

Strengthening Access to Finance for Women-Owned SMEs in Developing Countries

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GPI

Global Partnership
for Financial Inclusion



IFC

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World Bank Group

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2121 Pennsylvania Avenue, N.W.
Washington, DC 20433
Internet: www.ifc.org

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Preface

At the G-20 Seoul Summit in November 2010, the leaders of the 20 member countries endorsed the “Financial Inclusion Action Plan” and the creation of the “Global Partnership for Financial Inclusion (GPII) proposed by the Financial Expert Group.” The resulting declaration provides the following rationale for creation of the group:

“To promote resilience, job creation and mitigate risks for development, we will prioritize action under the Seoul Consensus on addressing critical bottlenecks including infrastructure deficits, food market volatility, and exclusion from financial services.”

The Small Medium Enterprise (SME) Finance task group of the GPII introduced a work stream to address the challenges women entrepreneurs face in growing their businesses, which are major bottlenecks to growth and development. This work stream encompasses three areas:

1. Research and data;
2. Policy recommendations; and,
3. Identification of finance models geared to the needs of women entrepreneurs.

RATIONALE

The rationale for a separate report on women entrepreneurs’ access to finance is that while there are about 8 to 10 million formal women-owned SMEs in emerging markets (representing 31 to 38 percent of all SMEs in emerging markets), the average growth rate of women’s enterprises is significantly lower than the average growth rate for SMEs run by men. A number of factors have been investigated as contributing to the slow growth of women-owned businesses, including 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 management responsibilities. As access to finance is repeatedly identified as a major constraint to women entrepreneurs, this report sets out to analyze the issues involved in improving access to finance for women-owned businesses. It also aims to identify scalable financing models that can be replicated in G-20 and interested non-G20 countries looking to increase the opportunities of women-owned businesses as those nations further develop their private sector.

SCOPE

This report highlights key trends, challenges, and opportunities for advancing women’s entrepreneurship and increasing their access to finance. Due to their high growth potential, women-owned SMEs in developing countries are of particular interest. The report therefore focuses on the presence of women-owned SMEs in developing countries across different types of enterprises, and the ability of these business owners to access finance to grow their businesses; identifies financial and non-financial institutions with scalable approaches to increase access to finance for women entrepreneurs in developing countries; pinpoints specific knowledge gaps for which further research is recommended; and, provides policy recommendations on expanding access to finance for women entrepreneurs.

List of Abbreviations

GPFI	Global Partnership for Financial Inclusion	ECA	Eastern Europe and Central Asia
SME	Small and Medium Enterprises	LAC	Latin America and the Caribbean
MSME	Micro Small and Medium Enterprises	SSA	Sub Saharan Africa
IFIs	International Finance Institutions	WCCI	World Council for Curriculum and Instruction
MENA	Middle East North Africa	DRC	Democratic Republic of Congo
UAE	United Arab Emirates	WEDI	Women Enterprise Development Initiative
IFC	International Finance Corporation	SADC	Southern African Development Community
CAWTAR	Center of Arab Woman for Training and Research	GOWE	Growth Oriented Women Entrepreneurs
AfDB	African Development Bank	USAID	United States Agency for International Development
ILO	International Labor Organization	DCA	Department of Community Affairs
GBA	Global Banking Alliance for Women	KCB	Kenya Commercial Bank
DFCU	Development Finance Corporation Uganda	CEDAW	Committee on the Elimination of Discrimination Against Women
GDP	Gross Domestic Product	LEED	Local Economic and Employment Development
FAO	Food and Agriculture Organization	DFIs	Development Finance Institutions
SEWA	Self Employed Women Association (India)	UCSD	University of California San Diego
UNESCO	United Nations Educational Scientific and Cultural Organization	UNCDF	United Nations Capital Development Fund
ICT	Information Communication Technology	IFPRI	International Food Policy Research Institute
IFAD	International Fund for Agricultural Development	FCND	Food Consumption and Nutrition Division
MDG	Millennium Development Goal	WOSB	Women-owned Small Business
MFI	Micro Finance Institution		
NGO	Non Governmental Organization		

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The report "Strengthening Access to Finance for Women-owned SMEs in Developing Countries" was developed under the overall guidance of Peer Stein (IFC) and Christopher Grewe (USTR). The working group team for the report, led by Ghada Teima (IFC), comprised Marieme Esther Dassanou (IFC), Sushma Narain, Rita Ramalho (IFC), and Rozeana Fonseca (IFC). Mary Hallward-Driemeier (World Bank) provided technical expert advice to the working group.

