



A POLICY FRAMEWORK FOR WOMEN-LED MSME ACCESS TO FINANCE



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This policy framework was developed by AFI members through a fully member-driven process, in accordance with AFI's mandate as an independent, member-owned institution. This product provides policy guidance based on implementation across the AFI network and financial inclusion impact. AFI members have full ownership of this report, which also serves as a public good for the global financial inclusion community. Development of this policy framework was partially financed by the Swedish International Development Cooperation Agency (Sida) and other partners.

EXECUTIVE SUMMARY

Women-led MSMEs are crucial for growth and job creation but face gaps in access to finance. This is arguably the most binding constraint to their growth. Access to finance for women-led MSMEs increases their access to productive assets and increases productivity and leads to stronger economic growth.

The financing gap exists because women-led MSMEs face different challenges compared to their male counterparts. As such, there is merit in having a policy framework focused specifically on access to finance for women-led MSMEs.

The preparation of this Policy Framework was led by the SME Finance Working Group in collaboration with the Gender Inclusive Finance team and the DFS Working Group. A survey questionnaire was distributed followed by targeted interviews to the members of the SME Finance Working Group to review and document the efforts of policymakers and regulators in their countries to facilitate access to finance for women-led MSMEs and how ecosystems influence and are influenced by women entrepreneurs.

The Framework provides guidance to regulators and policymakers from the AFI network and beyond, in developing policies and regulation to advance women-led MSMEs' access to finance.

The report starts by presenting a definition for women-led MSMEs, then proceeds to discuss the constraints these enterprises face in accessing finance. It points out that some laws and regulation can limit access to finance for women-led MSMEs, so do some social and cultural norms. For example, limited access to and control over property constrain women's ability to provide collateral for loans. Similarly, gender differences in the ability to obtain identification can make it more difficult for women to open bank accounts. Discriminatory banking laws and account opening requirements that disadvantage women (e.g. requirement for male co-signatory) also create challenges for women-led entrepreneurs to get access to finance.

90% Of the 190 economies surveyed in the World Bank's Women, Business and the Law 2020 report, 90 percent have at least one regulation that impedes women-led MSMEs' access to finance.

100 More than 100 economies still prevent women from operating in certain sectors: and

18 in 18 countries, men can legally prevent their wives from working outside the home.

Several other legal barriers – laws restricting women's agency and mobility – prevent women-led MSMEs from fully participating in the economy.

LACK OF FOCUS BY POLICYMAKERS ON WOMEN-LED ACCESS TO FINANCE.

This report highlights the fact that despite important progress on gender-inclusive finance (e.g. the implementation of measures under the Maya Declaration and the Denarau Action Plan), there is limited focus on women-led MSMEs' access to finance by policymakers.

BARRIERS TO WOMEN-LED MSMEs' ACCESS TO FINANCE.

The key constraints discussed include:

- > **Legal barriers** to women owning and inheriting property.
- > **Inadequacies in the credit infrastructure** to incorporate women-led MSMEs' capacity and financing needs.
- > **Mobility barriers** hampering the exploitation of business opportunities for women-led MSMEs.
- > **Deficiencies in financial and business skills** of women-led MSMEs.
- > **Lack of formal identification** required to access bank financing.
- > **Lack of sex-disaggregated data.**
- > **Distance to financial institutions** and bank branches.
- > **Financial service delivery** that may not be adapted to women businesses.

The report then outlines the constraints to women-led access to Digital Financial Services (DFS). It points out that while DFS have potential to address several of the above constraints and increase women-led MSMEs' access to finance, these entrepreneurs and enterprises continue to face several barriers to use DFS.

A recent study highlights these constraints as follows:

- > **Lack of opportunity** to gain higher levels of financial and digital literacy among women can lead to a perceived lack of need, distrust, or poor understanding of DFS solutions.
- > **Women are less likely to own a mobile phone** and mobile Internet.
- > **Poor or no mobile network coverage** and may have only limited distribution (agent) channels.
- > **Policies, regulations, and institutional infrastructure**, as well as supervisory capacity, required for technology-enabled financial services to flourish are still catching up with innovation.
- > **Enabling environment regulations** are being developed but more could be done to bridge gender-specific constraints, including mobility issues and the lack of access to identity documents.
- > **Challenges still exist in promoting proportionate treatment** under Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) regulations.
- > **Service providers are not always attentive to gender differences** in the demand for, and use of, financial services.
- > **Discriminatory social norms** in some countries constrain the ability of women businesses to make independent decisions when accessing and using DFS.

THE POLICY FRAMEWORK.

The report then proposes six pillars of a Policy Framework that financial regulators could adopt to facilitate access to finance by women-led MSMEs. This Framework is described in some detail in this report and is illustrated by the following diagram.



PILLAR 1

Develop an enabling environment



PILLAR 2

Collect sex-disaggregated data



PILLAR 3

Build skills for women-led MSMEs and financial services providers



PILLAR 4

Allow alternative sources of collateral and alternative ways of building credit for women-led MSMEs



PILLAR 5

Develop DFS focused on women-led MSMEs



PILLAR 6

Encourage diversity and women leadership in the financial and business sectors



OVERARCHING PILLAR

Include women-led MSMEs' access to finance in the National Financial Inclusion Strategies or other strategies, such the MSME development policy. This should spell out the details and approaches summarized in the six pillars of the Framework

1. INTRODUCTION

Closing the gender gap in financial inclusion was prioritized by AFI member countries through the Denarau Action Plan in 2016.¹ Earlier in 2014, AFI published the report “Policy Frameworks to support Women’s financial inclusion.”²

In that report, it was acknowledged that “the women’s market represents numerous segments of women clients, from low-income self-employed women in the informal sector, to women who work in agricultural value chains, small- and medium-enterprise (SME) owners, and low-income salaried workers (factory workers, domestic workers, etc.).” While that report’s analysis covered all these segments of unbanked and underbanked women, it was also recognized that further analysis and differentiation is required by market and segment. The current framework gives focus on MSMEs, given the differentiated financing needs of this segment - as also evidenced by the survey and review of literature.

The preparation of this Policy Framework was led by the SME Finance Working Group in collaboration with the Gender Inclusive Finance team and the DFS Working Group. The Framework provides guidance to regulators and policymakers from the AFI network and beyond, in developing policies and regulation to advance women-led MSMEs’ access to finance. The approach to the preparation of this Framework builds on current thinking and policies that promote women-led MSME access to finance, based on recent publications in this area (see Annex) by AFI, World Bank Group, OECD and other agencies. In addition, a survey questionnaire was distributed to the members of the SME Finance Working Group to review and document the efforts of policymakers and regulators in their countries to facilitate access to finance for women-led MSMEs and how ecosystems influence and are influenced by women entrepreneurs. The survey also served as a follow-up to an earlier AFI survey conducted in 2017 among some of the same member institutions.³ Twenty-four members responded to the Survey. Interviews were held with five member institutions to validate the findings from the literature and the survey and to better understand the access to finance barriers that women-led MSMEs face in member countries, policies they have implemented to remove those barriers and lessons they may have for other member countries.

2. VALUE PROPOSITION FOR CREATING A WOMEN-LED MSME POLICY FRAMEWORK

Women-led MSMEs are crucial for growth and development but face gaps in access to finance.

Women-led MSMEs make significant contributions to economic development and represent around 35 percent (8 million to 10 million) of MSMEs in developing and emerging markets.⁴ Approximately 252 million women around the world are entrepreneurs and another 153 million women are operating established businesses.⁵ As such, they play a critical role in economic development, boosting growth and creating jobs. But the average growth rate of women’s enterprises is significantly lower than the average growth rate for MSMEs run by men, and as such, they are reaching their potential economic and development contribution.⁶ A number of factors have been identified as contributors to the slow growth of women-owned businesses: institutional and regulatory issues, lack of access to finance, relatively low rates of business education or work experience, risk aversion, confinement of women’s businesses to slower growth sectors, and the burden of household responsibilities. Access to finance is repeatedly identified as a major constraint to women entrepreneurs, and compared to other businesses, they face discrimination and structural barriers to accessing finance. These businesses have unmet financial needs of between US\$260 billion and US\$320 billion a year and it is estimated that globally over 70 percent of women-led MSMEs are either financially unserved or underserved.⁷ This in fact may be their biggest barrier to growth and development.⁸ There are limited options for women-led businesses seeking financing larger than microfinance but smaller

1 In 2016, the members endorsed the Denarau Action Plan to increase women’s access to quality and affordable financial services globally through the development and implementation of smart policies and regulations. In 2017, members took a step further by making an ambitious commitment to halve the financial inclusion gender gap in their respective jurisdictions by the end of 2021

2 https://responsiblefinanceforum.org/wp-content/uploads/2016/06/2016-02-womenfi.1_0.pdf

3 https://www.afi-global.org/sites/default/files/publications/2017-03/AFI_smef_Survey.pdf

4 IFC, 2011, “Strengthening Access to Finance for Women-Owned SMEs in Developing Countries.”

5 See Global Entrepreneurship Monitor 2018/2019 Report on Women’s Entrepreneurship. GEM 2018/2019 report provides analysis from 59 economies, aggregating data from two GEM data collection cycles, 10 economies reporting in 2017 and 49 reporting in 2018.

6 IFC, 2011, “Strengthening Access to Finance for Women-Owned SMEs in Developing Countries.”

7 World Bank Group, 2014, Global Findex. See also: <https://www.worldbank.org/en/results/2013/04/01/banking-on-women-extending-womens-access-to-financial-services>.

8 World Bank Group: “Expanding Women’s Access to Financial Services,” February 26, 2014

than commercial bank small business finance, or typical equity investments.⁹

The financing gap exists because women-led MSMEs face different challenges in accessing finance for reasons related to cultural and social norms, collateral and skills/capacity. The literature reviewed and the interviews conducted indicated that women-led enterprises have different characteristics compared to other MSMEs.¹⁰ Firms that women own are more likely to be micro or small and informal, and of low value added.¹¹ The share of female ownership sharply declines as the size of the enterprise becomes larger. Women own about one-third of micro firms with fewer than 10 employees, one-third of all small firms with 10-49 employees, and one-fifth of medium-sized firms in developing countries with 50-250 employees.¹² They are overrepresented among the types of activities that conform to gender stereotypes (cooking, sewing, hair salon).¹³ In Africa, Asia, and Latin America and the Caribbean, around 75 percent of female entrepreneurs are in consumer-oriented sectors (against 45 percent of male entrepreneurs).¹⁴ This over-concentration of women in certain economic sectors is in part because these types of businesses have low barriers to entry and do not require large up-front capital investments, which women are less likely to be able to access. This is in part, because women’s enterprises are more likely to be run on a part-time basis, as women have a disproportionate responsibility to manage both work and family life.

Access to finance increases access to productive assets and productivity, leading to stronger economic growth. A Goldman Sachs Global Markets Institute study shows that closing the gender gap in credit access could improve developing country growth rates by 1.1

percent.¹⁵ While banks and investors may not intentionally discriminate based on gender, the “gender-neutral” finance policies and marketing mechanisms tend to cater more toward men than women. Institutional and regulatory issues, low rates of business education or work experience, risk awareness, confinement of women’s businesses to slower growth sectors, and the burden of household management and domestic care responsibilities, are all challenges that hamper the entry and growth of women-led businesses compared to men-led businesses.

As such, there is merit in having a policy framework focused specifically on access to finance for women-led MSMEs. The above-mentioned challenges imply that a gender-neutral MSME finance policy may result in different outcomes for men and women. In addition, the persistent gender gap in access to finance shows that mainstreaming gender may not be enough to address structural inequalities that hamper the advance of women-led MSME access to finance. Instead, a more proactive and gender-sensitive policy response, which considers the unique needs and behaviors of women enterprises will also be required.

- 9 Eddleston et al., 2016. Do you See what I See? Signaling Effects of Gender and Firm Characteristics on Financing Entrepreneurial Ventures,” Entrepreneurship Theory and Practice.
- 10 See for example: World Bank, 2012, “World Development Report,” which outlines some of the key differences.
- 11 See for example: OECD/European Union, 2017, “Policy Brief on Women’s Entrepreneurship.”
- 12 OECD/European Union, 2017, “Policy Brief on Women’s Entrepreneurship.”
- 13 MasterCard, 2010. “Higher Level of Female Entrepreneurial Activities in Emerging Markets: MasterCard Report. Singapore.”
- 14 Women’s Entrepreneurship Facility: Establishment of a Financial Intermediary Fund, June 8, 2017.
- 15 Goldman Sachs, 2014, “Giving credit where it is due: How closing the credit gap for women-owned SMEs can drive global growth.”

TABLE 1: WOMEN-LED MSMEs

	PERCENT OF FIRMS WITH FEMALE PARTICIPATION IN OWNERSHIP	PERCENT OF FIRMS WITH MAJORITY FEMALE OWNERSHIP	PERCENT OF FIRMS WITH A FEMALE TOP MANAGER
EAST ASIA & PACIFIC	52.7	28.8	32.8
EUROPE & CENTRAL ASIA	32.6	14.4	18.5
HIGH INCOME: OECD	37.8	8	14
LATIN AMERICA & CARIBBEAN	45.6	19.9	21.4
MIDDLE EAST & NORTH AFRICA	19.8	3.8	6.3
SOUTH ASIA	18.4	9.6	11
SUB-SAHARAN AFRICA	29	12.3	15.2

Source: Enterprise Surveys 2019 World Bank

3. DEFINITION OF WOMEN-LED MSMEs

Women-led businesses are defined based on the percentage of ownership or management, or the level of control that women are expected to have. This creates challenges for policymakers with regard to the collection of sex-disaggregated data and evidence-based policymaking for access to finance, among others.

For the survey, we opted for the conventional definition of women-led enterprises (World Bank Group's International Finance Corporation, WEConnect International), which qualifies an enterprise as a woman-owned enterprise if it meets the following criteria:

- a) \geq 51 percent owned by woman/women; or
- b) \geq 20 percent owned by woman/women; and
 - a. has \geq 1 woman as CEO/COO/President/Vice President; AND
 - b. has \geq 30 percent of the board of directors composed of women, where a board exists.

However, as highlighted by ITC/SIS/ISO, the 51 percent definition is restrictive in several ways, especially as it relates to cultural issues, social norms, as well as access to markets and finance.¹⁶ As a result, several respondents to the survey indicated that they have their own definition and their women-led MSME policy was based on that definition, which seems to be justified for our purposes (i.e. access to finance for women-led MSMEs). So, while the conventional definition is used as a reference, it is understood that most countries either have their own definitions or do not have any women focus/sex-disaggregation. The policy options outlined in this note should, therefore, be adopted to such definitions.¹⁷

4. LIMITED FOCUS BY FINANCIAL AUTHORITIES ON WOMEN-LED MSME ACCESS TO FINANCE

Despite the importance progress on gender-inclusive finance (e.g. the implementation of measures under the Maya Declaration and the Denarau Action Plan), there is limited focus on women-led MSME access to finance by policymakers. Among the 24 survey respondents, only 6 indicated that they have strategies to enhance access to finance for women-led MSMEs (Figures 1 and 2).

FIGURE 1: IN CRAFTING POLICIES TO PROMOTE FINANCIAL INCLUSION, DO YOU HAVE ANY POLICY INTERVENTIONS TARGETING WOMEN-LED MSMEs?, %

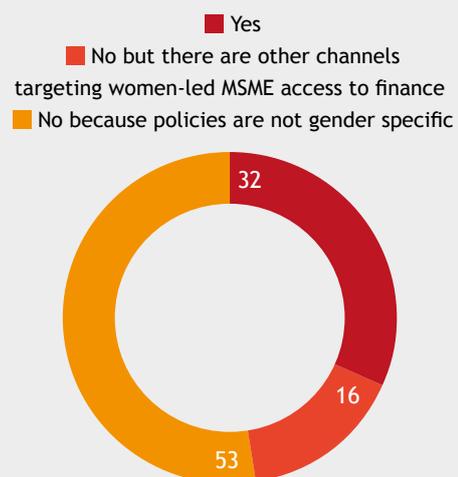
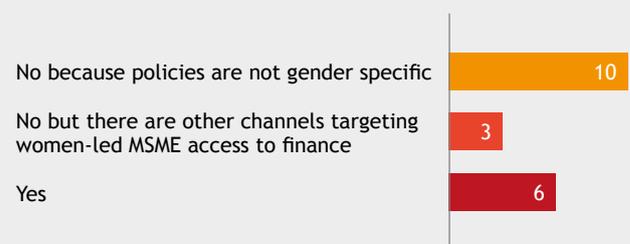


FIGURE 2: IN CRAFTING POLICIES TO PROMOTE FINANCIAL INCLUSION, DO YOU HAVE POLICY INTERVENTIONS TARGETING WOMEN-LED MSMEs' ACCESS TO FINANCE?



Source: Survey 2020

¹⁶ ITC/ISO/SIS, 2020, "Technical Note: Definitions for Women's Businesses".

¹⁷ See also: Piras, C., Presbitero, A. et al., 2013, "Definitions Matter: Measuring Gender Gaps in Firms' Access to Credit," InterAmerican Development Bank, October.

