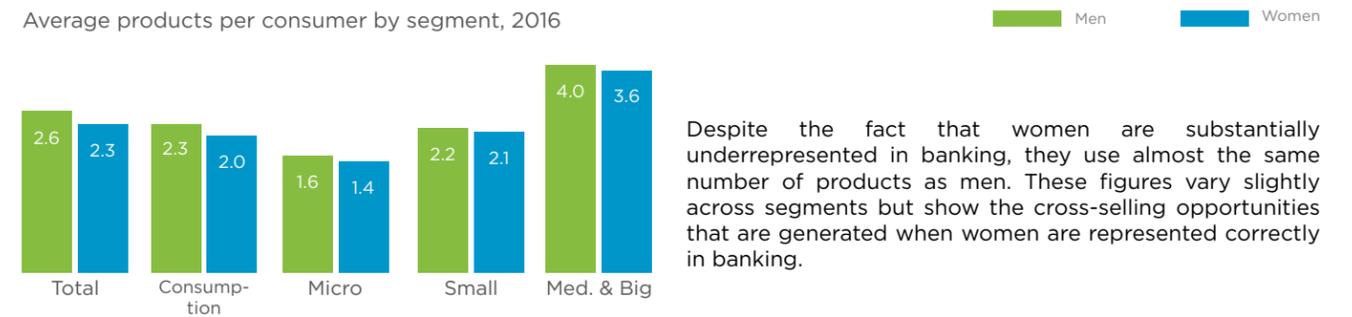


<sup>10</sup> The source for all these graphs is the women's banking study "The Economics of Banking on Women" carried out by the GBA in 2017 and revised in 2018. It is the only collection of banking data that measures the performance of financial institutions in the Women's Banking industry on a global scale.