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Executive Summary

The aim of this report is to provide evidence and recommendations on expanding the ability of women entrepreneurs to pursue economic opportunities, invest additional capital, hire more employees, and grow their businesses. Of particular focus is addressing the extent to which women are less able to access finance. If women cannot access financial resources, they are disadvantaged in their ability to pursue economic opportunities.

Women entrepreneurs make significant contributions to their economies. It is estimated that SMEs with full or partial female ownership represent 31 to 38 percent (8 to 10 million) of formal SMEs in emerging markets.¹ These firms represent a significant share of employment generation and economic growth potential. Furthermore, it is estimated that failure to achieve Millennium Development Goal (MDG) target 3² on the promotion of gender equality and empowerment of women could reduce per capita income growth rates by 0.1–0.3 percentage points.³

Women-owned businesses appear restricted in their growth paths. Women's entrepreneurship is largely skewed towards smaller firms. They make up nearly 32 to 39 percent of the very small segment of firms, 30 to 36 percent of small SMEs and 17 to 21 percent of medium-sized companies.⁴ Women entrepreneurs are

also more likely than their male colleagues to be in the informal sector, running smaller firms mainly in service sectors and thus operating in lower value added sectors. In addition, they operate more home-based businesses than do men.

Because financing is an important means by which to pursue growth opportunities, addressing women entrepreneurs' specific needs in accessing finance must be part of the development agenda. Across regions, women entrepreneurs have lower access to finance than do male entrepreneurs.⁵ This is particularly problematic for women entrepreneurs who want to grow their businesses. It is not only that surveys show women entrepreneurs to be less likely to have taken out a loan, but the terms of borrowing can also be less favorable for women. Many country studies show that women entrepreneurs are more likely to face higher interest rates, be required to collateralize a higher share of the loan, and have shorter-term loans.⁶

Access to finance for women is limited by non-financial barriers. Non-financial barriers can include conditions in the broader business environment that may differentially affect women's and men's businesses (e.g., the legal and regulatory environment or the quality of available infrastructure); personal characteristics of the entrepreneurs (e.g., differentials in education or

1 IFC and McKinsey Women SME mapping exercise 2011. Please note that the definition of a woman-owned SME is based on the enterprise survey definition which asks whether at least one of the owner is female, or whether any of the females are owners.

2 The UN Millennium Development Goal number 3 focuses on promoting gender equality and empowering women. <http://www.undp.org/mdg/goal3.shtml>.

3 Balamoune-Lutz and McGillivray, 2007 UNECA

4 Definition of MSMEs is as follows: micro (1-4 employees), very small (5-9 employees), small (10-49 employees), and medium enterprises (50-250 employees) – IFC McKinsey Study 2011

5 IFC and McKinsey, op cit.

6 Bardasi, et al., 2007; Demircuc-Kunt, et al., 2008; Diagne, 2000; Ellis et al., 2007; GEM, IFC, 2005, Faisel, 2004; Rose, 1992; ILO/AfDB, 2004; Goheer, 2003; Narain, 2007; Richardson, et al., 2004

management training); constraints within financial institutions (little familiarity with and cultural barriers preventing interest in female clients); and a financial infrastructure that limit incentives to reach out to more female clients (i.e., lack of credit bureaus or collateral registries).

NON-FINANCIAL BARRIERS CONSTRAIN SME GROWTH AND CAN HAVE IMPLICATIONS FOR ACCESS TO FINANCE

In many developing countries, a weak investment climate limits enterprises' productivity — and thus access to finance for SMEs more generally.⁷

Interruptions in power, limited transportation infrastructure, weak governance, red tape, and crime can reduce the ability to produce goods and services and to get them to market. An impact survey found that 77 percent of women felt that rehabilitated roads and tracks enabled them to travel farther, that 67 percent felt that the roads and tracks enabled them to obtain additional income. If operating in these conditions lowers profits or makes firm survival less likely, creditors will be less willing to lend to these enterprises. Such non-financial barriers impact access to finance for SMEs more generally in many developing countries.