5. CONSTRAINTS TO WOMEN-LED MSMEs ACCESS TO FINANCE¹⁸

The survey conducted for this report indicated the ranking of key barriers to women-led MSME access to finance from the financial regulators' point of view (Figure 3). These ranking should be interpreted with care as they represent results from a limited number of agencies (24 who responded to the survey). But as shown below, the list of constraints is consistent with the findings of other studies.

Some laws and regulation can limit access to finance for women-led MSMEs, as do some social and cultural norms. For example, limited access to and control over property constrain women's ability to provide collateral for loans. Similarly, gender differences in the ability to obtain identification can make it more difficult for women to open bank accounts. Discriminatory banking laws and account opening requirements that disadvantage women (e.g. requirement for male co-signatory) also create challenges for women-led entrepreneurs to receive access to finance.

¹⁸ AFI and Women's World Banking (2016). Policy Frameworks to Support Women's Financial Inclusion. Available at: http://www.afi-global.org/sites/default/files/publications/2016-08/2016-02-womenfi.1_0.pdf, categorizes the constraints into demand-side, supply-side and societal constraints, which is a useful to conceptualizing these constraints.

FIGURE 3: RANKING OF BARRIES TO WOMEN-LED MSME ACCESS TO FINANCE (1: Least Severe to 4: Most severe) 24 Responses



Of the 190 economies surveyed in the World Bank's Women, Business and the Law 2020 report, 90 percent have at least one regulation that impedes women-led MSMEs' access to finance. More than 100 economies still prevent women from operating in certain sectors and in 18 countries, men can legally prevent their wives from working outside the home. Several other legal barriers—laws restricting women's agency and mobility—prevent women-led MSMEs from fully participating in the economy.¹⁹ Societal and cultural constraints augment the difficulties for women to start or own businesses. Struggling with these obstacles, many women business-owners in AFI member countries continue to be concentrated in small, low growth firms that are often unable to fully mature.

UN Women (2020)²⁰ notes that all MSMEs have a limited capacity to absorb the shock of the COVID-19 outbreak because they have less inventory, smaller client bases, fewer cash reserves and more limited credit options than larger companies. However, for women-run MSMEs, this lack of resilience is exacerbated by their lower access to financial services and assets, information and communication technology (ICT), and business networks, which are more readily available to men.

World Bank (2020)²¹ found that female-owned businesses were 5.9 percentage points more likely to have closed their businesses than male-owned businesses during the pandemic, taking into account regional attributes. Moreover, female businessowners who are married with young children reported that their number one priority was support for taking care of household members, whereas for male businessowners married with young children, this ranked 6th in their list of policy needs at this time.

Legal barriers to women owning and inheriting property. Women's property rights are positively associated with entrepreneurship.²² Lack of collateral hampers business start-up and prevents women-led MSMEs from making the transition to larger enterprises. Lack of collateral and recurring revenues also prevent women-led microfinances from graduating from group loans to individual loans of higher value. However, women have difficulties in providing immovable collateral, often due to existing land and property right regimes and cultural norms that discriminate against them. In many developing countries, banks often prefer to use immovable assets, such as land and buildings, as security interests, and women have less access to such assets.

BOX 1: WOMEN-LED MSME ACCESS TO FINANCE AND THE LAW

In 2014, Madame Ngetsi wanted to formalize a small business that she was running in Kinshasa, the Democratic Republic of Congo.

To do so, she needed to register her company and open a bank account. Along the way, she may have needed a loan to grow her business. But legally, Madame Ngetsi needed her husband's permission to do any of these activities under the family code that existed at the time. This is one example of how women's decision-making is limited by laws interfering with their economic activities. Such laws can affect women's ability to save, borrow, pay or insure themselves against risk.

Similarly, the World Bank research in Pakistan found that more than two-thirds of women microfinance borrowers required a male relative's permission in order to qualify for any kind of loan. Changes in loan selection procedures and requirements, spurred by this information, could help facilitate access for women and enable them to manage their finances in a way that meets their own priorities.

Source: Women's Financial Inclusion and the Law 2018, The World Bank Group

- 19 There are positive developments in several countries. Over the last decade, some countries have enacted legal reforms that significantly advanced women's rights. Today, all but 32 countries legally guarantee gender equality in their constitutions, and a record number of countries now have laws prohibiting discrimination against women.
- 20 UN Women. 2020. Guidance for Action: Supporting SMEs To Ensure the Economic Covid-19 Recovery Is Gender-responsive And Inclusive Accessed from: <https://asiapacific.unwomen.org/-/media/field%20office%20eseasia/docs/publications/2020/04/smes-f.pdf?la=en&vs=5512>
- 21 World Bank. 2020. The Global State of Small Business during COVID-19: Gender Inequalities. Accessed from: <https://blogs.worldbank.org/developmenttalk/global-state-small-business-during-covid-19-gender-inequalities>
- 22 World Bank Group, 2020, "Women, Business and Law 2020" points out that a key element in encouraging entrepreneurship is the right to access and control property. It provides the incentive to exert effort, make investments, and innovate as it creates the expectation that one can reap the rewards from these efforts.

World Bank data from 190 countries shows that:²³

- > 75 countries have at least one constraint on women's property rights.
- > 39 countries prevent daughters from inheriting property in the same way as sons.
- > 36 countries grant widows fewer inheritance rights than widowers.

Four economies in Sub-Saharan Africa give husbands sole administrative control over marital property: Cameroon, Côte d'Ivoire, the Democratic Republic of Congo, and the Republic of Congo. In these economies, husbands manage marital property, and financial institutions require husbands' approval to use property as collateral (Box 1). Inheritance rights in 26 economies differentiate between women and men. This includes all economies covered in the Middle East and North Africa, seven in Sub-Saharan Africa (Burundi, Guinea, Mali, Mauritania, Senegal, Sudan, and Tanzania), three in South Asia (Bangladesh, Nepal, and Pakistan) and two in East Asia and the Pacific (Indonesia and Malaysia). Even in cases where there is seemingly level playing field (e.g. Ecuador), married women's property rights can be restricted. While spouses have the same ability to administer property, if they disagree on its disposition, the husband prevails. Some countries have made legal reforms to facilitate access to property for women-led MSMEs. An example is seen in Box 2.

Distance to financial institutions and bank branches.

An obstacle to women-led small businesses' access to finance is the cost incurred by women-led MSMEs (in terms of time and expense) to reach bank branches. The presence of traditional brick and mortar bank in rural areas, where many women-led MSMEs operate, is limited and even when present, social and cultural norms may further restrict women's access to banking services. There are mobility restrictions (due to cultural and societal constraints), job and family commitments and risk of traveling with cash. Therefore, a challenge for regulators is how to facilitate women-led MSMEs' access to finance through profitable, sustainable low cost, delivery models while simultaneously protecting consumers and the integrity of financial services.²⁵

Credit infrastructure. Where access to collateral structurally restricts women-led MSMEs, establishing a good credit history could become a substitute for collateral. Lenders can rely on credit histories to distinguish diligent clients from those with late payment records or defaulting loans. Borrowers who build and maintain good credit histories are rewarded with the ability to borrow larger amounts.²⁶ However, women-led MSMEs may face structural difficulties to be

BOX 2: THE PHILIPPINES' LEGAL REFORMS TO FACILITATE ACCESS TO COLLATERAL FOR WOMEN-LED MSMEs

- > **The Comprehensive Agrarian Reform Law of 1988** and the relevant issuances instituted a comprehensive agrarian reform program that promotes social justice and industrialization. The law recognizes and protects the rights of rural women to ownership of land and shares to other productive resources.²⁴
- > **The Magna Carta for Women of 2009 (MCW or Republic Act 9710)** had further promoted equal status of women and men, whether married or not, in land titling, issuance of stewardship contracts and patents, and their equal rights to use and manage land and other natural resources. The provision on "Right to Resources for Food Production" specifically states that women have the right to food production resources, such as land, credit, infrastructure support, technical training, technological and marketing assistance, and farmer-based and controlled seeds.

Source: 2020 Survey

included in the credit reporting system. For example, systems and record keeping methods in some credit bureaus and registries may not allow for the types of identification documents that are available to women. Women are also more likely than men to lack traditional banking relationships.²⁷ This can keep them outside the credit reporting systems. When information from non-bank institutions is used to assess individuals' creditworthiness, access to finance may be facilitated. An example is Rwanda, where two mobile phone companies and an electricity and gas company have shared information with the country's credit bureau since April 2011.²⁸

23 World Bank Group, 2020, "Women, Business and Law 2020."

24 As stated in <https://asianfarmers.org/womens-land-rights-gender-responsive-policies-and-the-world-bank-philippines/>

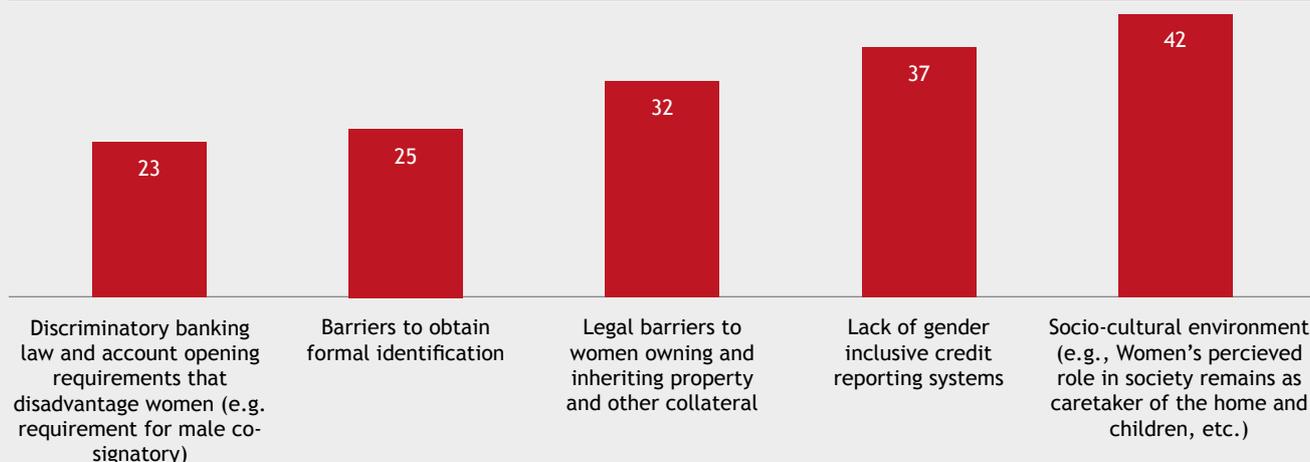
25 Banking (or cash) agents will have benefits. The bank saves the cost of building expensive branches and hiring staff, enabling it to reach low-income people with financial services. The agent earns a transaction fee from the bank and customers save on transportation time and expense because the agent is close by, and they also enjoy the generally lower cost of the service.

26 Miller, Margaret J. 2003. "Credit Reporting Systems Around the Globe: The State of the Art in Public Credit Registries and Private Credit Reporting Firms." In *Credit Reporting Systems and the International Economy*, ed., Margaret M. Miller, 25-60. Cambridge, MA: MIT Press

27 Demircuc-Kunt, Asli, and Leora Klapper. 2012. "Measuring Financial Inclusion: The Global Findex Database." Policy Research Working Paper 2012, World Bank, Washington, DC.

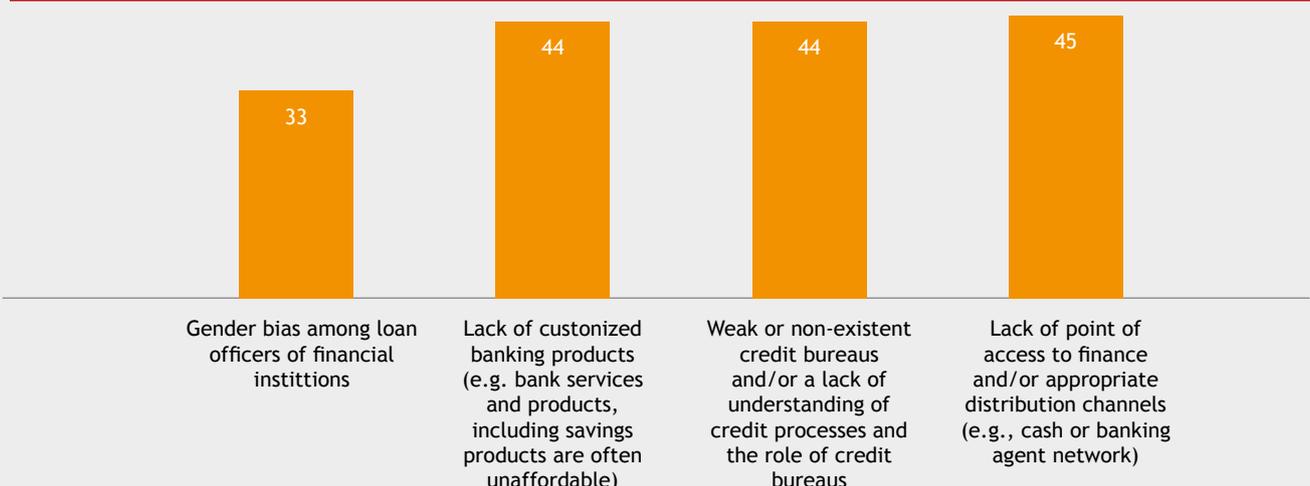
28 World Bank Group, 2011, *Doing Business 2012: Doing Business in a More Transparent World*. Washington, DC: World Bank.

FIGURE 4: SEVERITY OF LEGAL, REGULATORY AND SOCIOCULTURAL BARRIERS (HIGHEST SCORE = WORST)



Source: Survey 2020

FIGURE 5: SEVERITY OF SUPPLY-SIDE CONSTRAINTS (HIGHEST SCORE = WORST)



Source: Survey 2020

Data from the World Bank Enterprise Survey shows that 77 percent of loans require collaterals across all countries. However, women-led MSMEs have difficulty in producing acceptable collaterals since women are less likely than men to have physical assets for borrowing needs.

Financial service delivery may not be adapted to women businesses: A financial service is deemed appropriate when it is safe, reliable, convenient and cost effective. Yet in some jurisdictions, financial services that are made available for women-led MSMEs, especially in rural areas (and the informal sector) tend to be limited and mostly inadequate for the specific needs women.²⁹ In general, the inadequacy of these services and products can be explained by a lack of customization of financial services and products for women, resulting from poor client segmentation in

the product design process.³⁰ In some countries, biases against women-led MSMEs are common among loan officers, and bank branches are often not a welcoming environment for women entrepreneurs. Banks also have limited opening hours and customer outreach does not take women's needs into account. There are other reasons why financial services may not be appropriate for women, some of them outlined above.

29 Schlauffer, C., Dauner Gardiol, I. & Huwiler, F. 2008. Accessing Financial Services in Rural Areas. Focus No 2/08. Zollikofen, Switzerland, Intercooperation (IC-HO), Info Service CDE and InfoAgrar/SHL (also available at http://www.inforesources.ch/pdf/focus08_2_e.pdf)

30 Braun, G., Frickenstein, J., Henrich, F., Huber, C., Katthagen, I., Kuzinowska, M. & Schmidt, C. 2012. Advancing African Women's Financial Inclusion. Policy Brief. Making Finance Work for Africa, GIZ (Deutsche Gesellschaft für Internationale

These include:

- > Limited awareness/understanding of the formal financial sector's products/services.
- > Informal nature of the business and relatively smaller sizes, in terms of turnover and equity.
- > Lack of ownership of property or land title to pledge as collateral; and
- > Inadequate documentation, in terms of business and accounting records to reliably determine borrowing capacity.

On the supply-side, reasons that formal financial institutions often limit the finance provided to women entrepreneurs include:

- > Some banks employ more men than women, and most female employees are assigned desk jobs. As a result, financial institutions miss the opportunity to fully understand, women entrepreneurs' requirements.
- > Bankers' perceptions that women-led enterprises present higher risks as they are usually smaller businesses with limited/no collateral.
- > Women entrepreneurs may struggle to understand complex financing processes due to lack of familiarity with banking and financial systems, compounded by some bankers' demands for signatures/approval from a male member of the household.
- > Lack of access points in areas where many women entrepreneurs operate.³¹

Access to finance is important for women to access loans, credit and to make transactions, but it is also essential to save money and build assets in a safe place, which can in turn lead them out of poverty. Savings interventions increase women's business earnings. Women seek savings vehicles and use personal savings to invest in their businesses (Aldana and Boyd, 2015).³² Some examples are provided in Box 3.

Lack of sex-disaggregated data on women-led MSMEs' financing needs and financial behavior. In many countries, sex-disaggregated data on women's financial inclusion is lacking, let alone women-led MSMEs' access to finance, is not systematically collected for several reasons, such as the lack of awareness of the unique needs of women-led MSMEs, legacy systems, and the capacity of financial service providers. In such

BOX 3: EXAMPLES OF EFFORTS TO DEVELOP FINANCIAL PRODUCTS AND SERVICES APPROPRIATE FOR WOMEN-LED MSMEs

In Malawi, Women's World Banking worked with NBS Bank to design the Pafupi savings account, aimed at the large population of low-income women in rural areas.