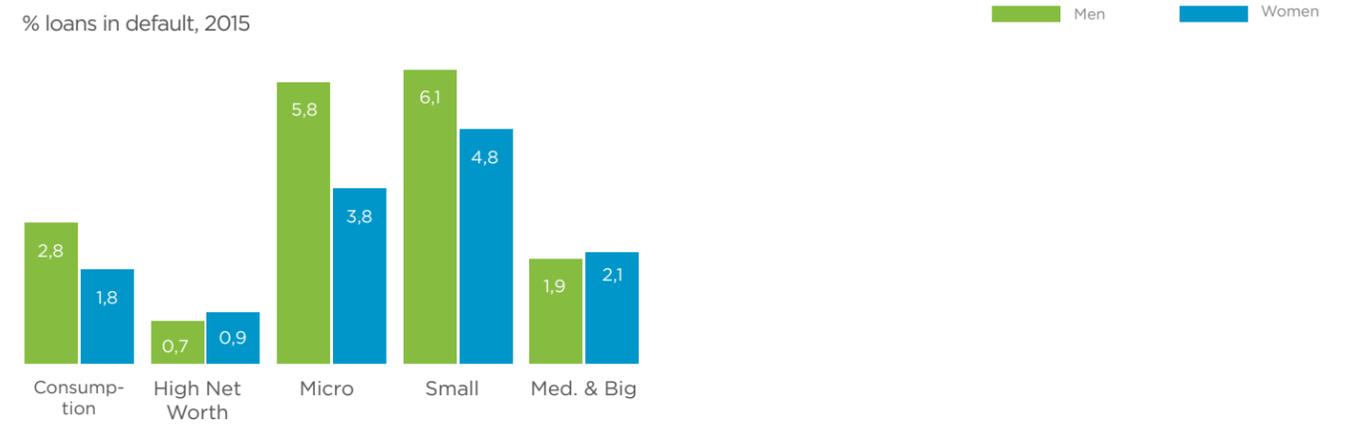
## WOMEN ARE SAVERS



## WOMEN ARE LOYAL CUSTOMERS

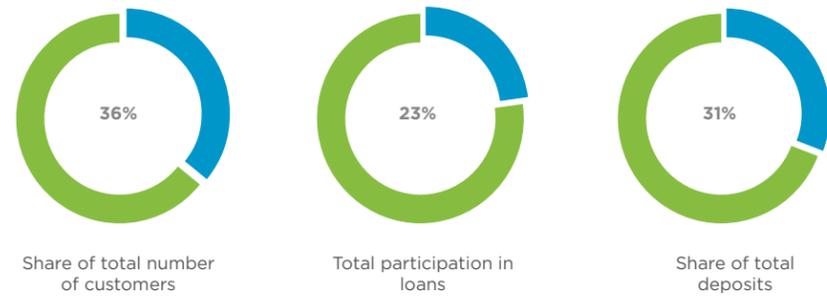


## WOMEN REPRESENT A LOWER RISK



HOWEVER, WOMEN CONTINUE TO BE UNDERREPRESENTED IN BANKING PORTFOLIOS

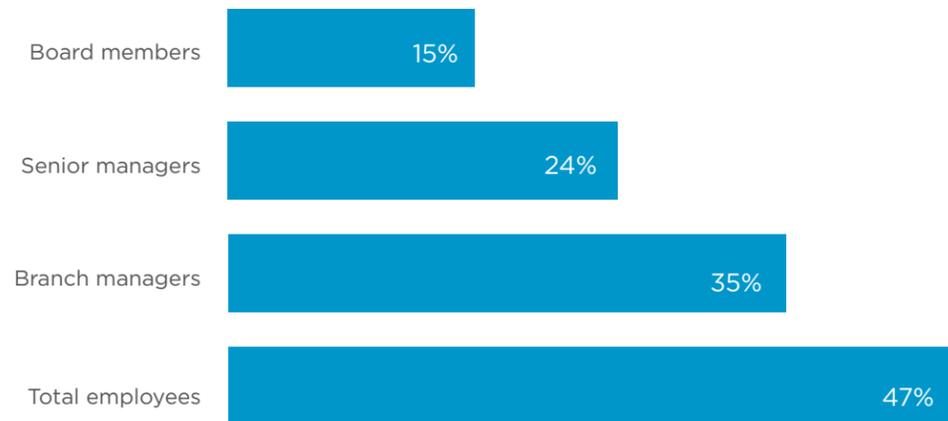
Women have lower representation, both in numbers and volume.



In terms of customer participation as a proportion of credit and savings portfolios, women are still a minority across banks and regions. Women also receive loans which are on average half of the amount awarded to men and maintain savings balances which are on average less than two-thirds those of men.

AND ARE UNDERREPRESENTED IN LEADERSHIP POSITIONS IN BANKS THEMSELVES

Average participation of women, 2016.



Despite the fact that women account for almost half of the total bank employees as a percentage, we still see a significant lack of representation among mid-level and management positions, especially at the senior level.

# 3. The experience of a banking-on-women program

## What is weB?

Women entrepreneurship Banking (weB) is a groundbreaking program that combines advice and investment to support financial intermediaries in their planning and deploying products and services to women. It provides assistance and guidance in the creation of financial products, such as bank accounts, deposits, loans, and insurance, and in the design of non-financial products and services, such as training, mentoring, and contacts services.

Advice (technical assistance) on non-financial products and services to design and implement value-added proposals for women-led MSMEs.

+

Investment through innovative and inclusive loans and guarantees to women-led MSMEs.

**weB is a multi-layered plan that is integrated comprehensively across the entire organization, providing a strategic communication effort to attract potential customers.**

## ADVISORY FOR GENDER IN 3 STEPS

We support our partners by collaborating with them in a systematized process that spans from the strategy's design to the assessment of its results, allowing us to improve or correct the current course of action.

### 1. THE BUSINESS CASE

- Definition of women-led MSMEs
- 
- Evaluation of the current proposal
- 
- Links with other networks
- 
- Market study

### 2. THE VALUE PROPOSITION

- Financial and non-financial products and services
- 
- Credit analysis and risk tools
- 
- Promotion and marketing strategy
- 
- Training of women entrepreneurs

### 3. MEASUREMENT OF RESULTS

- Key performance indicators for financial and non-financial products and services
- 
- Training for technical advisors, management, and staff
- 
- Ongoing improvement of the value proposal

## LESSONS LEARNED

Through the impact that the program has had on our customers' markets, we continue to become more knowledgeable about the women's entrepreneur market and its specific needs, which often involves making internal adjustments in how banks are organized. This is a summary of what we have achieved so far.