Generally financial markets develop where countries develop. The share of firms that have loans is strongly correlated with economic development in a particular country. In lower income countries, the range of financial instruments offered is more limited. In those countries that have not developed capital markets or sophisticated financial instruments, the local banks' ability to serve growing businesses is limited.

Investment climate constraints hit smaller firms harder, and women entrepreneurs are particularly affected since they are more likely to run smaller

businesses. Small firms are less able to address weaknesses in the investment climate. For example, rather than running their own generator, as many larger firms would, to cope with inconsistent power from the public grid, many smaller firms turn to less capital-intensive technology, resulting in less efficient performance outcomes. Smaller firms are also less able to afford their own security services to address losses from crime. Bribes, as a share of sales, are greater for smaller firms. Women entrepreneurs — due to their disproportionately strong presence among smaller businesses — are thus specifically affected by limitations in a country's investment climate.

Weak creditors' rights and a lack of credit information can disproportionately disadvantage women, particularly if they have little collateral or control over assets. Building a track record of successful positive repayment records using credit bureaus could enhance the ability of women-owned businesses in accessing loans. Since most women's main asset is their credit history, the limited availability of basic credit information and the lack of information sharing between financial institutions disproportionately impacts women entrepreneurs.

In addition, some non-financial constraints have a direct gender dimension. Particularly relevant for access to finance are the formal gaps in legal capacity and property rights. Based on constitutional and statutory provisions, women in many countries may be constrained to enter contracts in their own name, to control property within marriage, or to receive an equal share of assets on divorce or in inheritance. Women may also not have the same ability to get a national identity document (e.g., a passport, ID card), which is often a pre-condition for transactions such as opening a bank account.

⁷ An impact survey found that 77 percent of women felt that rehabilitated roads and tracks enabled them to travel farther, that 67 percent felt that the roads and tracks enabled them to travel more safely, and that 43 percent felt that the roads and tracks enabled them to obtain additional income. World Bank: <http://siteresources.worldbank.org/INTGENDER/Resources/PeruRRPFINAL.pdf>

FINANCIAL BARRIERS TO WOMEN ENTREPRENEURS' ACCESS TO FINANCE

Extending credit requires an assessment of risk and return. These assessments are made by a range of financial institutions operating within particular financial infrastructures. To examine financial barriers faced by a particular client group thus requires examining both the likely creditworthiness of these potential clients, and the incentives and tools available to the financial institutions.

A. Characteristics of the entrepreneurs and the enterprises they run appear to explain some of the differential access to finance.

When the environment is conducive to business, female and male entrepreneurs perform very similarly and have similar rates of borrowing.⁸ This is particularly true among larger, formal firms. Women entrepreneurs in this category of business are able to realize their potential as well as men do. Among the firms with higher growth potential, women entrepreneurs are as likely to have access to finance as men. However, there are many fewer women within this group of entrepreneurs.⁹

While not fully conclusive, some survey results indicate that limitations in access to finance for women entrepreneurs may be primarily associated with their propensity to operate smaller and informal businesses.¹⁰ Beyond structural gender-specific constraints that disadvantage women entrepreneurs (e.g., legal restrictions on their ability to enter contracts or open a bank account in their own name), firm size has an important influence on both company performance and credit-worthiness. The types of businesses women are more likely to run — smaller firms, service sector firms, and companies operating in the informal sector — offer

lower returns to creditors and can bear disproportionate burdens in a weak investment climate, undermining their returns. Therefore, expanding women's access to finance would require addressing those factors that today steer women entrepreneurs into more informal businesses and keep their firms small — including gender-specific institutional, regulatory and cultural barriers.