Our research showed that those women consider bank accounts aspirational but only available to rich people. Women are cost-conscious and keenly aware that bank fees and transportation costs makes banking out of reach for them. In response, Pafupi (which means "close to you"), allows small deposits, charges no monthly fees, and it operates through agents in conveniently-located rural shops. Even though Pafupi was designed specifically to address women's needs, it initially attracted many more men than women. Only 30 percent of initial clients were women, even though women told us in focus groups that the product checked off all the right boxes. What we learned on closer inspection, was that despite the gender-inclusive product design, the accounts were not meeting women's needs in the sales and delivery phases. Developing additional sales channels to close these gaps, such as enabling account opening at agent locations or via groups that have high participation of women, makes it possible to dramatically raise the uptake by women.

In Nigeria, Women World Banking partnered with Diamond Bank to design the BETA proposition for low-income women entrepreneurs. The BETA concept was based on market research showing that Nigerian women are inherent savers, saving up to 60 percent of their money informally in savings groups or with savings collectors. However, they stay away from banks because fees, slow service and losing income from leaving their businesses were not worth the amounts they save. BETA is a simple and affordable account that offers doorstep service through a network of mobile agents known as BETA Friends. BETA Friends open and service the accounts in markets near to where women live and work, transacting digitally on mobile phones. BETA accounts have been a success since their 2013 launch, attracting more than 480,000 new customers to Diamond Bank.

Source: <https://www.womensworldbanking.org/insights-and-impact/how-to-create-financial-products-that-win-with-women/>

31 <https://nextbillion.net/enhancing-access-to-finance-for-women-entrepreneurs-what-should-financial-institutions-do/>

32 Boyd, C. & U. Aldana (2015). The Impact of Financial Education on Conditional Cash Transfer Beneficiaries in Peru. En: Veras, F. & C. Robino "Social Protection, Entrepreneurship and Labour Market Activation" Policy in Focus Volume 12, Issue No.2. IPC-UNDP. pp. 26-27.

cases, financial service providers cannot develop an accurate picture of the women-led MSME market and therefore, cannot build a business case for targeting women-led MSMEs or monitor their own performance in serving that market segment.³³ Similarly, regulators and supervisors may not be able to judge the impact of gender on risk profiles nor be able to determine the extent to which the policy goal of expanded women-led enterprises' access to finance is attained. A recent stock-taking exercise by the Global Partnership for Financial Inclusion (GPFI) confirms that few countries or development finance institutions collect sex-disaggregated data covering access to finance among women-led firms.³⁴ Our Survey indicated that only six out of 24 respondents collect such data. Our interviews also revealed that where credit bureaus exist, sex-disaggregated data are usually not collected.

Mobility barriers - Mobility barriers make the geographic distance from a financial institution more of a challenge for women entrepreneurs. Legal restrictions can limit women's mobility and decision-making. When married women cannot choose where to live in the same way as men can, or when physical safety becomes a challenge, women's access to bank accounts and their capacity to borrow from a financial institution becomes difficult. In 31 economies, married women cannot choose where to live in the same way as married men. In 18 economies, they cannot work outside the home in the same way as married men.³⁵ Where this is the case, women may have difficulties traveling to banks or other service providers and may not be able to earn an independent income or live in a place that offers the opportunity to do business or access services.

Financial literacy and skills. Based on the view of 24 member institutions, our survey indicates that weak business and financial skills present the biggest constraints to women-led MSMEs' access to finance (Figure 3). An OECD Survey shows that in many countries, women demonstrate less financial knowledge than men and are less confident in their financial knowledge and skills.³⁶ As a corollary, in some countries, there is also a lack of trust by women in formal financial institutions, based in part on a low understanding of the benefits of formal financial services and discomfort with accessing such institutions.

Lack of formal identification. Having official ID credentials (documentary or digital) are essential for accessing most regulated financial services. A requirement for borrowing from banks is proof of identity to prevent financial fraud and identity theft. Traditional Know-Your-Customer (KYC) rules require financial intermediaries to ask for identification and documentation that women usually do not have in greater proportion than men.

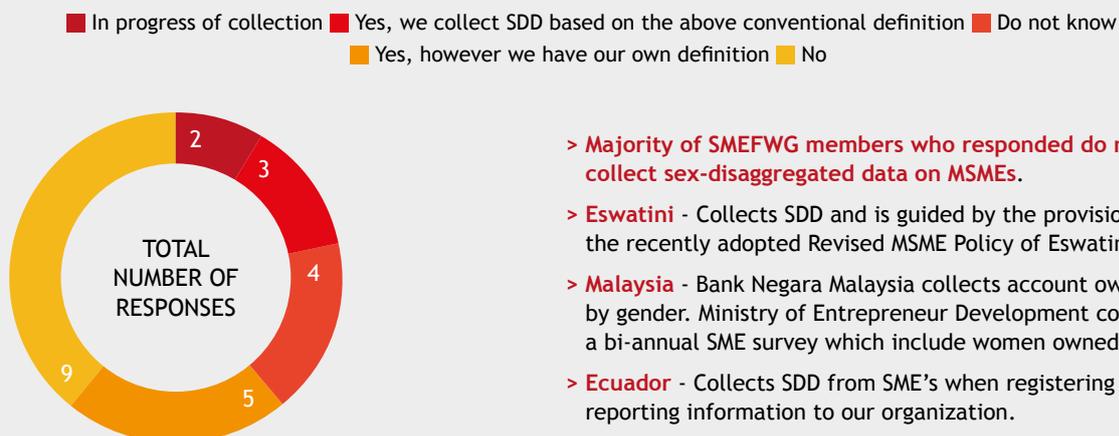
33 WFIP (2017). See also Women Financial Inclusion Partnership, 2018

34 Kotei, Minerva, and Yangyang Zhou. 2020. "G-20: Data Enhancement and Coordination in SME Finance Stocktaking Report." Report, World Bank Group, Washington, DC.

35 Ibid.

36 OECD, Financial Literacy and Inclusion: Results of OECD/INAFE Survey Across Countries and by Gender (Paris: OECD, 2013).

FIGURE 6: DOES YOUR COUNTRY COLLECT SEX-DISAGGREGATED DATA FOR WOMEN-LED MSMEs AND WOMEN ENTREPRENEURS?



Under the global AML/CFT standards established by the Financial Action Task Force (FATF), financial institutions must conduct risk-based Customer Due Diligence (CDD), including customer identification and verifying the customer's identity, when establishing the business relationship (e.g. opening an account or obtaining a loan).

In addition, the ID4D-Global Findex survey database – the first dataset that tracks ownership and use of official IDs across the world suggests that one of the most common uses of ID is to obtain a mobile phone, which itself is a driver of digital financial inclusion and access to finance for women-led businesses.³⁷ But women in many countries may face legal and institutional hurdles to obtain, retain or use a proof of identity.³⁸

For instance, in Algeria, Benin and Mauritius, a married woman is required to produce a marriage certificate when applying for a national identity card, whereas the husband is not required to do so. In Malawi, passports are only issued to married women if they record their husbands' names on the application and provide a copy of a marriage certificate.³⁹

Where women face more hurdles than men in obtaining national identity (cards,⁴⁰ doing business becomes difficult, making it less likely for women to borrow from a formal financial institution.⁴¹ One in five unbanked women globally cite a lack of valid proof of official ID as one of the reasons they do not have an account.⁴² Informal borrowing is generally more costly, riskier and further disadvantages their business opportunities.⁴³

37 See the section on digital financial services (DFS) below.

38 (1) <http://documents1.worldbank.org/curated/en/953621531854471275/Global-ID-Coverage-Barriers-and-Use-by-the-Numbers-Insights-from-the-ID4D-Findex-Survey.pdf>

(2) <https://medium.com/world-of-opportunity/the-global-identification-challenge-who-are-the-1-billion-people-without-proof-of-identity-9939d025d4e7>

39 GSMA, 2017, "Understanding the Identity Gender Gap: Insights and opportunities for mobile operators to help close the divide."

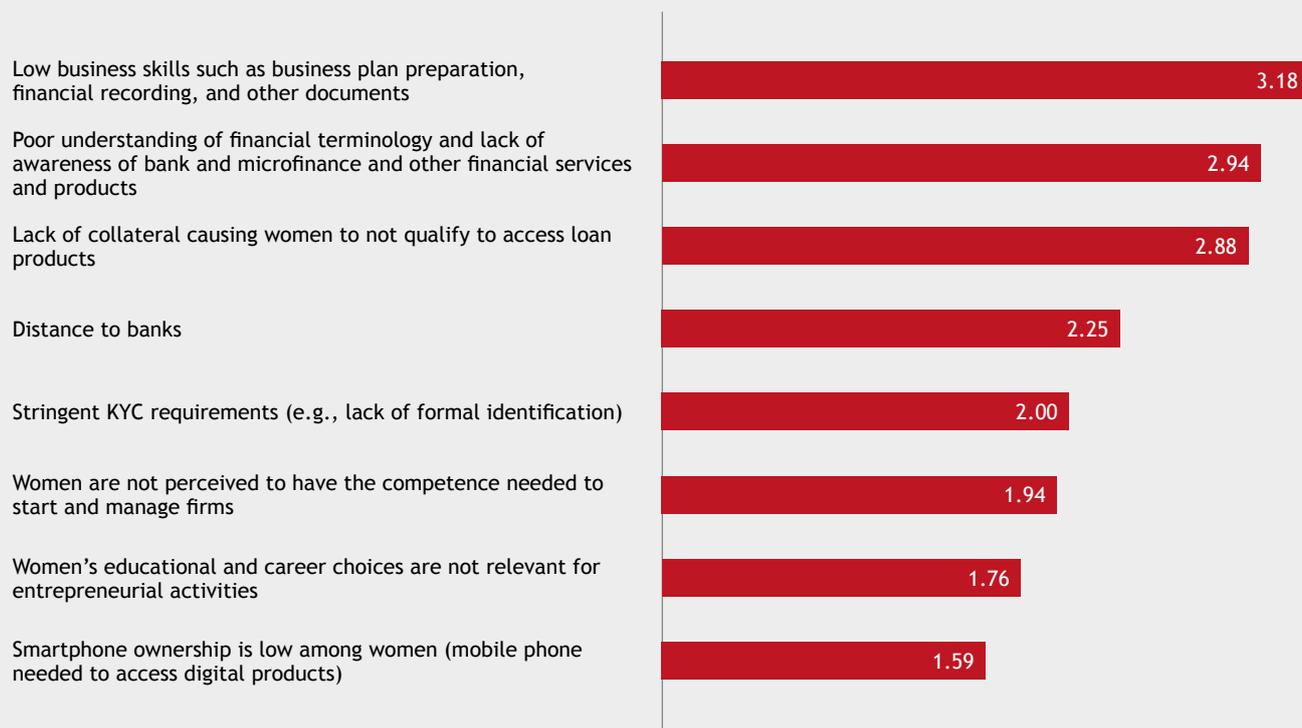
40 <https://medium.com/caribou-digital/women-and-id-in-a-digital-age-five-fundamental-barriers-and-new-design-questions-79caa2a4acb8>

41 World Bank Group, 2016, Women, Business and Law.

42 Demircuc-Kunt, Asli, Leora Klapper, Dorothe Singer, Saniya Ansar, and Jake Hess. 2018. "The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution." World Bank, Washington, DC.

43 Women, Business and Law, 2020, shows that when women are able to obtain an ID the same way as men can, access to finance becomes easier. From the Survey conducted for World Bank publication Women, Business and Law 2020, 11 percent of married women who said they could obtain an ID the same way men can, had borrowed from a bank, compared to five percent who indicated they cannot apply for a national ID in the same way as a married man.

FIGURE 7: DEMAND-SIDE BARRIERS BASED ON SURVEY OF 24 AFI MEMBERS 4=HIGHEST BARRIER



6. CONSTRAINTS TO WOMEN-LED MSMEs' USAGE OF DIGITAL FINANCIAL SERVICES

DFS has the potential to address several of the above constraints and increase women-led MSMEs' access to finance.

With adequate safeguards, DFS can break down cultural barriers, and address mobility and collateral constraints, as well as privacy concerns. Digital finance can also be an important financing channel for women-led MSMEs during a pandemic. DFS also has benefits for financial providers; not only can they diversify their loan risk across many smaller accounts and thus making a run on a financial institution less likely and enhancing financial stability, but they can also access alternative ways to assess client risk, through big data and social media, ecommerce transactions, utility bill payments, etc. to lower transactions costs, expand their reach and profits. Specifically, DFS are particularly relevant to women entrepreneurs for three main reasons:

- 1) **DFS make it more viable for providers to offer products that accommodate women-led MSMEs** who tend to transact in smaller amount than men.
- 2) **DFS enable women-led MSMEs to build alternative risk assessments** (than collateral) through their transaction history.⁴⁴ For example, in Nigeria, the FinTech firm LidyA uses transaction histories and other alternative data sources to gauge creditworthiness and disburses SME loans within 24 hours.⁴⁵ In India, FinTech startups use Fitbit-like gadgets to collect real-time data on cows' health to predict productivity and measure women farmers' credit eligibility.⁴⁶
- 3) **DFS facilitate business creation.** The UNCTAD E-regulation and E-registration System, which reduces the cost and time of business registration, has been implemented in more than 25 countries worldwide to reduce the number of administrative procedures, time and costs of setting up a business.⁴⁷ For example, in El Salvador, the process to register an enterprise was reduced from 16 to three steps, and the duration of the entire process dropped from eight days to a maximum of three days.⁴⁸

4) DFS can save expenses for women-led MSMEs

by eliminating the cost of handling cash within a business and traveling with cash in unsafe environments. Paying workers and vendors digitally can also provide benefits.

5) DFS can bring women-led MSMEs into value chains through e-commerce platforms (Box 4).

BOX 4: LINKING VALUE CHAINS, E-COMMERCE PLATFORMS AND WOMEN ENTREPRENEURS IN INDONESIA

Research by Women's World Banking highlights the potential to link value chains to women entrepreneurs through digitization and Internet in Indonesia.

The apps GoFood and Grabfood link small food service shops with buyers via digital platforms. There are approximately two million women-owned food service shops in the country. While these businesses increasingly use digital tools to receive orders and make deliveries, they typically prefer to use cash for payments. Women's World Banking suggests that this value chain is ripe for digitization, which could help women-owned food shops to obtain better access to credit, improve record-keeping, save time and build savings and hence, financial resilience.

Source: Women's World Banking. 2020. "Unlocking credit for women-owned enterprises in Southeast Asia through value chain digitization." Report, Women's World Banking, New York.

To capitalize on the opportunities that DFS present, the barriers that women-led MSMEs face in accessing these services need to be addressed. Across lower middle-income countries, women are still eight percent less likely than men to own a mobile phone, and 20 percent less likely to use the internet.⁴⁹

44 World Bank Group. 2019. "Credit Reporting Knowledge Guide." Publication, Washington, DC.

45 Peterson, Megan. 2019. "Nigerian FinTech company enables this entrepreneur to run a business and support his family." The Real Impact of Financial Inclusion (blog). July 22.

46 Klapper, Leora, Margaret Miller, and Jake Hess. 2019. "Leveraging Digital Financial Solutions to Promote Formal Business Participation." Working Paper 136364, World Bank, Washington, DC.

47 See: http://www.e-regulations.org/media/website/pressib2010d6_en.pdf

48 2020 Survey for this report. See also: United Nations Conference on Trade and Development. 2019. "E-Business Facilitation: Boosting small business and data collection." Youth Network (blog). <https://unctad.org/en/Pages/Youth-Network/E-Business-and-youthentrepreneurship.aspx>

49 GSMA Mobile Gender Gap Report 2020: <https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2020/05/GSMA-The-Mobile-Gender-Gap-Report-2020.pdf>

For example, the GSMA Connected Women Initiative found that women in Ghana are 16 percent less likely than men to have a mobile phone. Women in rural areas have especially low phone ownership levels. A World Cocoa Foundation study of rural cocoa farmers in 2018 found that women were 20-30 percent less likely than men to have a mobile money account, bank account, or both, and 50 percent of the women who didn't have an account said it was due to lack of funds, while 17 percent said it was because they were uncomfortable with or had a negative view of DFS. Women also tend to have lower levels of digital and financial literacy, as well as formal identification, all of which depresses their uptake of DFS.

However, women face several barriers to use DFS. A recent study highlights these constraints as follows:⁵⁰

- 1) **Lack of opportunity to gain higher levels of financial and digital literacy among women can lead to a perceived lack of need, distrust, or poor understanding of DFS solutions.** The Standard & Poor's Ratings Services Global Financial Literacy Survey (GFLS) highlights that women, the poor and lower-educated respondents are more likely to suffer from gaps in financial knowledge.⁵¹ Consequently, many women-led MSMEs lack awareness and trust in digital modes of payments and hesitate to share their information with banks or digital financial institutions. They are also more open to exploitation and less likely to seek and gain redress if they are the victim of financial malpractice.
- 2) **Women are less likely to own a mobile phone and mobile Internet.**⁵² This is due to cost, cultural norms and social constraints (prohibitions on the ownership of phones in some jurisdictions), and stringent registration policies for SIM cards and mobile money accounts.⁵³ They are more likely to own a feature phone instead of a smart phone and even if they are the owner of the phone, it does not mean they have control over the use of the phone. This is especially notable during the pandemic where spouses and children are at home.
- 3) **Rural areas.** Where many informal women-led MSMEs operate, mobile network coverage may be poor or non-existent, and may have only limited distribution (agent) channels.
- 4) **Policies, regulations, and institutional infrastructure,** as well as supervisory capacity, required for technology-enabled financial services to flourish are still catching up with innovation. The process of putting in place the necessary gender-sensitive enablers while ensuring financial customer protection is still underway in most jurisdictions.