### 1. IDENTIFYING NEEDS AND VALUE PROPOSITIONS

For the women's entrepreneur segment: training, information, and mentoring focusing on:

Financial literacy	Self-esteem	Commercial skills
Management	Oratory	Situation analysis
Mentoring	Networks	

For bank staff, mainly credit officers: training programs on gender issues to:

- Increase awareness about credit gaps
- Promote the specific characteristics of women clients to grow a more segmented portfolio
- Measure results

### 2. SETTING NEW CHALLENGES

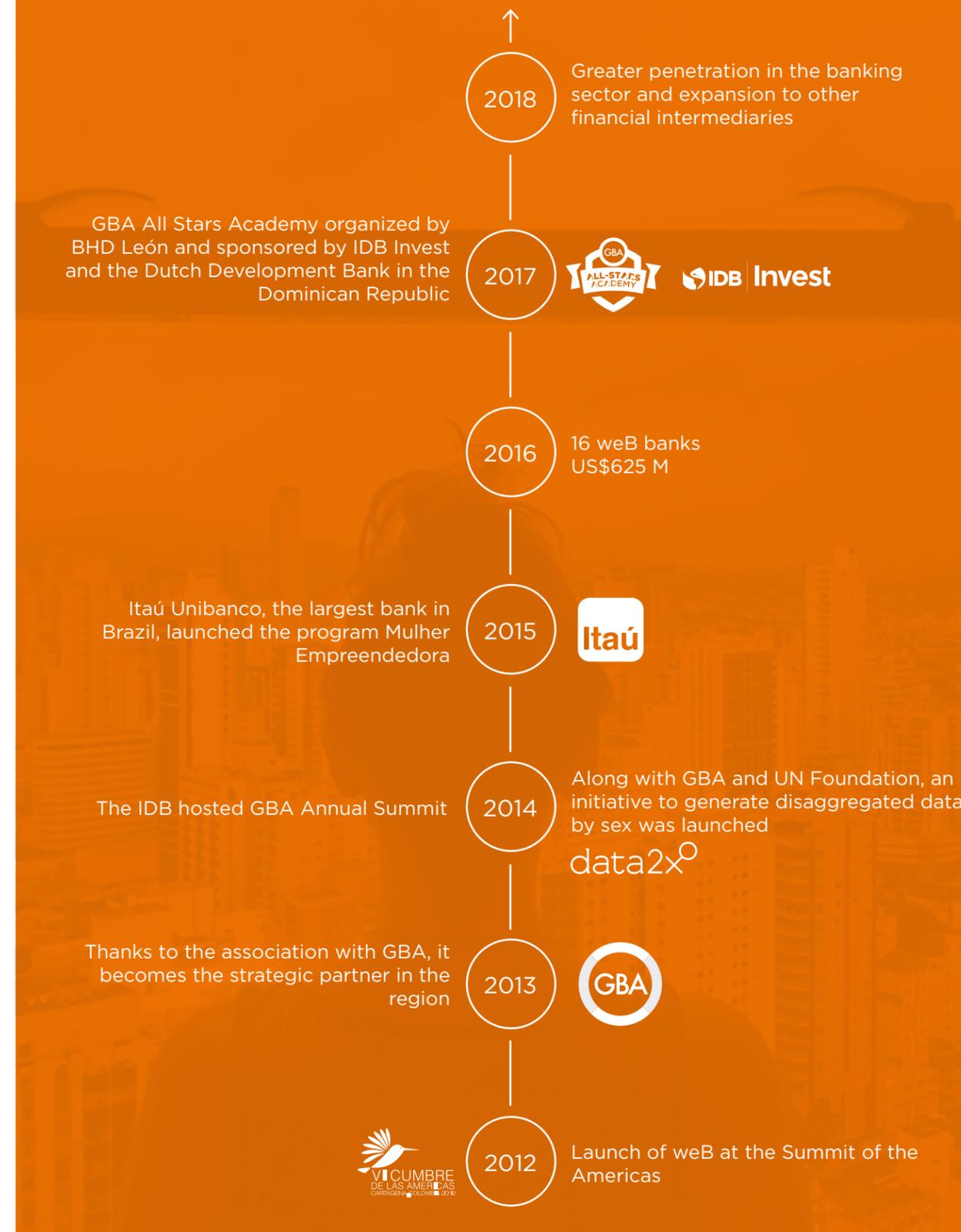
- Design suitable products and services
- Have clear financial information systems to track the evolution of women-led MSMEs' growth
- Incorporate training and support for client contact networks

### 3. GETTING RESULTS<sup>11</sup>

- Female customers increased by 31% compared to an overall increase of 17%
- The size of the women's portfolio grew by 25% (compared to 19% overall)

<sup>11</sup>Results data collected from 9 weB banks.