Why are women entrepreneurs overly represented among smaller, informal enterprises? And what role does differential access to finance play in generating this outcome — perhaps preventing a disproportionate number of women entrepreneurs from growing their smaller businesses into the larger ones they might aspire to? Male-headed enterprises do not seem to face the same problems in growing their smaller firms — these companies eventually dominate the group of larger enterprises by a very large margin. While this question is at the heart of the challenge, it is precisely the area where data is least available. Available enterprise surveys cover only today's incumbents and typically provide a snap-shot of a given situation, not of its genesis. There are no tracer-studies available that allow cross-country and large-scale conclusions on the evolution of enterprises, based on the owners' gender. Additional insight could come from household surveys that might also capture factors affecting an initial decision to become an entrepreneur, the type of business to run, and control over the allocation of time and assets among household members.

Access to human capital and collateral are often cited to help explain why women are less likely to receive loans.¹¹ Human capital is a key asset of entrepreneurs. It includes not only formal education, but also specific business skills such as management techniques, as well as the experience and networks the entrepreneur brings to the business. Although more women now have access to education, women still tend to be the least educated entrepreneurs. This heavily impacts their

8 IFC and McKinsey, op cit

9 Sabarwal and Terrel, 2008

10 Hundley, 2001

11 World Bank Agriculture Resource Book, 2008, ibid, de Janvry and other, 2006, World Bank, 2004

12 Hallward-Driemeier et al, 2011

growth potential.¹² While the number of women-owned businesses receiving loans is increasing, gender gaps in education and prior work experience have been prevalent in many countries where men are more likely to have better access to formal training and to be more mobile between jobs and assignments.

B. Financial institutions could do more to address their own constraints in reaching out to the women entrepreneurs as potential clients.

If women's businesses are perceived to be riskier, higher cost, and/or lower return, creditors will be reluctant to lend to them, irrespective of whether the perception of higher risk is based on facts and experience or on conjecture. Financial institutions are usually reluctant to lend money to early-stage enterprises and start-ups because of the high risks involved.¹³ Financial institutions are more likely to lend to clients whom they know well. It is possible that a more personal dimension to the issue is that credit officers may be risk averse vis-à-vis women entrepreneurs as a client group they know little about. The reality or perception of women's lower education, skill level, and work experience may further lessen their attractiveness to lenders. Many banks' marketing strategies are built around a client profile that might not fit women entrepreneurs (the ability to access banks' outlets or the ability to be available during standard opening hours can be cited as examples). Culturally driven constraints faced by women entrepreneurs, such as their mobility and higher demands on their time, may further limit their ability to access finance.

Microfinance has partly compensated for women's low access to formal finance. However, as women entrepreneurs grow, they need financial products and services that go beyond microcredit. Despite women entrepreneurs' excellent repayment records when running micro-businesses, they are not often graduated to larger individual or business loans beyond microfinance programs. Thus the share of women

served declines as microfinance institutions diversify or transform into banks. Women are less conspicuous in programs with larger loan sizes that could support higher levels of business development.

Women's access to finance beyond microfinance is increasingly supported by a number of actors, including International Finance Institutions (IFIs). However, these initiatives are small and siloed, and often lack targets or monitoring and evaluation frameworks. These initiatives include a mix of technical assistance, capacity-building, financing, and risk mitigation instruments. Some IFIs have set ambitious targets, and have shown commitment and taken initiatives to address the needs of women entrepreneurs. The full report brings together successful examples of financial institutions pro-actively engaging with women entrepreneurs as clients.

Financial institutions can pro-actively and profitably engage with women entrepreneurs as clients. The report demonstrates successes where this has been achieved in ways that benefit both the creditors and their expanded female clientele. These positive outcomes are what the report and its recommendations seek to replicate and expand.

SUCCESSFUL MODELS THAT ADDRESS THESE CONSTRAINTS SHOW THE MARKET POTENTIAL OF SERVING WOMEN ENTREPRENEURS

Some initiatives have shown the way forward through innovative approaches. Too often financial institutions in less developed and less competitive markets do not know enough about the market opportunities that low-income clients and women entrepreneurs could present to them. The examples discussed in the report highlight successful ways of targeting women entrepreneurs and the potential markets they represent. These programs are a catalyst to the financial institutions that provide know-how to banks (and women) but are normally carried out at the outset and are phased out, leaving

13 Gajigo and Hallward-Driemeier, 2010; Sabarwal and Terrell (2008)

financial institutions and service providers with a sustainable approach. Examples include:

- Training combined with expanded access to finance. For example, IFIs can expand targeted credit lines for banks that are combined with training for women entrepreneurs, as well as the management and staff of financial institutions.
- Programs that promote and increase joint property registration to benefit women borrowers. For example, women's lower access to assets can be addressed through changed regulation that will require married women be included in asset registration. This would give them equal rights to property, enabling them to use it as collateral. Similarly, regulations can be changed to address inheritance issues.
- Public sector initiatives that encourage private sector lending to women entrepreneur and equity funds, to address the constraints women face when starting up a new business, both in developed and developing countries.
- Initiatives that address financial institutions risks in serving the women's market. Initiatives that have proven profitable and successful for financial institutions include credit lines, and partial credit guarantees that are combined with capacity building to enhance the skills of women entrepreneurs in running their businesses, and education of commercial banks on the needs of women entrepreneurs.
- Modern collateral provisions, which significantly increase lending secured by movable assets, thus benefiting women disproportionately.

Initial results of these endeavors are certainly promising. But more rigorous evaluation of their effectiveness is needed, and the need to tailor specific programs to local conditions will remain.

RECOMMENDATION/ACTION AGENDA

Based on the evidence presented in the report, drawing from the experience of developed and developing countries, and in line with the G20 Leaders' agreement to the financial inclusion agenda, the report provides a three-point action plan to expand women's access to finance:

- I. Endorse a set of recommendations for policymakers in the developing world to establish a supportive, enabling environment that will facilitate women entrepreneurs' access to financial services in their respective countries.
 - a. Develop country-specific diagnostics and strategies to include a gender dimension in financial inclusion programs;
 - b. Develop a supportive legal and regulatory framework;
 - c. Increase women's legal access to property to improve access to collateral and control over assets, and strengthen women's incentives and ability to grow their businesses
 - d. Encourage Formalization
 - e. Expand financial infrastructure such as credit bureaus and collateral registries that can increase access and reduce the cost of borrowing
 - f. Strengthen SME access to small claims courts and alternative dispute resolution mechanisms
 - g. Build capacity of financial institutions to better serve women entrepreneurs
 - h. Expand research to combine access to finance and business training
 - i. Design effective government support mechanisms
 - j. Appoint a National Leader/Champion for women SMEs
 - k. Build more inclusive public-private dialogue processes by empowering women's networks and associations to actively participate in the policy dialogue
 - l. Strengthen women entrepreneurs' human capital by developing entrepreneurial education and training opportunities that are better aligned to the specific needs of women entrepreneurs
 - m. Consider providing incentives and specific goals for increased procurement by government of goods and services from women-owned enterprises (specifically women-owned SMEs) within their countries

- II. Lead efforts to identify, evaluate, and support the replication of successful models for expanding financial services to women entrepreneurs.
- III. Lead efforts to gather gender disaggregated data on SME finance in a coordinated fashion.

Road Map of the Report

The opening chapter summarizes the scope of the report and lays out the challenge it addresses. It provides data on the substantial contributions women entrepreneurs make as creators of jobs and of value-added. It explains how improved access to finance could help expand opportunities for women entrepreneurs, and reports that filling this market is itself an opportunity for financial institutions.

Chapter 2 begins the analysis of why women entrepreneurs have more limited access to finance by examining non-financial barriers to SME growth. It looks at gender-specific constraints as well as those practices that have indirect gender impacts by disproportionately burdening the smaller and more informal firms in which women's participation is concentrated.

Chapter 3 examines the financial barriers to women's access to finance. After providing more details on the extent of the financial gaps, it explores two broad explanations. First, it shows the importance of taking into account the different types of enterprises that women run and how this affects their performance, the opportunities they face, and thus their ability to access finance. Initial differences in access to finance itself can contribute to the gender sorting across types of enterprises, reinforcing the need to break the cycle. The chapter also examines potential constraints within financial institutions and a country's financial infrastructure that limit their outreach to women borrowers.

Chapter 4 then provides successful models of institutions that have addressed these constraints, showing the market potential for better serving this part of the market.

Chapter 5 uses the evidence provided in the report to draw out the implications and policy recommendations that will address the challenge.