- 5) **Enabling environment regulations are being developed but more could be done to bridge gender-specific constraints,** including mobility issues and the lack of access to identity documents. For example, in Egypt or Lebanon, individuals must visit a mobile or a bank branch to open a mobile wallet account and prove their identity. This can represent a barrier for women who often face restrictions on their mobility and time due to cultural norms and household and childcare responsibilities.
- 6) **Challenges still exist in promoting proportionate treatment under AML/CFT regulations,** through the use of risk-based frameworks for CDD that balance safety while imposing the least burden on the offer of DFS.⁵⁴ Applying an overly cautious non-risk-based approach to AML/CFT safeguards can have the unintended consequence of excluding legitimate consumers and businesses, including women-led MSMEs, from the regulated financial system.⁵⁵ A gender-sensitive and proportionate risk-based approach is a more inclusive way forward.
- 7) **Service providers are not always attentive to gender differences in the demand for, and use of, financial services** and generally do not invest in developing a solid understanding of women clients' needs. There is a lack of sex-disaggregated data on women's financial needs and financial behaviors. Without such data, service providers in the region are not able to validate the business case for serving low-income women and develop products attractive to them. As a result, they may be reluctant to adapt their products, services and delivery channels to accommodate women's lives and financial needs, and by doing so, they forego the financial benefit and market opportunity they can gain if they do cater for women more effectively.

50 Toronto Center Notes, 2018, Advancing Women's Digital Financial Inclusion January 2018.

51 The S&P GFLS is one of the most extensive measurements of global financial literacy undertaken to date. The survey probes four basic financial concepts: numeracy, risk diversification, inflation and compound interest (savings). The data was collected in 2014 from interviews conducted with more than 150,000 adults in 144 countries

52 Women are 14 percent less likely to own a mobile phone. See GSMA. Bridging the Gender Gap: Mobile Access and Usage in the Low- and Middle-Income Countries (London: GSMA), 15. In addition, there is still a large gender gap in some regions. For example, in 2019, women in the Middle East and North Africa region were nine percent less likely to own a mobile phone than men (GSMA 2020). They are also 17 percent less likely to use the internet (IDRC 2019) and 21 percent less likely to use mobile internet than men (GSMA 2020).

53

54 See Patrick Meager, 2019, "Risk-Based Customer Due Diligence," CGAP Technical Notes.

55 See FATF, Anti-money Laundering and Terrorist Financing Measures and Financial Inclusion - With a Supplement on Customer Due Diligence (Paris: FATF, 2017). (www.fatf-gafi.org/publications/financialinclusion/documents/financial-inclusion-cdd-2017.html).

8) Discriminatory social norms in some countries constrain women businesses' ability to make independent decisions when accessing and using DFS. Arab society, for example, is still largely patriarchal, and often women have to seek their husband's permission to sign up for a mobile money account. As noted above, restricted mobility can also be an issue for women who cannot travel to banks or mobile operators as they may need to seek permission from their husband or male guardian to do so. Women also face issues of security, safety and harassment, particularly when using public transport.

7. POLICY RECOMMENDATIONS TO FACILITATE WOMEN-LED MSMEs ACCESS TO FINANCE

The sets of policies identified here, to advance access to finance for women-led MSMEs, can be adapted as appropriate in national financial inclusion strategies (NFIS) and other policy initiatives. A conducive policy environment to MSME development also enhances potential for business opportunities for women.



PILLAR 1

Develop an enabling environment



PILLAR 2

Collect sex-disaggregated data



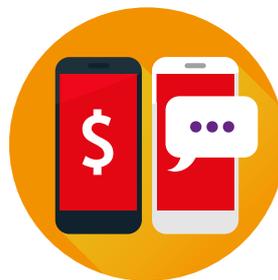
PILLAR 3

Build skills for women-led MSMEs and financial services providers



PILLAR 4

Allow alternative sources of collateral and alternative ways of building credit for women-led MSMEs



PILLAR 5

Develop DFS focused on women-led MSMEs



PILLAR 6

Encourage diversity and women leadership in the financial and business sectors



OVERARCHING PILLAR

Include women-led MSMEs' access to finance in the National Financial Inclusion Strategies or other strategies, such as the MSME development policy. This should spell out the details and approaches summarized in the six pillars of the Framework.

OVERARCHING PILLAR:

Include women-led MSMEs’ access to finance in National Financial Inclusion Strategies or other strategies such as SME Development Policy.

Explicit strategies for women-led MSME access to finance will be crucial in demonstrating commitments of financial policymakers to this cause. Such a focus could be included in the National Financial Inclusion Strategies (NFIS) or other appropriate policies. Some examples from the survey are given in Figure 8.

56 The Philippines does not have separate policies for women-led MSMEs’ access to finance, but women-led enterprises are generally financially included with account penetration of 32.9 percent of adults who own an account in 2019 (BSP Financial Inclusion Survey, 2019). Women are also significantly represented in businesses with 54 percent of new businesses being registered by women in 2017 (Department of Trade and Industry or DTI) and 69.2 percent of manufacturing firms (small, medium, and large) having women participation in ownership (World Bank Enterprise Survey, 2015). Moreover, women entrepreneurs are highly represented in the retail and wholesale space.

FIGURE 8: EXAMPLES OF COUNTRIES WITH STRATEGIES FOR WOMEN-LED MSME ACCESS TO FINANCE

BELARUS		The Women in Business program by ERBD enhances access to finance and advisory services for women-led SMEs by providing credit lines, risk mitigation tools and technical assistance to partner financial institutions to increase supply of financing. In addition to consulting projects, the program also offers mentoring, business coaching and workshops to improve entrepreneurial skill.
NAMIBIA		Programs to enhance digital banking, promote efficient payment systems and financial literacy outreach program targeting both men and women.
PHILIPPINES		Considering the reversed gender gap in the Philippines, women’s access to finance is not a concern. Bangko Sentral ng Pilipinas (central bank of the Philippines), nevertheless, continues to monitor inclusion levels to ensure gender balance. ⁵⁶ In this stride, the BSP is considering amendments to the data reporting structures of supervised financial institutions to cover collection of sex-disaggregated data.
ZIMBABWE		The launch of the National Financial Inclusion Strategy in 2016 and the subsequent constitution of the Women Thematic Working group, are noteworthy. There has been an increase in the number of women and women-owned MSMEs accessing finance from financial institutions. The number of bank accounts held by women increased from 769,883 in 2016 to 2.54 million in June 2020, while the value of loans increased from ZWL277.30 million to ZW\$1.18 billion during the same period.
EL SALVADOR		Several measures are simultaneously ongoing: <ul style="list-style-type: none"> > Building capacity of women-led MSMEs entrepreneurial skills. > Government procurement policy for women-led MSME products and services. > Collaborations with industry groups to identify women-owned MSMEs that meet requirements and advance targets. > Facilitating formal registration of women-led MSMEs. > Promoting the use of movable assets as collateral.
JORDAN		<ul style="list-style-type: none"> > JLGC (Jordan Loan Guarantee Corporation) has a special guarantee program for women-owned/ managed enterprises. > CBJ promotes account-opening instructions for the priority segments of the youth (15-18 year-olds), women, refugees, low-income people. > CBJ has partnered with women and rural community empowerment organizations, including INJAZ, and the Queen Zein Al Sharaf Institute for Development (ZENID), to design and implement financial literacy tools, methods, and programs in coordination with the National Financial Education project. > Also MFIs developing non-financial services targeted at women, youth, low-income clients. > The instructions on dealing with customers fairly and transparently” was amended lately through a circular to all banks to prevent them from any kind of discrimination between women and men when providing their financial products and services. > The financial consumer protection for the microfinance sector explicitly prevents any kind of discrimination based on gender.
MEXICO		State-owned development banks have programs designed to facilitate access to credit for women enterprises.



PILLAR 1: CREATE A CONDUCTIVE ENABLING ENVIRONMENT⁵⁷

- > **Monetary policy:** High inflation (and interest rates) would limit access to credit by MSMEs and make their operations difficult. Given their existing multiple disadvantages, women's MSMEs are particularly vulnerable to high inflation.
- > **Fiscal policy** can ensure a fair taxation practice that would not disadvantage smaller enterprises and sustain competitiveness of MSMEs. Discriminatory tax laws and regulations, such as those restricting married women from obtaining their own tax identification numbers, should be removed to facilitate the formalization of women-led MSMEs.
- > **Trade and industrial policies** may often favor large-scale foreign investments and larger enterprises at the expense of MSMEs where women concentrate. Affirmative actions can be considered to promote production and services used and provided by women (e.g. care services, technology to decrease burden of domestic work, preferential grants, collective and individual loans, etc.) for women entrepreneurs. Policies can also encourage women entrepreneurs' participation in online marketing and networking, trade fairs, and public tendering.
- > **Sector policies** such as agriculture policy, can promote MSME value chain development that could substantially offer business opportunity to women.
- > **Family and tax policies** such as the social welfare system, tax policies and family policies affect the costs and feasibility of entrepreneurship for women. Tax policies that favor a dual-earner model are likely to foster business activity by women. Women's entrepreneurship is also affected by the extent to which women are able to reconcile family obligations with work outside the family, and there are particular barriers in countries where traditional gender roles go hand in hand with a lack of public or private childcare and eldercare services. Furthermore, maternity/paternity leave provisions have a confirmed impact on the general rate of female entrepreneurship.



PILLAR 2: COMPILE SEX-DISAGGREGATED DATA

The implementation of Denarau Action Plan encourages members to collect and use sex-disaggregated data.⁵⁸ Financial regulators frequently lack sufficient data to identify who is or is not being served by financial services (access), who is being served well (quality of financial services), and who is using what services and why (use of financial services).⁵⁹ Therefore, they are limited in their ability to develop and monitor effective women-led MSME access to finance policies. In several jurisdictions, a lack of unified national definition for women-led MSMEs has made it more challenging to coordinate data collection efforts at the national level. Similarly, financial institutions and service providers require such data to inform financial product designs, selection of delivery channels, risk management and pricing structure.

Several institutions, including AFI, have pioneered sex-disaggregated data methodologies.⁶⁰ The World Bank advocates for the collection of sex-disaggregated data in work on national financial inclusion strategies at the country level and along with AFI, is a Data2X partner, which is a collaborative technical and advocacy platform working through partnerships to improve the availability, quality and use of gender data.

Furthermore, the IMF has piloted collection of sex-disaggregated data through their Financial Access Surveys.⁶¹ Women-led MSMEs are not homogenous so data should be further disaggregated by age, race, ethnicity, geographic location (urban/rural), and other relevant characteristics for the population to the extent possible.

57 For more information, see the ADB toolkit: <https://www.adb.org/sites/default/files/institutional-document/34125/gender-tool-kit-mse-finance-development.pdf>.

58 Alliance for Financial Inclusion, 2019, "Denarau Action Plan."

59 Women Financial Inclusion Partnership, 2018.

60 <https://www.afi-global.org/publications/2453/Guideline-Note-26-Sex-Disaggregated-Data-Toolkit>

61 International Monetary Fund. 2018. "International Monetary Fund Releases Gender Disaggregated Financial Access Survey." Press Release, March 19, IMF. <https://www.imf.org/en/News/Articles/2018/03/19/pr1895-imf-releases-genderdisaggregated-financial-access-survey>.



BOX 5: SEX-DISAGGREGATED IN AFI MEMBER COUNTRIES

Zimbabwe - As part of its NFIS implementation, the Reserve Bank of Zimbabwe (RBZ) is analyzing sex-disaggregated data to inform the development of specific financial inclusion targets for women. The focus on women's financial inclusion in the NFIS was informed by the disproportionate lower levels of financial inclusion among women, despite women comprising the majority of the population and having higher levels of engagement in small scale enterprises. Two of the key barriers to women's financial inclusion that were identified in the country include higher illiteracy levels and a lack of acceptable collateral.

Tanzania - In Tanzania, sex-disaggregated data is collected through two channels. First is the demand-side FinScope survey. Second, the Financial Inclusion National Council is expanding its financial inclusion database to include sex-disaggregated supply-side data from financial service providers, to track the progress against the gender targets and indicators in its revised measurement framework for its National Financial Inclusion Framework.

Mozambique - Mozambique has set sex-disaggregated financial inclusion targets in the country's NFIS (2016-2022). The NFIS defines the following overall targets for women's access to and use of accounts by 2018: 22 percent of adult women must have a deposit account in a formal financial institution; six percent of adult women must have a credit account in a formal financial institution; and 35 percent of adult women must have an active account in an electronic money institution.

Source: (1) AFI, 2017, Integrating Gender and Women's Financial Inclusion into National Strategies: A Guideline Note Developed by Members of the Financial Inclusion Peer Learning Group, Guideline Note No. 27, February. (2) AFI and Women's World Banking (2016). Policy Frameworks to Support Women's Financial Inclusion. Available at: http://www.afi-global.org/sites/default/files/publications/2016-08/2016-02-womenfi.1_0.pdf

PILLAR 3: BUILD SKILLS THROUGH TRAINING, MENTORING AND NETWORKS

> **Women-led MSMEs need technical assistance beyond but linked to finance.** They need tailored support that links directly to the skills required to access finance and use it to grow strategically. The surveyed institutions consistently pointed to the lack of financial capacity among women entrepreneurs despite a range of training and capacity development programs available in their countries, indicating a disconnect between skill building and access to finance.⁶² A key consideration for regulators is whether training content and methods need to be differentiated for women entrepreneurs. Three factors may be considered when making policy decisions on whether a mainstream or tailored approach is more appropriate.

There is evidence that women-only financial skills programs are more effective at reaching women because they are more likely to be aware of it and more comfortable participating when it is women-only, especially when interacting with men outside of their family is not culturally or socially acceptable.⁶³ In addition, in-take mechanisms for mainstream programs can potentially be gender-biased since they may not account for the different characteristics and needs of women entrepreneurs.⁶⁴ Women entrepreneurs may need different content since they often operate different types of businesses.⁶⁵ The experience of OECD and EU in this regard can be useful.⁶⁶

62 Our survey has shown that lack of financial and business skills, as well as weak entrepreneurial networks constitute the most severe barriers to women-led MSME access to finance.

63 Fielden, S and Hunt, 2011, "Online coaching: An alternative source of social support for female entrepreneurs during venture creation," International Small Business Journal.

64 There is some evidence that women are often excluded from growth-oriented programs because women-owned businesses are traditionally smaller. See Carter S., Mwaura S., Ram M., Trehan K., Jones T. (2015). Barriers to ethnic minority and women's enterprise: Existing evidence, policy tensions and unsettled questions. Intern. Small Business J. 33, 49-69

65 Lougui and Nyström (2014), "What obstacles do entrepreneurs encounter?," Journal of Entrepreneurship and Public Policy, Emerald Group Publishing, vol. 3(2), pages 275-291, October, suggest that business-related needs are less of a factor than the background of the training participants.

66 See for some examples: https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/publications/sba-proj-blc-lebanon

BOX 6: ARMENIA

The National Strategy of Financial Education in Armenia (NSFE), approved by the Government of Armenia in 2014, defines women as a separate target group, in part due to outward seasonal migration flows of men from the country, making women responsible for the management of the family and business budget. Building on this, the NSFE action plan for 2014-2019 includes the development, implementation, testing and monitoring of financial education programs to reach women, which are planned for 2017-2019. To date, women have participated actively in the existing programs. For instance, in its rural financial education program 70-80 percent of participants were women, and those aged 18-35 years old represent 70 percent of all users of the Bank's online learning platform on Facebook. As a result of the women-targeted focus within the NSFE, the Central Bank of Armenia collects sex-disaggregated financial literacy data.

Source: AFI, 2017, Integrating Gender and Women's Financial Inclusion into National Strategies: A Guideline Note Developed by Members of the Financial Inclusion Peer Learning Group, Guideline Note No. 27, February.

BOX 7: ZAMBIA

In collaboration with the International Labor Organization (ILO), Bank of Zambia has trained its senior level staff in the Bank Supervision Department as ILO FAMOS Trainers. The FAMOS check is an ILO tool that provides a methodology for a gender-based service quality check. It aims to facilitate business support agencies, financial institutions and government departments to conduct a systematic assessment of the extent to which they target and serve women entrepreneurs, their needs and their potentialities. The Bank of Zambia staff trainers have in turn trained selected officers in the commercial banks across the country. Additionally, the trainers have conducted FAMOS checks at four banks in Zambia to determine the gender-responsiveness of the banks in their product and service offering. Going forward, it is envisaged that the FAMOS checks will form part of the routine onsite inspection of the banks. Further to the FAMOS training, the Bank of Zambia conducted a workshop for financial service providers, under the supervision of the Bank, on women's financial inclusion from 20th - 25th November 2016.

Source: AFI, 2017, Integrating Gender and Women's Financial Inclusion into National Strategies: A Guideline Note Developed by Members of the Financial Inclusion Peer Learning Group, Guideline Note No. 27, February.