## A STORY OF GROWTH



# 4. The equality map

17 weB banks in 11 countries | US\$675 M investment<sup>12</sup>



PROJECTION TO THE END OF 2019  
 200,000 female entrepreneurs financed  
 4,000 women trained

<sup>12</sup> weB projects until August 2018.

# 5. Our partners

There are between 1.2 and 1.4 million MSMEs owned by women in the region, making up 40% of the total.<sup>13</sup> However, women entrepreneurs face higher barriers to access financing and often obtain less attractive conditions than men. Some examples of banks that are helping to change this outlook can be seen below.



## 1. ITAÚ UNIBANCO BRAZIL

LOAN A US\$50 MILLONES	2014
<p>GOAL</p> <p>To support the women-led MSMEs' credit portfolio, addressing the limited financing available in this market segment and complementing this with non-financial services.</p>	
<p>PROJECTION</p> <p>To 60,000 women-led MSMEs.</p>	
<p>RESULTS</p> <p>In two years, the number of women in its portfolio increased from 22% to 34%.</p>	

“When using an internal impact evaluation model, we found that the women who participated in the Itaú Unibanco Women’s Entrepreneurs Program improved their relationship with the bank, increasing their satisfaction with Itaú.

We also found that the women participating in this were more involved in the creation of networks with other entrepreneurs and with their supply chains; and in a year-by-year comparison that was carried out, they earned 11% higher income than those who had not participated.

Also, in terms of improved financial health, this enhanced performance of women entrepreneur participants also generated a positive financial return for the bank. When compared to non-participating entrepreneurs, those that participate show a higher margin for services such as investments (up to 130%), banking services (up to 2%), and insurance (up to 63%).

On the other hand, the default rate is 5% lower than that of non-participants, including those who have defaulted on their payments: Program participants default on payments for up to nine days less. Therefore, having a program that seeks to empower women, especially in the field of finance, tends to make them feel more comfortable using financial products and services as a way of accelerating the growth of their company.

Since the launch of our program, we have helped 8,550 micro, small and medium-sized women’s enterprises with our solutions.”

Andrea Pinotti  
 Managing Director, Itaú Unibanco

<sup>13</sup> IFC, 2011.



## 2. BANCO BAC COSTA RICA

A/B LOANS OF UP TO US\$40 MILLION	2015
<p><b>GOAL</b> Promote access to SMEs financing with a special interest in those led by women.</p>	
<p><b>PROJECTION</b> 40% of the financing for women's SMEs.</p>	
<p><b>RESULTS</b> Since its launch in 2016, Mujer Acelera has graduated 169 women in a total of six groups.</p>	

"We received the support of the IDB to design and launch our Mujer Acelera<sup>14</sup> Program, which complements and strengthens our value proposition for the SMEs segment, specifically for companies led by women. This segment has high potential for our organization-in excess of 40% of the total portfolio of SME customers.

The goal of the program is business acceleration, so the ideal profile is women whose companies have been operating for more than two years with at least five staff and strong growth potential.

The goal is to train more than 20 entrepreneurs per year for a period of three years, working with strategic partners on topics related to diagnosis, technical training, and leadership mentoring. The selected companies will receive customized advice, access to participation in business conferences, lectures on topics of interest to business, and networking sessions, among other things."

Adolfo Haug Acuña  
Manager, BAC SMEs

<sup>14</sup> BAC Credomatic Mujer Acelera Program



## BANCO G&T CONTINENTAL

## 3. BANCO G&T CONTINENTAL EL SALVADOR

LOAN OF US\$5 MILLION	2015
<p><b>GOAL</b> Promote access to financing for MSMEs led by women and facilitate company development and access to financial services.</p>	
<p><b>PROJECTION</b> 25% of the funding for women's MSMEs.</p>	
<p><b>RESULTS</b> In two years, the number of women in its portfolio increased from 13% to 29%.</p>	

"We believe in the importance of closing the women-led MSMEs credit gap, and that is why we are members of GBA. As a result of the IDB Group's approach, in 2014 we decided to incorporate the development of the G&T Women's program in our strategic plan; we aim to become the leading institution for women entrepreneurs.