CHAPTER 1

Contributions of Women Entrepreneurs in Economic Development

1. Why Women Entrepreneurs Matter

Women entrepreneurs make significant contributions to their economies. In many developed economies, women are starting businesses at a faster rate than men and are making significant contributions to job creation and economic growth.¹⁴ In the United States, for example, women-owned firms are growing at more than double the rate of all other firms (23 percent and 9 percent respectively) and have done so for nearly three decades.¹⁵ They contribute nearly \$3 trillion to the U.S. economy and are directly responsible for 23 million jobs.¹⁶ New data projections also suggest that future job growth in the United States will be created primarily by women-owned small businesses (Box 1.1). In Canada, women own 47 percent of small enterprises and accounted for 70 percent of new business start-ups in 2004.¹⁷ Women's significant contribution in these developed economies exemplifies what many developing countries can aim to achieve by increasing opportunities for women entrepreneurs.

In many developing countries, women are also making a significant economic contribution. As shown in Figures 1.1 and 1.2, it is estimated that there are about 8 to 10 million formal SMEs with at least one women owner in developing countries.¹⁸ These businesses are contributing to economic growth and poverty reduction. For example, a survey of 1,228 women business-owners in the Middle East North Africa (MENA) region

BOX 1.1 WHERE WILL TOMORROW'S JOBS IN THE UNITED STATES COME FROM?

According to new data projections from the Guardian Life Small Business Research Institute, future job growth in the United States will be created primarily by women-owned small businesses and by 2018 women entrepreneurs will be responsible for creating between 5 million and 5.5 million new jobs. That's more than half of the 9.7 million new jobs the Bureau of Labor Statistics (BLS) expects small businesses to create, and about one-third of the total new jobs the BLS projects will be created in that time frame.

Source: Lesonsky, 2010

found that women are running well-established businesses that are generating revenues well over USD \$100,000 per annum, comparing favorably to the number of women-owned firms in the United States generating similar amounts (Box 1.2). Although the average growth rate of women businesses in emerging markets is significantly lower than that of men, their growth potential is becoming evident. In East Asia, for example, women-owned SMEs have shown a consistent growth trajectory and in some countries are growing at a faster rate than businesses owned by men (Table 1).

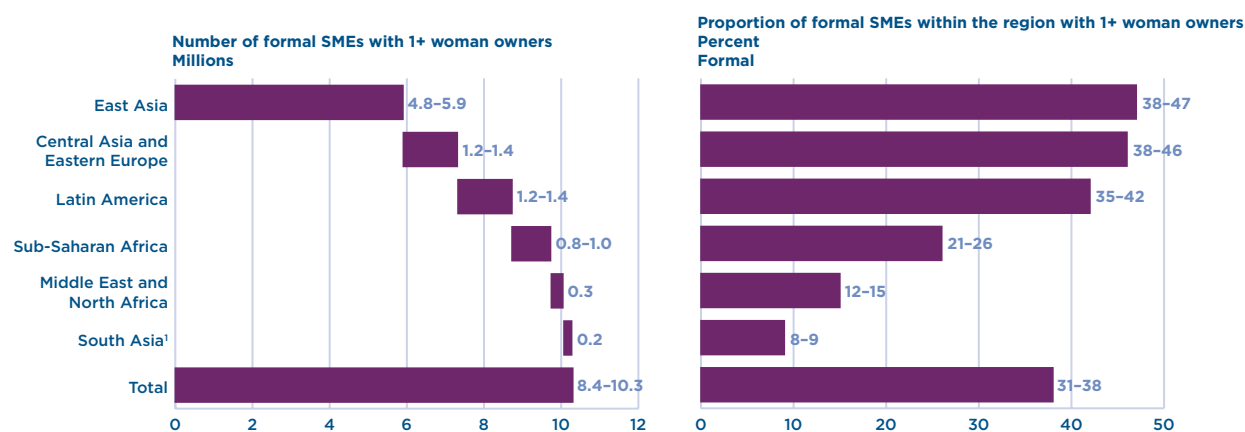
14 OECD, 2003, IFC, 2010

15 Center for Women's Business Research, 2009

16 Ibid.

17 Statistics Canada, 2005

18 IFC McKinsey Global SME Finance Mapping, 2011.

FIGURE 1.1 NUMBER OF FORMAL WOMEN-OWNED SMEs IN DEVELOPING COUNTRIES

Largest proportion of women SMEs come from East Asia
 Women representation lowest among formal SMEs in South Asia and Middle East & North Africa

1. Please note that the definition of a woman-owned SME is based on the enterprise survey definition which asks whether at least one of the owner is female, or whether any of the owners are female. For South Asia, the question posed was "Are any of the principal owners female?" (principal owners defined as >5% ownership) compared to other regions where the question was "Are any of the owners female?"