- > **Access to business networks and mentoring relationships between seasoned and novice entrepreneurs** can have benefits for new and potential entrepreneurs and can help women entrepreneurs define their ideas and implement them. Mentoring also introduces women-led MSMEs to other entrepreneurs, building up their networks and access to finance.⁶⁷
- > **Build capacity of financial institutions and DFS providers to serve women enterprises.** Training for financial institutions on specific character and financing needs of women-led MSMEs is important in bridging the knowledge gap of financial institutions about the financing risks of women enterprises. An example of a successful capacity building program is the All-Stars Academy program by the Financial Alliance for Women dedicated to teaching financial institutions on how to target female customers as a distinct market.⁶⁸ The Risk Sharing Facilities for women-led MSMEs, discussed in the Toolkit, can also provide technical assistance to participating banks to adopt their systems and products to that market segment.

⁶⁷ The good practice example of Cambodian Women Entrepreneur Association (CWEA) and other examples from Malaysia, the Philippines and Indonesia of successful mentoring and access to finance programs for women-led MSMEs are given in: <https://www.unescap.org/sites/default/files/ASEAN%20women%E2%80%99s%20entrepreneurship%20case%20studies.pdf>.

⁶⁸ <https://financialallianceforwomen.org/all-stars-academy/>.



BOX 8: LATIN AMERICA AND CARIBBEAN: MENTORING FOR WOMEN ENTREPRENEURS

The Multilateral Investment Fund (MIF), a member of the Inter-American Development Bank (IDB) Group, and NEXSO, its online platform that promotes solutions for development, launched an online competition in 2015 called, “Mentoring for Women Entrepreneurs.” The competition seeks to identify mentoring models that support women entrepreneurs that can demonstrate significant results and that have the potential to be replicated in Latin America and/or the Caribbean. The call for proposals encourages organizations from all over the world to present their solutions through the NEXSO online platform and provide detailed information about the program’s methodology, matchmaking process, and effectivity results proven through indicators, surveys or any other type of measurement. A jury of experts select two winners. The first-place winner will have the opportunity to implement its mentoring program as part of a MIF-funded project for women entrepreneurs. In addition, both the first and second prize-winning organizations will each be able to send a representative to a future MIF-sponsored event related to entrepreneurship, mentoring, and/or networking, with all expenses covered.

Source: OECD/EC, 2017, “Policy Brief on Women’s Entrepreneurship.”

PILLAR 4: ALLOW ALTERNATIVE SOURCES OF COLLATERAL AND PROMOTE NEW WAYS OF BUILDING CREDIT FOR WOMEN-LED MSMEs

> **Allow alternative sources of collateral.** Over two-thirds (67 percent) of survey respondents among the SME Working Group members indicated that lack of access to physical collateral is a severe barrier for women-led MSME access to finance (third most important overall constraint). As noted above, women-led MSMEs have lower capital and assets and in some countries, still face limitations to owning certain types of assets. To improve their access to formal credit, new types of collateral need to be accepted by financiers.⁶⁹

Case studies in Ghana and Liberia on the creation of collateral registries based on movable collateral and on credit bureaus, including non-financial information, show that these developments help women businesses access more credit with better conditions.⁷⁰ In Mexico, development banks have an active role providing alternative guarantees for loans to SMEs led by women and use of alternative risk management instruments.

In Argentina, the use of informal instrument such as Sociedades de Garantía Mutua (i.e. reciprocated guarantees) has been effective in helping to overcome women’s lack of access to formal credit. In addition, the role of electronic collateral registry is recognized as one of the key enabling factors for accelerating women’s financial inclusion under the auspices of the Denarau Action Plan.

BOX 9: EXAMPLES OF MEASURES TAKEN TO EASE COLLATERAL CONSTRAINT FOR WOMEN-LED MSMEs

Afghanistan:

1. Relaxed collateral requirement.
2. Women can give their jewelry in collateral.
3. In credit guarantee scheme, priority has been given to women that want a loan.
4. Financial awareness session has been arranged for women.
5. Agent banking regulation has been developed to help address the problem of distance to banks.

⁶⁹ Piras, C., Presbitero, A. et al., 2013, “Definitions Matter: Measuring Gender Gaps in Firms’ Access to Credit,” InterAmerican Development Bank, October.

⁷⁰ Ghana was the first in Africa to launch an electronic collateral registry. “At the end of 2014, 60,000 loans were registered, valued US\$14 billion. More than 8,000 SMEs received loans” https://www.marketlinks.org/sites/marketlinks.org/files/12202018_fg_wo32_mpl_infographic_vf.pdf

BOX 9: CONTINUED**El Salvador:**

Women can apply to guarantee fund; development banks conduct training to prepare business plans and accounting; and financial education program are coordinated by the central bank.

Maldives:

1. Establishment of SME bank/credit guarantee scheme provides ease of access to those without collateral.
2. Various financial literacy programs are held by different agencies involved in the development of SME

Source: 2020 Survey

> **Promote innovative approach to credit risk assessment.**⁷¹ Women-led MSMEs can benefit from new sources of credit (provided by FinTechs, digital credit, etc.) and other services and delivery mechanisms supported by new technologies (InsurTech, etc.). Providing more quality data and information, such as phone bills, utility payments, and input acquisitions can enhance how new and old providers (FinTechs and FSPs) can evaluate and build alternative credit scores to gauge and learn about the repayment capacity of women-led businesses.

FinTechs can ensure that microloans, consumer loans, utility companies and retailers are included, so that women entrepreneurs can establish a credit history for themselves, as well as for their business.

The role of electronic collateral registry is recognized as one of the key enabling factor for accelerating women's financial inclusion under the auspices of the Denarau Action Plan.

BOX 10

Costa Rica - On 21 May 2015, a law on movable collateral was passed in Costa Rica, which provided the legal mandate to enable alternative forms of collateral. This law allows the acceptance of non-traditional assets as collateral for credit, including copyrights, intellectual property, inventories, and rights on contracts. The law has created a single "Registry of Movable Guarantees" or "Registry of Guaranties over personal property", in addition to the existing "Real Property Registry". Once these assets have been registered, they can be used in the credit-granting process.

Mexico - In 2015 Mexico's SME bank launched a women's market program for women-owned SMEs (Mujer Pyme and Mujer Crezcamos Juntas), which does not require collateral for loans below the threshold of 25,000 USD. The program was developed based on evidence that revealed there is a 'missing middle' of women with small and medium-sized enterprise that was being underserved by financial institutions.

To meet this need, the program targeted this segment with loans to be used to buy fixed assets or cover working capital needs ranging from 5,000 to 250,000 USD at an annual interest rate of 9.9 percent. To complement this financial assistance, the program provides non-financial support to women through a call center and a specialist credit team. Mexico's state-owned rural development bank FND has also reduced the need for collateral for all applicants and specifically decreased the interest rates to 6.5 percent for women as opposed to seven percent for men in its flagship program for smallholder farmers. This was in response to the disproportionate lack of representation of women in the loan portfolio of formal financial institutions in rural areas. In the first 18 months of the program's implementation, a quarter (25 percent) of the 100,000 smallholders that received credit were women. For 85 percent of these women, it was the first loan from a formal financial institution they had received.

Source: 2020 Survey

71 Also allow market to alternatively substitute the traditional method of credit scoring: See: (1) <https://www.theedgemarkets.com/article/the-wall-alternative-credit-scoring-gaining-relevance>, and (2) <https://www.credolab.com/>



BOX 11

Burundi

The Banque de la République du Burundi conducted a demand-side survey in 2012, the findings of which showed that women are less financially included than men. One of the barriers to financial inclusion noted by women through this analysis was their lack of traditional forms of collateral. The survey highlighted the need to introduce regulations to allow for alternative collateral to address this constraint. A new law entitled “Loi sur les Surêtés Mobilières” will enable diversification of the types of collateral that can be used to access credit and will apply to all financial institutions. It is anticipated that enabling alternative forms of collateral will contribute to reducing women’s barriers to credit.

Source: <https://www.presidence.gov.bi/2016/08/12/loi-n1010-du-12-aout-2016-regissant-les-suretes-mobilieres-conventionnelles-au-burundi/>

- > **Create risk sharing facilities (RSF) to incentivize financial institutions to better assess the risks of women-led enterprises.** RSFs can also help financial institutions to develop systems and products appropriate for women-led MSMEs. Some examples are provided in the Women-led RSF Toolkit.

PILLAR 5: FACILITATE THE DEVELOPMENT OF DFS FOR WOMEN-LED MSMEs TO SHORTEN “DISTANCE TO BANKS” AND EXPAND THE REACH OF FINANCE TO WOMEN-LED MSMEs

- > **Enable development of banking agents.** Regulators can safely allow the use of bank agents to offer financial services and verify customer identity for KYC purposes with minimal restrictions on agent eligibility, compensation, and structuring, provided that regulators hold banks liable for the provision of financial services by their agents. See table 2, which presents some guidelines for consideration. Women agents can outperform men and increase the number of women clients.⁷² In the Democratic Republic of Congo, for example, the IFC and Mastercard worked with the microfinance institution *FINCA*⁷³ to collect sex-disaggregated supply-side data on bank agents, to compare the relative performance of men and women. Women agents faced greater obstacles to success than men did and tended to have worse locations for their businesses and more constrained operating hours. Yet women agents reported 16 percent higher net profits on their overall businesses on average and higher transaction volumes and values.⁷⁴ The 2020 Survey also showed that in Samoa there are financial institutions that accept birth certificate and a referral letter from a member of the community as KYC requirement.
- > **Incorporate women-led MSMEs’ financial behavior and needs in DFS policy.** When designing the regulatory framework for DFS, financial authorities should consider promoting women-led MSME financial inclusion as a policy objective, alongside other objectives in their mandates, such as youth financial inclusion. But for this to be effective, a solid understanding of the women entrepreneurs’ financing needs and patterns, non-financial needs and attitudes toward technology, as well as the actors that influence them (their husband, children, parents, religious or community leaders, etc.), especially in contexts with deeply entrenched gender

72 In a study conducted by IFC, it was revealed that women agents were significantly more successful than male agents, with both higher volume and value of transactions – a win-win for women and financial service providers. Here’s the source: https://www.ifc.org/wps/wcm/connect/96a4f610-62b1-4830-8516-f11642cfeafd/201805_Digital-Access_The-Future-of-Financial-Inclusion-in-Africa_v1.pdf?MOD=AJPERES&CVID=mdz-QF0.

73 The FINCA Microfinance Holding Company is a network of 21 microfinance institutions and banks that provide socially-responsible financial services that enable low-income individuals and communities.

74 <https://finca.org/press-release/agreement-expansion-financial-inclusion-drc/> and https://www.ifc.org/wps/wcm/connect/96a4f610-62b1-4830-8516-f11642cfeafd/201805_Digital-Access_The-Future-of-Financial-Inclusion-in-Africa_v1.pdf?MOD=AJPERES&CVID=mdz-QF0

norms, is required. This can be accomplished through market assessments prior to policy formation. In Egypt, for example, Arab Women Enterprise Fund (AWEF) carried out a market assessment that enabled the policymakers to identify factors limiting financial inclusion and key DFS actors with potential to change how DFS worked for women.

- > **Enhance knowledge of women-led MSMEs about diverse DFS.** Developing capacity-building initiatives and financial education to help women entrepreneurs be more aware that diverse DFS exist, understand how to access these services, gain confidence in using them and be able to make informed financial decisions, is a pre-condition for the success of DFS to improve access to finance for women-led MSMEs.⁷⁵
- > **Integrate non-financial services into DFS delivery.** One of the most common reasons for women-led MSMEs not using DFS is the lack of opportunity to gain knowledge and understanding of how these services function and the benefits of using them. Integrating digital literacy training into the deployment of a DFS solution means a greater chance of success. In Egypt, for example, AWEF is working with Tasaheel, a leading microfinance institution, to deliver digital literacy training to women-led microbusinesses. In Lebanon, BLC Bank worked with the IFC's Banking on Women Program to digitally deliver non-financial services (training, information, networking or coaching services) via its WE online platform.
- > **Include gender-sensitization in capacity building.** Government ministries and DFS providers that are working to advance financial inclusion would also need ongoing capacity building so that providers and financial regulators understand the unique constraints to women-led MSMEs access to finance. Gender-sensitivity training for bank officials can make them more effective in serving the needs of the female clients.
- > **Expand access to universal digital identities to help women-led MSMEs open account and build their credit history.** Regulators can play a role by enabling simplified processes for customer identification and verification, such as tiered KYC, e-KYC or e-signature. The tiered approach would be beneficial for those in the rural/poorly connected/remote areas and informal businesses.⁷⁶ These efforts should be complemented by sex-disaggregated data to enable assessment of the impact of such policies and regulation on women-led MSMEs. Promoting digital and biometric ID

systems allows women entrepreneurs to access financial services by removing an obstacle to opening and accessing an account. Digital ID facilitates the implementation of tiered KYC and AML that reduce the entry requirements to transactional and simplified accounts.⁷⁷ Encouraging the enrolment of women into market-wide identity systems will ensure women entrepreneurs' access to Digital ID through policies promoting simplified/tiered KYC processes, e-KYC and CDD principles. Develop guidelines on e-KYC and promote its use in government programs and by financial service providers.⁷⁸ This policy can have positive impact on several dimension, including the migrant women. For example, MENA currently hosts over 35 million migrant workers, 31 percent of whom are female. Historically, financial institutions have found it difficult to serve these mobile populations who tend to have limited identity and financial records. Building digital identities, such as the Hawiyati platform developed by Making Cents International, have the potential to bridge this identification gap. Such solutions provide migrant women with an entry point to build their credit history, making it easier for them to access future personal or business loans.⁷⁹

- > **Strengthen digital financial infrastructure and inclusive distribution networks.** Regulators can consider several elements of financial infrastructure as building blocks of women entrepreneurs' access to digital finance. Key considerations are modernizing secured transactions laws, establishing electronic collateral registries, and training financial and non-bank financial institutions in movable asset-based lending. Mongolia's experience in the implementation of secured transactions reform is worth highlighting.⁸⁰ Financial authorities can also promote the establishment and use of credit reporting systems that capture relevant, accurate, information and sex-disaggregated data. This an important step in solving the collateral constraints

75 The Arab Women Enterprise Fund (AWEF) has introduced an e-learning platform in Arabic targeting more than 3,500 low-income female microbusiness-owners in Egypt, in partnership with Vodafone Egypt and Tasaheel Microfinance, a leading microfinance institution.

76 An example would be easier to service digital loan applications/ platforms given the increasing shift to digital transactions/services.

77 The recent experience in India illustrates the effectiveness of these measures: see Carolina Trivelli et al, 2018, "Financial Inclusion for Women: A Way Forward," CARI/CIPPEC, Argentina W20/T20. In addition, the Global Initiative ID4D has documented the benefits derived from implementing digital ID for traditionally excluded group: see

78 AFI, 2018, Policy Framework for Women's Financial Inclusion Using Digital Financial Services."

79 UNDESA 2019.

80 <https://openknowledge.worldbank.org/bitstream/handle/10986/32551/142346.pdf?sequence=4&isAllowed=y>

that women entrepreneurs often face. Women are unlikely to use DFS unless they are affordable, safe, easy and convenient. Important considerations in building an inclusive DFS ecosystem are competition and interoperability – the ability to send money to or receive it from another person even if they use a different financial service provider. Interoperability is good for all users of financial services but may be especially advantageous for women-led MSMEs, since they are less likely than men to have multiple phones and SIM cards.⁸¹ Increasing the availability of mobile and broadband networks to rural and remote areas will also be important.

> **Support FinTech innovations that better address women-led MSMEs’ financial needs.** To make DFS attractive to women, DFS providers need to move beyond the provision of basic airtime top-ups and offer products and services that add value to women’s businesses. Women need to be able to charge their digital accounts and convert money back to cash when needed. They need products that help them transact payments and wages and government social payments. Use of DFS for payroll or social payments (Alimony payments in Egypt is an example) can be effective ways of introducing DFS to new users.⁸² This could involve providing incentives to women-owned FinTechs that introduce women entrepreneur-focused products and services. Additionally, innovation hubs could be encouraged to support more women-owned FinTechs who design and promote digital products for women-led MSMEs.⁸³

> **Make DFS accessible to women-led MSMEs.**

Banking agents generally represent the primary and touchpoints for most women-led MSME customers, especially in the informal sector and rural areas. They market and sell products and provide support and guidance on how to use products and services. However, in many countries, most e-payment agents are male, and women sometimes report feeling uncomfortable or are simply forbidden from interacting with them due to prevailing norms regarding male-female interactions outside the home. As an example of promising approaches, AWEF has worked with Fawry in Egypt and Dinarak in Jordan, two leading payment service providers, to pilot the first female agent e-payment networks in the North Africa and Levant region. The use of female agents has helped to build awareness of and trust in DFS services, enabling Dinarak and Fawry to reach and retain new female customers.

81 Chamboko, Richard, Soren Heitmann, and Morné Westhuizen. 2018. “Women and Digital Financial Services in Sub-Saharan Africa: Understanding the Challenges and Harnessing the Opportunities.” Washington, DC: World Bank Group.