We adjust and stabilize the loans' evaluation process and improve risk management capabilities, fine tuning systems to manage new financing products for women and improving MSME tracking performance while training staff and providing incentives. We create awareness about financing products for female-led small businesses and publish their results to promote more implementations in the future.

The training we have received and a market study have allowed us to design our "G&T Women's Credit Line" product with the aim of providing comprehensive solutions to our clients. This product is based on three elements:

1. Financial support: provide appropriate credit to the company, financing working capital, medium-and long-term fixed investment, and debt consolidation.
2. Technical support: offer training courses taught by national and international consultants.
3. Marketing support: create and offer an advertising micro-site, which may be accessed by our clients at no cost to advertise their products, services, and promotions. I believe it is important to note that interest rates have recently become a fourth decision factor when choosing a bank. Closeness, accessibility, and good customer service come first. This clearly speaks to the nature of our clients".

Lorena Rubio  
General Manager, Banco G&T Continental



## GBA, the strategic partner for weB.

Founded in the year 2000, the Global Banking Alliance for Women (GBA) is the only global consortium of financial institutions dedicated to supporting banks and helping them market to women. GBA has 46 members in more than 135 countries and is committed to building comprehensive and innovative programs that provide women with the tools they need to be successful in their businesses, including access to capital, information, education, and markets.

GBA provides a range of services to help organizations design, implement, and refine effective programs for the women's market.

In 2013, with the aim of providing better service to our client banks and to channel the weB program, the IDB Group joined with AGB, becoming their strategic partner for Latin America and the Caribbean. This agreement is so significant that Julie Katzman, Executive Vice President of the IDB, is a member of the GBA executive council. Among other things, it is helping eight banks in the region become part of the GBA network.

The weB project's success was presented in 2017 at the "GBA All Stars Academy" in the Dominican Republic, with the participation of 23 banks (members and non-members of GBA and the weB program).

### GBA, IN FIGURES

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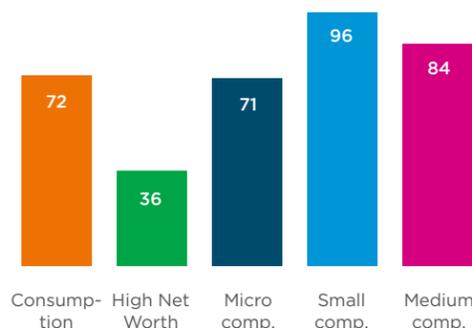
Members, including banks, financial institutions, non-profit, and financial development institutions.

135

They are the countries where GBA members work.

### GBA BANKS TARGET WOMEN IN DIFFERENT SEGMENTS

Participation of banks with a women's banking program targeted to different segments, % in 2016.



GBA banks know that women are not a homogeneous, uniform block; they have different needs. Although the vast majority of GBA banks have programs focused on female MSME leaders, many are increasingly tending toward other types of segments.

## An invitation to success

The women's financial market is highly promising. It is not only growing, but its growth contributes to development. This is a heterogeneous segment ranging from salaried workers to women with high purchasing power, including entrepreneurs, millennials, and female consumers in general. To target this segment effectively, it is necessary to:

- 1 | **Preach by example within the company** with actions that promote gender equality and inclusion and a diverse and inclusive workforce.
- 2 | **Integrate the gender perspective into the business** with the purpose of developing products and services with a focus on and for women.
- 3 | **Create value propositions specific** to women and to optimize the management of the relationship with those that are already clients and with potential clients.
- 4 | **Go beyond traditional products and services** to expand the portfolio to other financing needs such as insurance and leasing.
- 5 | **Collect disaggregated data by gender**, share them with regulators at the national level, and ultimately use them to boost profitability and take advantage of new technologies to better serve clients.

IDB Invest has found that while working for gender equality may create some challenges, it fosters benefits such as higher productivity and profitability which far outweigh the negative. That is why we encourage all intermediaries in both the banking, factoring, and leasing sectors, as well as insurance and value chains, to make this journey with IDB Invest as an inspiring and helpful partner.

**Because achieving gender equality is akin to success.**



Let's continue the conversation:

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