Source: McKinsey-IFC SME database; Enterprise Survey; ILO, Human Development Report; team analysis

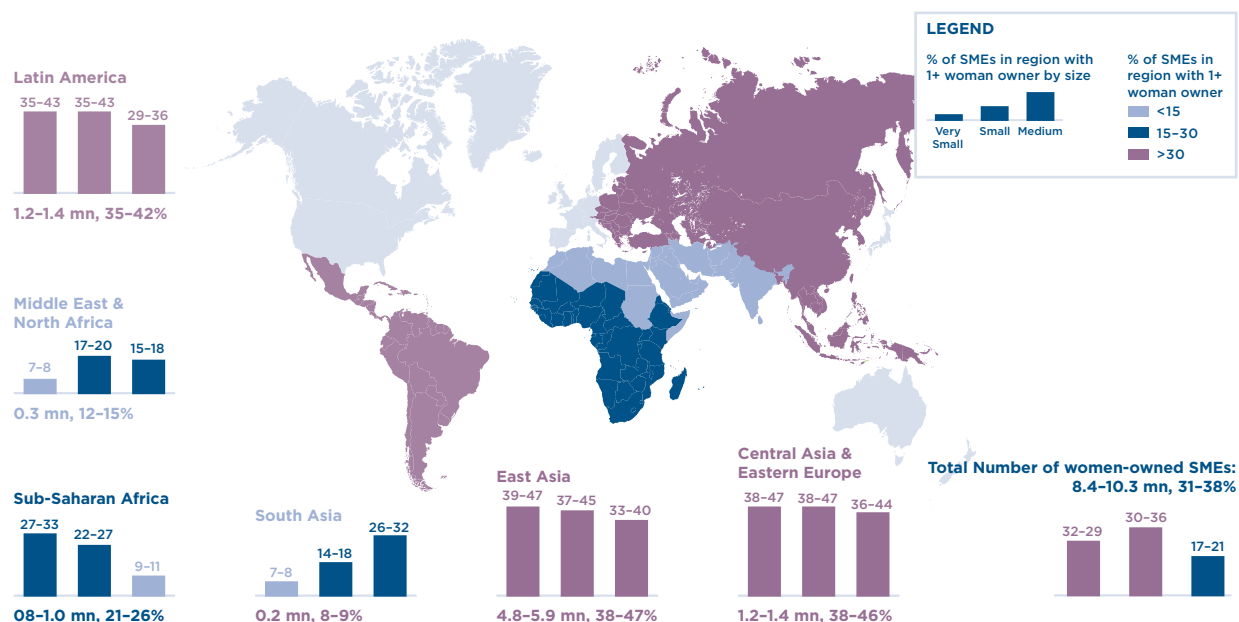
TABLE 1.1 AVERAGE ANNUAL GROWTH RATE OF MALE/FEMALE SMEs IN SELECTED COUNTRIES (Percentage for latest year)

	Female	Male
Indonesia (2007)	8.1%	-0.27%
Malaysia (2008)	9.7%	7.43%
Philippines (2007)	2.5%	N.A
Singapore (2009)	4.2%	N.A
Thailand (2008)	2.3%	.31%
Vietnam (2004)	42.5%	40.93%

Source: Mastercard, 2010

FIGURE 1.2 PERCENTAGE OF FORMAL SMEs WITH WOMEN OWNERS
(proportion by size in region, region total)

Overview of women-owned SMEs' spread across developing countries



Please note that the definition of a woman-owned SME is based on the enterprise survey definition which asks whether at least one of the owners is female or whether any of the owners are female.