82 Some interesting cases are presented in AWEF case studies of the Nafaqa and BSR’s HerFinance case studies presented in: <https://seepnetwork.org/Resource-Post/Making-Digital-Finance-Work-for-Women-in-the-MENA-Region-Eight-Lessons-from-the-Field>.

83 For example, AWEF is working with FinTech institutions to strengthen the supply of DFS by supporting them in the development of gender-focused strategies, tailored products and marketing or distribution channels that cater to women’s specific needs. See: <https://seepnetwork.org/Blog-Post/Fintech-for-Women-Scaling-the-Financial-Inclusion-Pyramid-in-Egypt>

TABLE 2: REGULATING BANKING AGENTS

REGULATORY CONCERN	OBSERVATION	REGULATORY OPTIONS
WHO CAN BE AN AGENT?		
LEGAL FORM	Depending on regulators’ objectives, some countries allow a wide range of individuals and legal entities to be agents for banks, while others limit the list of eligible agents (see box 14).	<ul style="list-style-type: none"> > Regulators should have a mandate to allow FIs use agents for service delivery and to define who can be an agent for the facilitation of DFS depending on the type of agent, capability of agent, indemnity provisions, etc.
LOCATION	Experience has shown that overly restrictive location requirements, defined by distance from main bank branches, can complicate the business case for viable agent-based banking and ultimately work against financial inclusion goals. The real-time nature of most agent services has enabled remote supervision, thereby obviating one of the central arguments for location restrictions.	<ul style="list-style-type: none"> > As agents are major interface for women-led MSMEs using DFS, the Regulator should consider that requirements for becoming an agent are risk based and tiered with the option to graduate from one tier to another as the agent takes on more products and services. > Regulators should tailor fit-and-proper restrictions narrowly so as to enable best placed candidates to be agents; permit organizations with large distribution

TABLE 2: CONTINUED

REGULATORY CONCERN	OBSERVATION	REGULATORY OPTIONS
AGENTS' DUE DILIGENCE	Regulators can impose “fit and proper” requirements to ensure that financial institutions verify that agents have good reputations, no criminal records, and no history of financial trouble or insolvency. Fit-and-proper tests sometimes go beyond these requirements to specify other qualifications, such as citizenship, literacy, minimum age, or technical or operational capability. Regulators should nevertheless be mindful of unwittingly creating costly burdens that threaten the business models they are regulating	<p>Regulators should tailor fit-and-proper restrictions narrowly so as to enable best placed candidates to be agents; permit organizations with large distribution networks to play an active role in serving as (or managing) agents—e.g. MNOs, chain retailers, etc. Avoid location-based restrictions, as the costs of such restrictions unduly limit the spread of agents and ultimately, limit financial access.</p> <ul style="list-style-type: none"> > Frame fit-and-proper requirements in a proportionate manner, paying particular attention to the potential costs and practicality of demonstrating fitness (e.g. credit reports, etc.) and complying with ongoing requirements (e.g. periodic recertifications). > Regulators should consider promoting gender-diverse agent networks as access to women agents is an enabler for women’s access to formal financial services in a number of markets. The Regulator shall provide guidance on the recruitment and use of women agents to address difficulties associated with socio-cultural norms, and to ensure continuous peer education to increase uptake and usage of DFS among women.
COMPLIANCE, SUPERVISION AND MONITORING OF AGENTS	Regulator and DFS providers need to monitor and supervise the agent network to ensure compliance with the regulations and maintain high standards. DFS providers should maintain standardization across the agent network to ensure consistent, high-quality customer experience at different outlets.	Monitoring shall be done both onsite and offsite, leveraging technology, where available.
ROLE OF AGENT		
CASH-IN AND CASH-OUT SERVICES	<p>Most regulations permit agents to process cash-in (deposit) and cash-out (withdrawal) transactions. This enables customers to conveniently store and access cash in areas underserved by traditional branch or Automated Teller Machine (ATM) channels. It also makes commercial sense for institutions; migrating low-value transactions to cheaper channels helps the business case for offering basic accounts and may serve to decongest crowded bank branches.</p> <p>In some contexts, however, this basic functionality has been compromised by legacy “outsourcing” or other banking regulations that restrict cash-handling outside of branches. A common obstacle is regulation that deems cash-in services as “deposit” taking, an activity that is limited to banks or that otherwise requires licensing (such as a money remittance license). Such licenses are often burdensome to obtain and keep for smaller agents.</p>	<ul style="list-style-type: none"> > Regulators should also have the mandate of defining the agents’ role in DFS provision. Agent roles could include but are not limited to: - Customer registration, onboarding and handholding; - Conducting customer due diligence and registering new customers; - Providing cash-in, cash-out and other financial and non-financial services; - Assisting customers with their queries related to use of DFS; and - Responsible marketing of DFS and enhancing customer awareness. > Regulators should permit cash-in and cash-out services at agent locations. In particular, regulators should understand that when transactions are real-time and transacted against the agent’s own account, cash-in and cash-out services do not present more risk than bank deposits.

TABLE 2: CONTINUED

REGULATORY CONCERN	OBSERVATION	REGULATORY OPTIONS
VERIFYING CUSTOMER IDENTITY	<p>One of the biggest challenges many regulators face is what role, if any, to permit agents to play in conducting CDD measures required for account opening and other transactions. Permitting customer verification at remote locations through agents (who likely have no experience in CDD measures and are one step removed from financial institutions that are well-versed in CDD) could impede AML/CFT efforts. Nevertheless, the potential financial inclusion benefits could be significant.</p> <p>Pakistani regulations, for example, require fingerprint scans as a condition of account registration, but the technology required for accurate fingerprinting makes it too costly for many smaller agents to operate in low-traffic areas.</p>	<ul style="list-style-type: none"> > Enable agents to verify customer identity for AML/ CFT purposes. > Ensure that the forms of required identification are reasonable, in light of technical and infrastructural realities of agent locations. > Hold financial institution liable for agent compliance with AML/CFT measures.

AGENT COMPENSATION: FEES AND REVENUE

<p>The spread of branchless banking depends on agents making an attractive return, whether directly (such as through transaction fees paid to the agent) or indirectly (such as in the form of increased footfall, brand building, customer loyalty, etc.). While most regulatory approaches leave the issue of agent revenue to free negotiations between the agent and the financial institution, nearly all countries prohibit the agent from charging customers directly for agent services, and some countries even restrict how much a bank can charge customers for agent transactions. Such well-meaning regulations, aimed at protecting customers from excessive fees, can endanger the spread of branchless banking models if they leave participants unable to make an acceptable return in light of the unique challenges and costs of reaching women-led MSMEs.</p>	<ul style="list-style-type: none"> > Permit service providers and agents to freely negotiate fees paid to agents. > Permit service providers to freely set retail prices, subject to prevailing consumer protection norms, such as transparent pricing disclosure. > In situations where agents are permitted to set their customer fees and charge customers directly, monitor such pricings for signs of exploitation or customer confusion.
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AGENT EXCLUSIVITY

<p>Regulations often prohibit banks from contracting agents on an “exclusive” basis in order to promote commercial viability (sufficient transaction volume), financial inclusion, and competition.</p> <p>But agents in low-traffic areas may need to process transactions on behalf of multiple banks and other service providers to generate attractive revenues. In addition, in areas facing a deficit of suitable agents, some regulators believe “no exclusivity” provisions will increase the chances that multiple banks will penetrate into remote areas, promoting</p>	<p>Allow temporary agent exclusivity, particularly in the early stages of sector development, to provide banks with short-term incentives to invest in building agent networks, while enabling other providers to compete effectively in the long term in areas with few suitable agents.</p>
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TABLE 2: CONTINUED

REGULATORY CONCERN	OBSERVATION	REGULATORY OPTIONS
	<p>will increase the chances that multiple banks will penetrate into remote areas, promoting competition and outreach. and preventing banks from monopolizing the choicest agents and locations. In Fiji, regulators prohibited agent exclusivity as a condition to launching two mobile payments platforms.</p> <p>In some markets, rather than simply prohibiting exclusivity, regulators go a step further to promote sharing. In Pakistan, the Branchless Banking Guidelines explicitly contemplate the adoption by banks of an “open architecture” that would enable agents to serve multiple banks without separate contracts with each bank.</p>	

LIABILITY FOR AGENTS

Imposing liability on banks for acts of their agents is often the key factor in giving regulators the comfort needed to permit the use of agents. Imposing bank liability for agent non-compliance with regulations, forces providers to ensure professional agent behavior and agent compliance in verifying customer Identity. Despite the widespread imposition of liability for agents, financial inclusion goals would benefit from limiting provider liability to those actions or omissions related to the provision of financial services. A failure to do so potentially increases costs to the financial services provider who may have to pay out damages for agent actions unrelated to the purpose of the agency. These costs could negatively impact not only the emergence of viable business models but also the ease and speed by which such models reach scale.

- > Regulation should impose bank liability for agent actions but limit such liability to the provision of financial services on the bank’s behalf.
- > Where the bank is ultimately liable for agent actions, regulators should feel more comfortable in minimizing restrictions on agent eligibility, location, and agent due diligence.

Source: CGAP, 2011, “Regulating Banking Agent,” Focus Note No. 68, March. AFI, 2020, Regional Policy Framework to Strengthen Agent Networks for Digital Financial Services. AFI, 2017, Policy Framework for Women’s Financial Inclusion using Digital Financial Services.

BOX 12: LEGAL FORM OF BANKING AGENTS

The legal structure of banking agents depends on the country’s regulatory objectives. India, for examples, allows a range of eligible agents, such as certain non-profits, post offices, shop owners, retired teachers, and for-profit companies, including Mobile Network Operators (MNOs). Explicitly excluded, however, are Microfinance Institutions (MFIs) registered as Non-Bank Finance Companies (NBFCs). Kenya takes a different approach, requiring agents to be for-profit actors. In another example, Brazil permits any legal entity to act as an agent but prevents individuals from entity to

doing so. These different approaches reflect different concerns of regulators in each country. In India, regulators originally excluded for-profit entities from the list of eligible agents reportedly due to a sense that for-profits would be inclined to exploit poor clients. In Kenya, by contrast, regulators reportedly felt that acting as agents could steer NGOs away from their social mission. In Brazil, the regulator felt that preventing individuals from acting as agents would reduce fraud, facilitate supervision, and promote consumer confidence, though in practice, it has been difficult to prevent individuals from operating as agents.

Source: CGAP (2011).



PILLAR 6: ENCOURAGE DIVERSITY AND FEMALE LEADERSHIP

- > **Increase women presence in leadership positions in financial institutions.** An industry that intends to serve women but has no women in its leadership may miss complementary perspectives.⁸⁴ With respect to access to finance, a challenge is the low presence of women in leadership positions in the financial industry, the regulators and in the emerging FinTech sector. Gender diversity will add value to the financial industry. Currently, less than two percent of bank's CEOs are women and less than 20 percent of board seats at banks are held by women.⁸⁵ A recent analysis of 381 financial services institutions in 32 countries shows two concerning patterns: First, female representation on Executive Committees is growing much slower than on Boards. Second, the growth observed comes only from some countries. In many countries, there is little, no, or even negative growth in female representation on Executive Committees.⁸⁶ A possible awareness-building measure for regulators is to ask for periodic public reporting on the presence of women in the industry and in regulatory leadership positions. Introducing incentives that favor organizations with women in leadership positions could increase the presence of women in leadership.⁸⁷ On a related note, The All-Stars Academy program by the Financial Alliance for Women is dedicated to teaching financial institutions how to target female customers as a distinct market.
- > **Support the creation of women's business associations and networks.** Members could support the creation of women's business associations through several means to raise their voice and visibility so as to allow them to present the barriers and issues affecting women-led business access to finance to the attention of regulators and FSPs and FinTechs. Using tax incentives, providing capacity building resources or creating seats for representatives of such associations could be a positive step in that direction. The Women Impacting Public Policy (WIPP) in the US or the incentive program in Argentina that supports business capacity building efforts are examples of how to implement this recommendation.
- > **Create business opportunities for women-led MSMEs in value chains.** Women-led MSMEs tend to be excluded from large-scale company supply chains due to the scale of required contracts, complex and inflexible company procurement systems, strict financial, labor, reporting, and health and safety standards.⁸⁸ However, the presence of women-led

MSMEs in supply chains may carry many benefits. It will help enhance quality, productivity and price stability in the face of risks in the sourcing material (e.g. agricultural ingredients and produce), and thus, help ensure business continuity. An example of this is Unilever's supply chain development strategy focused on women-led MSMEs in their supply chain.⁸⁹ Unilever owns and operates some 300 factories globally, as well as tea estates in Kenya and Tanzania. It also sources more than 200,000 different materials ranging from fruit and vegetables to paper, board and office supplies from some 70,000 suppliers across 190 countries.⁹⁰ Therefore, encouraging companies such as Unilever to promote opportunities for women-led businesses within their supply chains will be important to remove obstacles that prevent these firms from entering large company value chains, and encourage women-led MSME access to finance. Regulator and financial policymakers could include programs in their financial inclusion strategies to create awareness within large companies that:

- Fostering women's involvement in a strong and diverse MSME sector can have positive dividends for businesses, as well as broader community development.
- Women-led MSMEs often face a disproportionately large number of challenges to access to finance that exclude them from economic opportunities.
- To overcome gender-specific constraints to women's involvement in supply chains, companies must first understand the socio-cultural and political environment in which they operate.

84 IMF, 2017, "Banking on Women Leaders: A Case for More?" The study uses a new dataset to measure the large gap between the representation of men and women in leadership positions in banks and bank supervision agencies worldwide.

85 See Denarau Action Plan point 10 - https://www.afi-global.org/sites/default/files/publications/2019-07/Denarau_FS19_AW_digital.pdf

86 Oliver Wyman, 2016, Women in Financial Services.

87 For example, for the case of financial providers, blended finance products could be offered with better conditions (lower interest rates) to those providers with more gender diversity. Some experiences are already being tested and could introduce a positive market signal to support an increasing presence of women in the financial industry leadership. Regulators, industry leaders and/or civil society organizations can take the lead in creating reports, follow ups and public communications highlighting these business cases. See IMF, 2017, "Banking on Women Leaders: A Case for More?"

88 Esteves, A. 2011. Women-owned SMEs in supply chains of the corporate resources sector; In Kuntala Lahiri-Dutt (editor) Gendering the field: towards sustainable livelihoods for mining communities (Australia National University Press, 2008). <http://www.scidev.net/global/enterprise/analysis-blog/focus-on-private-sector-female-suppliers-drive-profits.html#sthash.jbjtziZN.dpuf>.

89 Unilever White Paper, 2017, "Opportunities for Women: Challenging harmful social norms and gender stereotypes to unlock women's potential."

90 <https://www.unilever.com/sustainable-living/enhancing-livelihoods/opportunities-for-women/expanding-opportunities-in-our-retail-value-chain/>

- An all-inclusive approach to developing women-led MSMEs must be taken. This needs to involve greater support in accessing finance and more flexible and supportive procurement processes to help bridge the gap between women business owners and large-scale companies.

BOX 13: PHILIPPINES' VALUE CHAIN DEVELOPMENT FOR WOMEN ENTERPRISES

- > The Gender Responsive Economic Actions for the Transformation of Women (GREAT Women) Project (2006-2013) focused on creating an enabling environment for women's economic empowerment. It was implemented by the Philippine Commission on Women (PCW) in partnership with National Government Agencies (NGAs) and Local Government Units (LGUs).
- > One of the GREAT Women sub-projects is DTI's Gender Responsive Value Chain Analysis (GRVCA) project, which was implemented on a pilot basis in eight provinces (i.e. Cordillera Autonomous Region, covering the value chains for the processing of meat, prawns, coffee, bananas, mangoes, palm sugar, and bakery products). The results indicated that in most covered areas, innovations were introduced in either processing or new products were developed, new markets were opened up, and in some cases, incomes of women entrepreneurs or producer groups increased significantly. With the project's successful implementation in six of the eight pilot provinces, the range of instruments used by the GRVCA was modified and fine-tuned. Moving forward, the DTI uses the GRVCA as a priority instrument in its Gender and Development Program.
- > Subsequently, the DTI rolled out the GRVCA project implementation with support from the International Fund for Agricultural Development (IFAD). It aimed to establish agribusinesses in 19 provinces and five regions. However, based on gender audit, the project was deemed gender neutral although women comprised majority of the target group. Thus, individual interventions were tailored to the needs of microenterprises headed by women. Consequently, the demand from women entrepreneurs for the services offered by the project increased from 78 percent in 2010 to 92 percent in 2013.

ANNEX 1

MSME FINANCE POLICES FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES) OWNED BY WOMEN AND WOMEN ENTREPRENEURS SURVEY REPORT

INTRODUCTION

Women’s Financial Inclusion is a global policy priority for AFI. Since 2014, AFI has worked to promote financial inclusion to bridge the gender gap and closing the gender gap in financial inclusion was prioritized by AFI member countries through the Denarau Action Plan in 2016. This survey provides inputs for the Policy Framework for Women-led MSEM’s Access to Finance.

THE SURVEY

In July 2020, a survey questionnaire was distributed to the members of the SME Finance Working Group to review and document the efforts of policymakers and regulators in their countries to facilitate access to finance for women-led MSMEs and how ecosystems influence and are influenced by women entrepreneurs. The survey also served as a follow-up to an earlier AFI survey conducted in 2017 among some of the same member institutions.⁹¹ Twenty-four members responded to the Survey. Interviews were also held with 5 member institutions to validate the findings from the literature and the survey and to better understand the access to finance barriers that women-led MSMEs face in member countries, policies they have implemented to remove those barriers and lessons they may have for other member countries.

The purpose of the survey was to explore whether financial policymakers and regulators have prioritized policies to promote access to finance for MSME owned by women and women entrepreneurs, in view of the importance of women-led businesses in AFI members countries. The survey also aimed to explore if financial policymakers are collecting or requesting sex-disaggregated data for MSMEs. Additionally, it asked the members to provide successful examples from their countries where MSME Finance policies succeeded to facilitate access to finance by women-led MSMEs and document the lessons of those experiences.

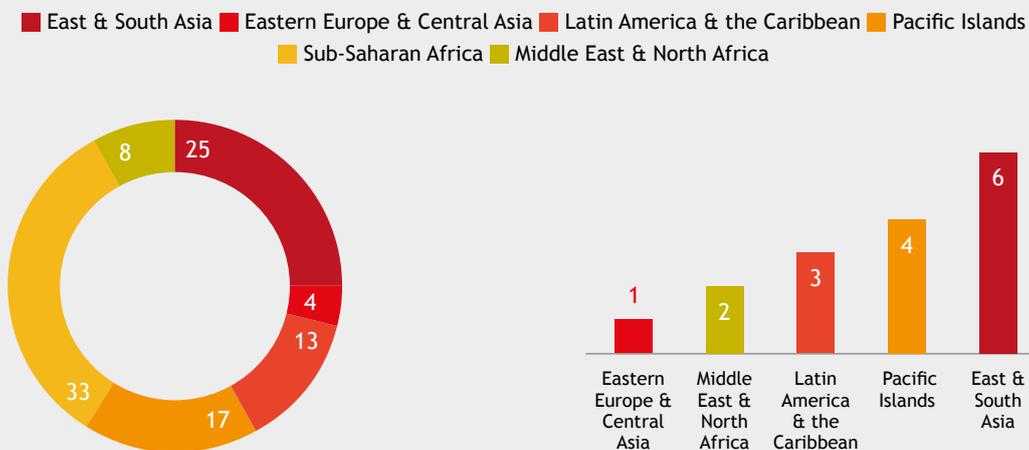
While we cannot generalize the findings from the survey because of the limited number of respondents (23), the information gathered points out that policies and regulations to promote access to financing for women-led MSMEs are not yet a priority in the agenda of policymakers in most cases. Only three countries indicated that they have specific policies for women-led MSMEs.

DATA COLLECTION

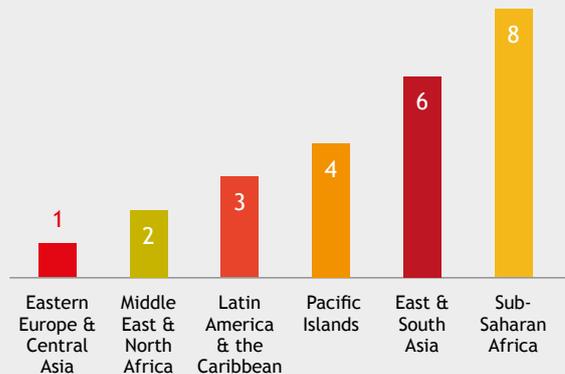
The process of data collection lasted over five weeks and a few responses came within three additional weeks. Countries did not express additional queries or request clarification to complete the survey. Members generally have a non-gender specific definition for women-led or women-owned MSMEs. Additionally, cases where a several definitions have been formed by various institutions are common.

91 https://www.afi-global.org/sites/default/files/publications/2017-03/AFI_smef_Survey.pdf

FIGURE I: RESPONSES BY REGION, %



RESPONSES BY REGION, NUMBER



- > Out of the 24 respondents, highest participation is from Sub-Saharan Africa and East & South Asia
- > Responses from 27 July - 22 October 2020

For members that do have specific definition of women-led / women-owned MSMEs, it is based on majority equity holding of the enterprise (i.e. 51 percent shareholding or higher).

FINDINGS

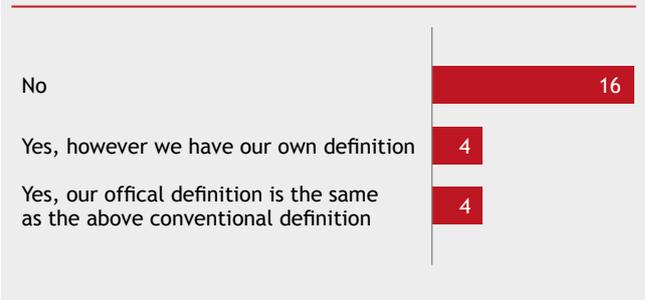
Progress on Denarau Action Plan

Five countries reported specific achievements on the implementation of Denarau Action Plan:

- > **Belarus:** Women in Business program by ERBD enhances access to finance and advisory services for women-led SMEs by providing credit lines, risk mitigation tools and technical assistance to partner financial institutions to increase supply of financing. In addition, the Program offers mentoring, business coaching and workshops to improve entrepreneurial skill.
- > **El Salvador:** The main measure is awareness raising and working on issues of concern to strengthen women position in economy. Further details would be required to better understand the measures to tackle issue of concern.
- > **Namibia:** Ongoing programs include components to enhance digital banking, promote efficient payment systems, financial literacy outreach program targeting both men and women.
- > **Philippines:** Women's financial inclusion is not a concern in the Philippines considering the reversed gender gap. The BSP, however, continues to monitor inclusion levels to ensure gender balance. In this stride, the BSP is considering amendments to the data reporting structures of supervised financial institutions to cover collection of gender-disaggregated data. Specific to MSMEs, the prospective demand-side MSME survey will also incorporate a gender lens. This will provide meaningful insights on women-led MSMEs
- > **Zimbabwe:** Financial inclusion of women has improved since the launch of the National Financial Inclusion Strategy in 2016 and the subsequent constitution of the Women Thematic Working group. Specifically, there has been an increase in the number of women and women-owned MSMEs accessing finance from financial institutions. The number of bank accounts held by women increased from 769,883 in 2016 to 2.54 million in June 2020, while the value of loans increased from ZWL277.30 million to ZW\$1.18 billion during the same period.

Belarus - The Women in Business programme by ERBD enhances access to finance and advisory services for women-led SMEs by providing credit lines, risk

FIGURE II: DOES YOUR INSTITUTION USE AN OFFICIAL DEFINITION OF FINANCIAL INCLUSION FOR WOMEN-LED OR WOMEN-OWNED MSMEs?



mitigation tools and technical assistance to partner financial institutions to increase supply of financing. In addition to consulting projects, the programme also offers mentoring, business coaching and workshops to improve entrepreneurial skill.

INSTITUTIONAL MANDATE

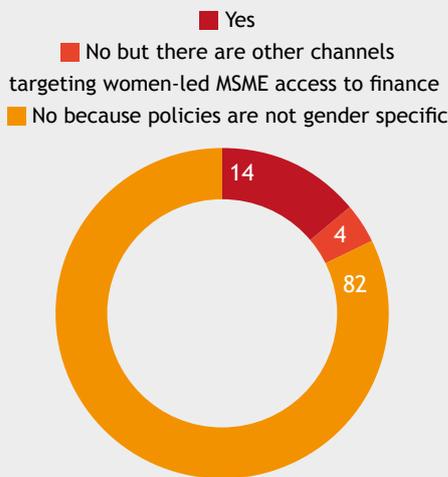
Only the Philippines responded in detail to the question “Mandates which your institution has for Women-led MSME Access to Financing”. It indicated that the NFIS, which serves as the guidepost in accelerating financial inclusion levels in the country, recognizes MSMEs and women as among the priority sectors for financial inclusion. Focal areas or priority areas in the medium term (next three years) under the NSFI are digital finance and MSME/agri-value chain finance. In addition, the MSME Development Plan 2017-2022 lays out the sectoral plan for growth and advancement of MSMEs. While it is not gender-specific and focuses on MSMEs in general, access to finance is a key pillar of the Plan.

WOMEN-LED MSME ACCESS TO FINANCE POLICIES

A complementary question was posed to gauge whether SME Finance member institutions have set policies to promote access to finance for MSMEs owned by women and women entrepreneur: “In crafting policies to promote financial inclusion, do you have any policy interventions targeting women-led MSMEs access to finance?”

Most responses indicated a lack of such policy. Only a few countries have prioritized access to finance of MSMEs owned by women and women entrepreneurs by including this topic in their NFIS. Fifty-seven percent indicated they do not have a women-led MSME policy because policies are not gender-specific. Only a quarter of respondents indicated that they indeed have such policies, and 14 percent stated that women-led MSME interventions are channeled through other policies and measures.

FIGURE III: IN CRAFTING POLICIES TO PROMOTE FINANCIAL INCLUSION, DO YOU HAVE ANY POLICY INTERVENTIONS TARGETING WOMEN-LED MSMEs?, %



ENABLING ENVIRONMENT FOR WOMEN-LED MSME ACCESS TO FINANCE

- > **Belarus:** Policies to create an enabling environment for access to finance conducted in our country are equal for MSMEs owned by men and women.
- > **El Salvador:** Some sex-disaggregated data in banking reporting is currently being applied.
- > **Malaysia:** In Malaysia, women generally have comparatively equal access to financial services compared to men, as such our financial inclusion and SME financing policies have always been broad based in nature and not gender-specific.
- > **Timor-Leste:** BCTL entered into agreement with Ministry of Education in 2019 to include financial literacy in the basic education curriculum program. A financial literacy program is now taught from Elementary School. Also, BCTL has officially launched a Credit Guarantee System that managed schemes as a guarantee/risk sharing facilities in 2019, in which the states will share the financing risks with participatory financial institutions. BCTL has been entrusted to manage and administer the program.

DATA ON WOMEN-LED MSMEs: DOES YOUR COUNTRY COLLECT SEX-DISAGGREGATED DATA FOR WOMEN-LED MSMEs AND WOMEN ENTREPRENEURS?

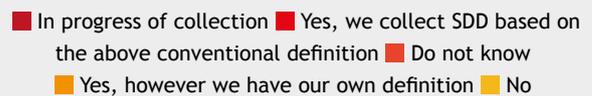
This question aimed to assess whether members of the SME Finance Working group are collecting data specific for MSMEs owned by women and women entrepreneurs.

The 2017 survey showed that data on women-led MSMEs was scarce and the present survey confirms that. The majority SMEFWG members who responded do not collect sex-disaggregated data on MSMEs (42 percent).

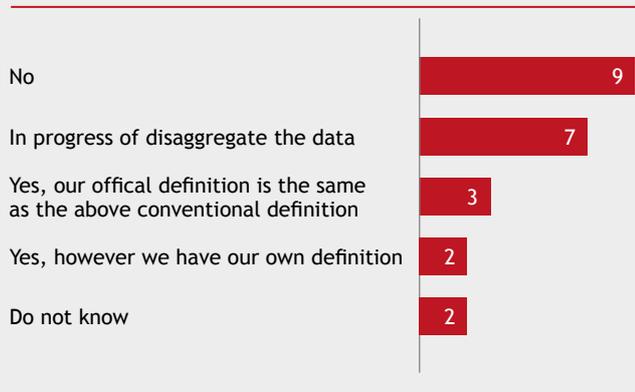
Only eight percent of respondents indicated they collect such data based on international definition of women-led MSMEs. Another 17 percent indicated that they do collect the data based on their own definitions.

- > **Eswatini:** Collects SDD and is guided by the provisions of the recently-adopted Revised MSME Policy of Eswatini.
- > **Malaysia:** Bank Negara Malaysia collects account ownership by gender. Ministry of Entrepreneur Development conducts a bi-annual SME survey, which include women-owned SMEs.
- > **Ecuador:** Collects SDD from SMEs when registering and reporting information to our organization.

FIGURE IV: DOES YOUR COUNTRY COLLECT SEX-DISAGGREGATED DATA FOR WOMEN-LED MSMEs AND WOMEN ENTREPRENEURS?



Lack of definitions of what is MSMEs owned by women and women entrepreneurs represents a challenge to set clear performance indicators for policies. In some cases, although there is an official definition in place (e.g. Bangladesh), financial policymakers struggled to provide information about access or usage of financial products of these groups. Similar data scarcity was found when member institutions were asked about data disaggregation by business lending, a third of the respondents indicated that such data is not reported.

FIGURE V: DOES YOUR COUNTRY DISAGGREGATE BUSINESS LENDING BY SEX?

- > **Eswatini:** The Central Bank of Eswatini is in the process of designing data-collecting instruments to be implemented by financial institutions when collecting data for their SMEs portfolios.
- > **Cambodia:** Collects all data on the gender of borrowers, however, for commercial borrowing, it depends on who (gender/male or female) represent the company and not necessarily the business owner.
- > **Uganda:** Obtains this information by external sources

BARRIERS TO WOMEN-LED MSMEs' ACCESS TO FINANCE

A summary of constraints ranked by the average score for the degree of severity is presented below. The barriers with score higher than two are low financial and business skills, lack of collateral, inadequate credit infrastructure (credit bureaus, lax of sex-disaggregated credit scores), distance to banks, and lack of customized financial products. The findings when the barriers are broken into three categories are outlined below.

DEMAND-SIDE BARRIERS

Other findings reinforced universal and well-known challenges that affect all MSMEs, and particularly, those owned by women, and women entrepreneurs. Respondents rated the lack of collateral as the biggest challenge to increase access to finance for MSMEs owned by women and women entrepreneurs, followed by financial literacy, socio-cultural environment, and a lack of customized financial products or access as the top five challenges to access to finance for MSMEs owned by women,.

Finally, when asking about general macro-economic indicators, women's employment was concentrated in the informal sector in most respondent AFI member countries. Seven respondents provided data on women's employment in the informal sector, and four of the seven countries have higher percentages of women employment in informal sector compared to the formal

sector. This finding indicates a role for the financial regulator to address informality of entrepreneurship at a national level, and that any efforts to do this may disproportionately impact women's employment levels overall.

Coming back to the initial question, responses indicate that financial inclusion of MSMEs owned by women and women entrepreneurs is a policy priority recognized by surveyed countries. Yet, lack of data, definitions, financial capacity, social norms, and innovative financial services targeted to this market niche remain as big challenges to assess in further research. Findings show interesting countries to watch that can be taken as reference when assessing SME Finance policies, i.e. Indonesia, Bangladesh, Tajikistan, and Costa Rica.

MORE SPECIFICALLY:

2. Afghanistan:

1. Relaxed collateral requirement.
2. Women can give their jewelry in collateral.
3. In credit guarantee scheme, priority has been given to women who want a loan.
4. Financial awareness session has been arranged for women.
5. Agent banking regulation has been developed to help in addressing the problem of distance to banks.

3. **Belarus:** The Women in Business program by ERBD offers training, mentoring and other support to enable women entrepreneurs to share experiences and learn from each other as peers. The National Bank implements Action Plans on improving financial literacy of the population.

4. **El Salvador:** Women can apply to a Guarantee Fund by development banks that conducts training to prepare business plans, accounting, and a financial education program coordinated by the central bank.

5. Maldives:

1. Establishment of SME bank/credit guarantee scheme provides ease of access to those without collateral.
2. Various financial literacy programs are held by different agencies involved in the development of SME.

6. Samoa:

1. There are financial institutions that accepts a birth certificate and a referral letter from a member of the community for KYC requirements.

FIGURE VI: SEVERITY OF DEMAND-SIDE CONSTRAINS (HIGHEST SCORE = WORST, LOWEST SCORE = BEST)

Average Severity Score For Demand-side Constrains

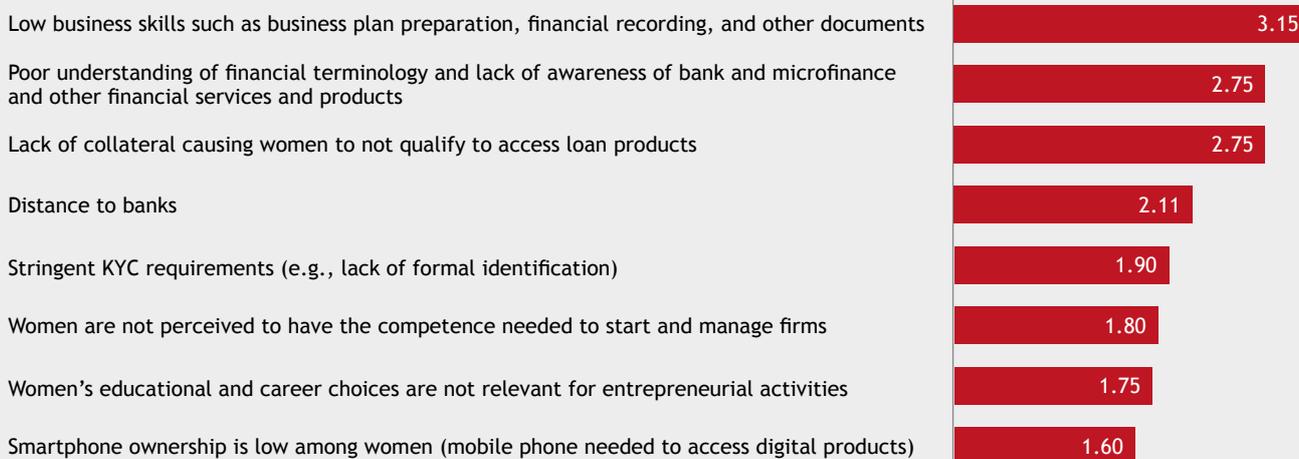
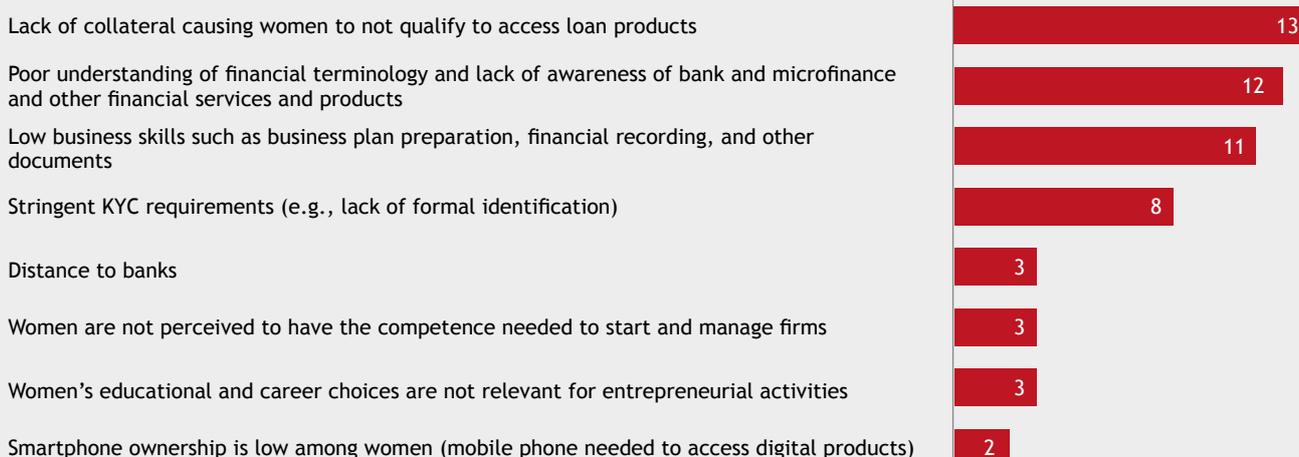


FIGURE VII: WHICH OF THE DEMAND-SIDE CONSTRAINTS HAVE POLICIES AND/OR MEASURES TO ADDRESS THEM?

Total SMEFWG Member Institutions Experiencing Women-Led MSME Financing Constraint



- 2. Financial literacy trainings.
- 3. NGO’s conducting capacity training for women in the rural community on entrepreneurial activities.

7. Eswatini:

- 1. The Article 20 (1) of the Constitution of the Kingdom of Swaziland Act 2005 states that “All persons are equal before and under the law in all spheres of political, economic, social and cultural life and in every other respect and shall enjoy equal protection of the law”.
- 2. Section 29 of the Consumer Protection Act of Eswatini, 2016 states that a credit provider is compelled by law to provide the consumer the opportunity to choose the language an agreement

can be presented in. This is meant to ensure proper understanding of the financial terminology.

- 3. The revised MSME Policy of Eswatini, 2018 makes provision to help improve business skills of MSMEs

8. Philippines - See below

SUPPLY-SIDE BARRIERS

More specifically:

- > **Bangladesh:** The central bank has instructed banks and FIs to provide collateral-free loan up to BDT 2.5 million to women entrepreneur against the personal guarantee. Also instructed them to employ women officer for women entrepreneur, give necessary training, etc.

FIGURE VIII: SEVERITY OF SUPPLY-SIDE CONSTRAINS (HIGHEST SCORE = WORST, LOWEST SCORE = BEST)

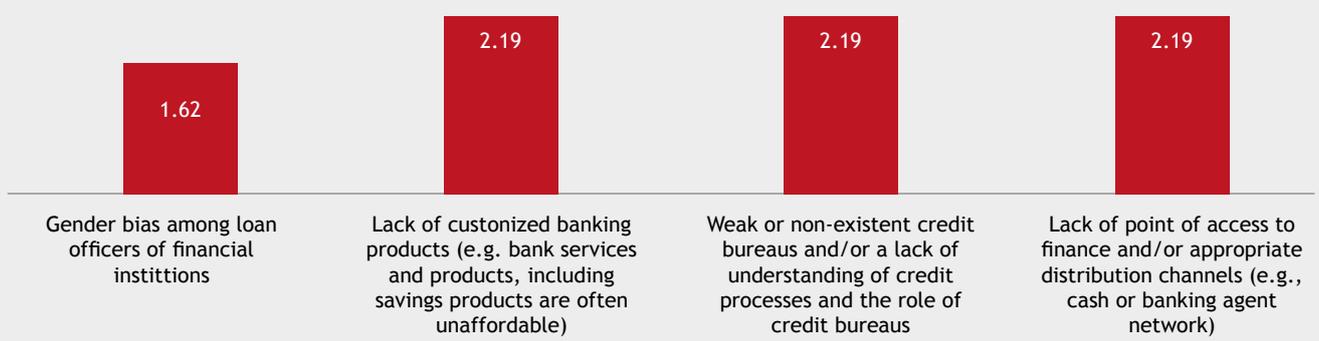


FIGURE IX: WHICH OF THE SUPPLY-SIDE CONSTRAINTS HAVE POLICIES AND/OR MEASURES TO ADDRESS THEM?

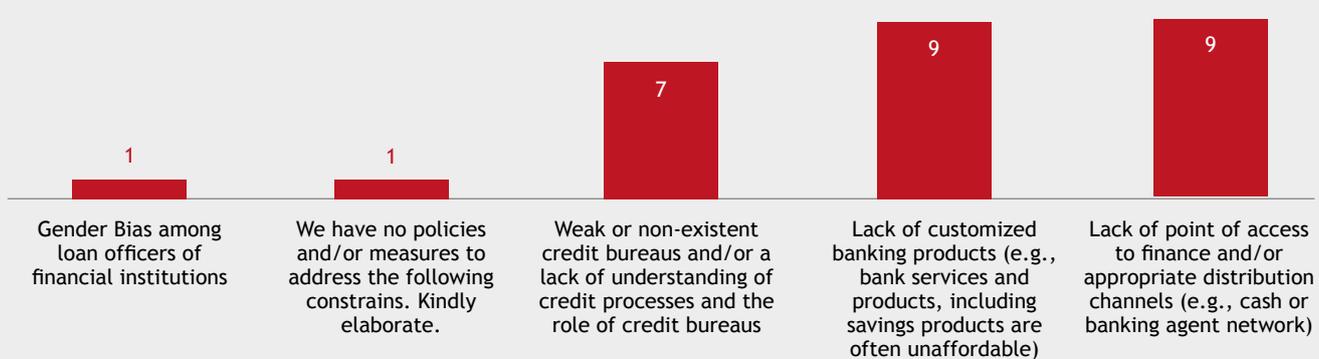


FIGURE X: SEVERITY OF FOLLOWING LEGAL, REGULATORY, AND CULTURAL CONSTRAINS (HIGHEST SCORE = WORST, LOWEST SCORE = BEST)

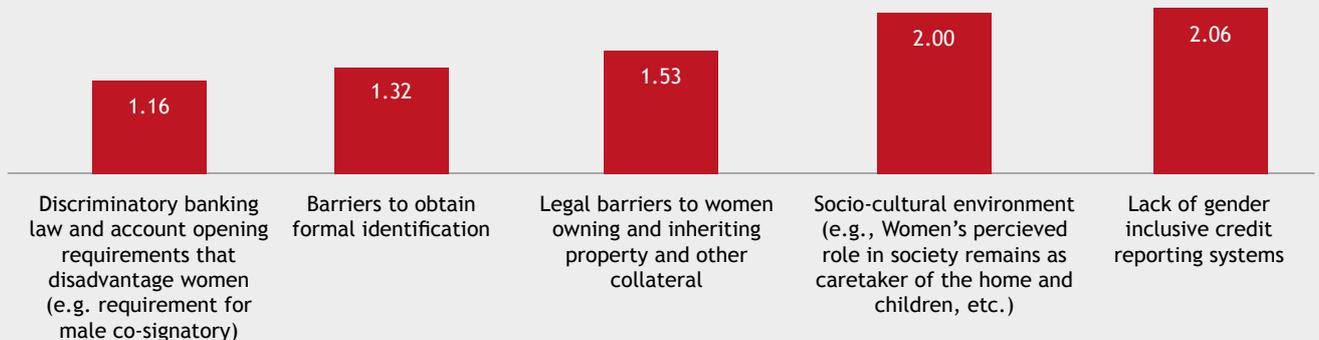


FIGURE XI: WHICH OF THE FOLLOWING LEGAL, REGULATORY, AND CULTURAL CONSTRAINTS HAVE POLICIES AND/OR MEASURES TO ADDRESS THEM?



- > **Cambodia:** Enhanced financial institutions networks to rural area and enhanced digital payment service.
- > **Mexico:** Gender Equity Policy.
- > **Zimbabwe:** Establishment of the Women's Bank and also the establishment of Women's desks by banking institutions.

LEGAL, REGULATORY AND SOCIOCULTURAL BARRIERS

- > **Bangladesh:** By introducing smart NID for all citizens of the country, women are not facing their tiered KYC when opening bank account, taking loans or for other regulatory purposes.
- > **Mexico:** The Gender Equity Policy has enabled equal access opportunities for women.
- > **Timor Leste:** The Declaration of Maubise was signed on International Women's Day (8 March) 2015 to provide legal, economic and human rights access to more than 70 percent of the rural female population of East Timor.

Examples of measures that have succeeded in enhancing access to finance for women-led MSMEs

- 1) **Bangladesh:** By introducing digital IDs (Smart NID) for all citizens of the country, women are no longer facing their tiered KYC when opening bank account, taking loans or for other regulatory purposes. The authorities have also implemented policies and measures to address supply-side constraints. For example, the central bank has instructed banks and FIs to provide collateral-free loan up to BDT 2.5 million to women entrepreneur against the personal guarantee, and also to employ women officers to better service the women entrepreneur market, give necessary training, etc. Bangladesh also prioritizes women entrepreneurs under all refinance schemes.
- 2) **Belarus:** The most successful initiative to support women-led MSMEs is the Women in Business program by ERBD (noted above), which enhances access to finance and advisory services for women-led SMEs by providing credit lines, risk mitigation tools and technical assistance to partner financial institutions to increase supply of financing. The program also offers mentoring, business coaching and workshops to improve entrepreneurial skill.
- 3) **Jordan**
 - a) On the occasion of International Women's Day in 2019, the CBJ launched an awareness campaign titled "Be the Change", which was held on 9th March 2019, in one of the biggest shopping Malls in Amman, with the cooperation of several banks and the Microfund for Women (MFW). The campaign aimed to highlight the importance of enabling women of different ages, social status, economic classes and educational backgrounds, to access

financial and banking services responsibly, which will have a significant impact on promoting financial inclusion for women and bridging the gender gap in access to financial and banking services. Additionally, raising banking and financial literacy and awareness among women will contribute to their economic and financial empowerment, and sharing knowledge across generations, because the woman is the first teacher and the cornerstone in any family. Thus, enhancing her role to create a financially literate society. A special booth, in the form of a bank branch was prepared for the campaign, to set an interactive learning environment. The number of participants reached around 320 persons from Amman. The Campaign included competitions for the participants, to measure their benefit from the materials explained to them. Different prizes were provided by several participating banks, including bank accounts and prepaid cards, aimed at promoting the usage of banking products and services, after gaining the necessary financial literacy.

- b) On the occasion of International Women's Day in 2020, the CBJ launched an awareness campaign titled "Your budget is in your hand", which was held during the period March 8-12th 2020, in several workplaces and various local institutions, with the cooperation of several banks and microfinance companies. The program tackled several aspects, including encouraging women to plan their personal/family budgets, obtain productive loans, and be cautious when guaranteeing someone else's loans. The number of participants reached around 550 persons from Amman, Irbid, Aqaba, and Tafilah governorates. The campaign included an online quiz, implemented before and after the sessions to measure the participants' learning progress. A special QR code was created to facilitate access to the quiz. In addition, a self-assessment template was provided for the participants to evaluate their financial wellbeing.

- 4) **Nigeria:** A framework for advancing women's financial Inclusion has just been finalized with strategic imperatives identified to drive the implementation of financial inclusion for women and women-owned enterprises. In addition, individual financial institutions in the country have developed policies to drive gender-centric product development and promote gender balance within their respective workforces. The Financial Inclusion Secretariat continues to provide thought leadership in this area, reviewing policies developed by institutions and providing advocacy to support the continuous development of gender-centric products across all institutions.

5) Philippines

a) The Gender Responsive Economic Actions for the Transformation of Women (GREAT Women) Project (2006-2013) focused on creating an enabling environment for women's economic empowerment. It was implemented by the Philippine Commission on Women (PCW) in partnership with NGAs and LGUs.

b) One of the GREAT Women sub-projects is DTI's Gender Responsive Value Chain Analysis (GRVCA) project, which was implemented on a pilot basis in eight provinces (i.e. Cordillera Autonomous Region, covering the value chains for the processing of meat, prawns, coffee, bananas, mangoes, palm sugar, and bakery products). The results indicated that in most covered areas, innovations were introduced in either processing or new products were developed, new markets were opened up, and in some cases, the incomes of women entrepreneurs or producer groups increased significantly. With the project's successful implementation in six of the eight pilot provinces, the range of instruments used by the GRVCA was modified and fine-tuned. Moving forward, the DTI uses the GRVCA as a priority instrument in its Gender and Development Program.

c) Subsequently, the DTI rolled out the GRVCA project implementation with support from the International Fund for Agricultural Development (IFAD). It aimed to establish agribusinesses in 19 provinces and five regions. However, based on gender audit, the project was deemed gender-neutral although women comprised majority of the target group. Thus, individual interventions were tailored to the needs of microenterprises headed by women. Consequently, the demand from women entrepreneurs for the services offered by the project increased from 78 percent in 2010 to 92 percent in 2013.

6) Zimbabwe

a) The Ministry of Women Affairs established a women-focused microfinance bank (Zimbabwe Women Microfinance Bank Limited) in 2018 to cater for the financial needs of women. The bank opened avenues for women entrepreneurs to access the full range of financial products and services, which bridged the gender gap and high levels of inequality between men and women, thereby facilitating the graduation of their income-generating activities from household survival to viable businesses. As of 30 June 2020, women borrowers constituted 80.19 percent as the bank is largely focused on women.

b) The Reserve Bank availed ZW\$15 million Women Empowerment Facility as a revolving fund for the purpose of extending loans to women-owned income generating projects and businesses. Since the inception of the funds there has been

a lot of success stories with women growing their businesses from micro to macro, thus improving their household incomes and creating employment. As of 31 December 2019, the utilization level was 22.15 percent.

c) Banking institutions were encouraged to establish women's desks and MSME units to facilitate the development of tailored products and services for women and SMEs. As of 30 June 2020, 17 banks had established MSME units, and 12 banks had established women's desks.

d) The Reserve Bank reintroduced the Credit Guarantee Scheme to facilitate partial transfer of credit risk stemming from loans of women, which are commercially viable but with inadequate collateral.

KEY LESSONS FROM YOUR EXPERIENCE IN LEADING WOMEN-FOCUSED FINANCIAL INCLUSION ACTIVITIES?

- Bangladesh:** Sociocultural barriers is one of the most important barriers to address.
- Cambodia:** Financial reporting preparation and knowledge is crucial for women entrepreneurs
- Ecuador:** There is still a long way to go to focus on making credit development processes visible to women's organizations. We have made progress in making information transparent, but there is still much to do.
- Malaysia:** Financial education, awareness and literacy is key to promoting financial inclusion amongst women in Malaysia, so is having a good consumer protection framework.
- Nigeria:** The Framework for advancing women's financial inclusion in Nigeria has just commenced. Lessons learned will be provided as time goes on, particularly as efforts to ensure appropriate impact assessment of the strategic imperatives are put in place early in the framework's implementation.
- Papua New Guinea:** The PNG NFIS has specific targets, but the strategy designed does not facilitate that. It is important to have dedicated women policies to promote women participation in business and financial matters.
- Philippines**
 - Promoting innovative financing approaches in MSME financing (e.g. AVCF, SCF).
 - Putting in place the needed financial and digital infrastructure (e.g. national ID, CRD, movable collateral, credit information and guarantee).
 - Bridging the information gap through data collection initiatives (e.g. MSME demand-side survey, sex-disaggregated data in supply-side reports).

d) Facilitating strategic partnerships (e.g. financial literacy, capacity building programs).

8. **Timor-Leste:** Due to the mechanism of Credit Guarantee System that is applicable to all citizen and the product or services that the Banks offer is available to all clients, as long as they meet requirements, and coupled with programs that have not been dedicated specifically for women, the BCTL has not been able to share any experience related to women-focused financial inclusion activities. But under the Credit Guarantee System, the BCTL has planned to produce product development, in particular dedicated to youth and women entrepreneurship.

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