Source: McKinsey-IFC SME database; Enterprise Survey; ILO, Human Development Report; team analysis

BOX 1.2 WOMEN ENTREPRENEURS IN THE MENA REGION

A survey of 1,228 women in Bahrain, Jordan, Lebanon, Tunisia, and UAE found that women are making significant contributions to their economies through revenue generations and job creation, and are running and managing established businesses:

Revenue levels: When compared on a USD equivalent basis, between 6 percent (Jordan) and 33 percent (UAE) of surveyed enterprises are generating more than \$100,000 per annum — comparing favorably to the 13 percent share found among women owned firms in the United States. **Ownership structure:** A majority of the women surveyed in Bahrain and Tunisia are sole owners of their firms, at 59 and 55 percent respectively. This compares with 48 percent sole owners in Jordan and the UAE, and 41 percent in Lebanon. **Job creation:** In the five countries, Tunisian women-owned firms are the largest, employing 19.3 workers per firm on average, while women-owned firms in Jordan are the smallest, with an average of six employees.

Established businesses: Most survey participants own established businesses and many have extensive years of experience. Women in Lebanon and Bahrain are the most seasoned business owners of the group. On average, the women in Lebanon have owned their businesses for 10.6 years, in Bahrain for 10.2, in Tunisia for 8.6, in Jordan for 6.1, and in the UAE for 5.9 years. **Top managers:** Women business owners are actively involved in managing their enterprises. Close to two-thirds spend at least 40 hours per week operating their businesses and over one in five spends 60 or more hours.

Source: IFC and CAWTAR, 2007

Entrepreneurship also provides another means to generate income and reduce inequalities among men and women. In transition economies, characterized by limited growth in employment (even during high-growth years), entrepreneurship is important from the perspectives of job creation, private sector development, and wealth creation. Women's participation in entrepreneurship can help expand these economies while also leading to less inequality in society. For example, in Japan it is estimated that if the country's 60 percent female employment rate in 2009 could match the 80 percent rate among men, the country would have 8.2 million more workers to replenish its rapidly aging population and raise its gross domestic product by as much as 15 percent.¹⁹

Economically empowered women are major catalysts for development, as they usually re-invest their money in their children's health, nutrition, and education. Reducing gender inequality in resources and improving the status of women is thus "smart economics." There is mounting evidence to show that women's economic activity results in better bargaining power in the home.²⁰ More bargaining power for women not only benefits the women but also results in greater investments in the health and education of children, thus promoting human capital of the next generation and therefore improving the potential for economic growth.²¹

External financing and, in particular, the availability of business loans is especially relevant for women's new ventures²² as they have less access to property or resources such as employment. On the other hand, empirical evidence shows that providing better financial access to the non-poor small entrepreneurs can have a strongly favorable indirect effect on the poor.²³ Gender differences in access to financial services can thus potentially have negative repercussions not only for women entrepreneurs but for the overall economy.²⁴

Although these numbers are impressive, women entrepreneurs are constrained by barriers such as limited access to finance, which impedes both growth and development. Women entrepreneurs are more likely to cite access to finance as the first or second barrier to developing their businesses (see Figure 1.3). In addition, women tend to have less access to finance and other resources than men, and face issues of rights and voice.²⁵ Such differences create a distortion and often result in a situation where women's economic activities are under-resourced and undercapitalized, reducing the overall aggregate output and inhibiting economic growth.²⁶

19 ABD/ILO, 2011

20 Klassen and Wink, 2002; World Bank, 2001; Sen, 1990, Hoddinott and Haddad, 1995, Pitt, et.al. 2003, Khandker, 1998, Duflo, 2003; Piesse and Simister 2003, Khandker et al. 2008, World Bank, 2009

21 Thomas, 1997; World Bank, 2001, Klassen and Lamanna, 2008, Stotsky, 2006, World Bank, 2001, Besley, Burgess, and Esteve-Volart, 2004 also show that reducing gender inequalities will contribute to higher rates of economic growth and greater macroeconomic stability.

22 Fay and Williams, 1993

23 Demirguc-Kunt, A. Thorsten Beck, T. and Patrick, H. 2008

24 Aterido et.al. 2010

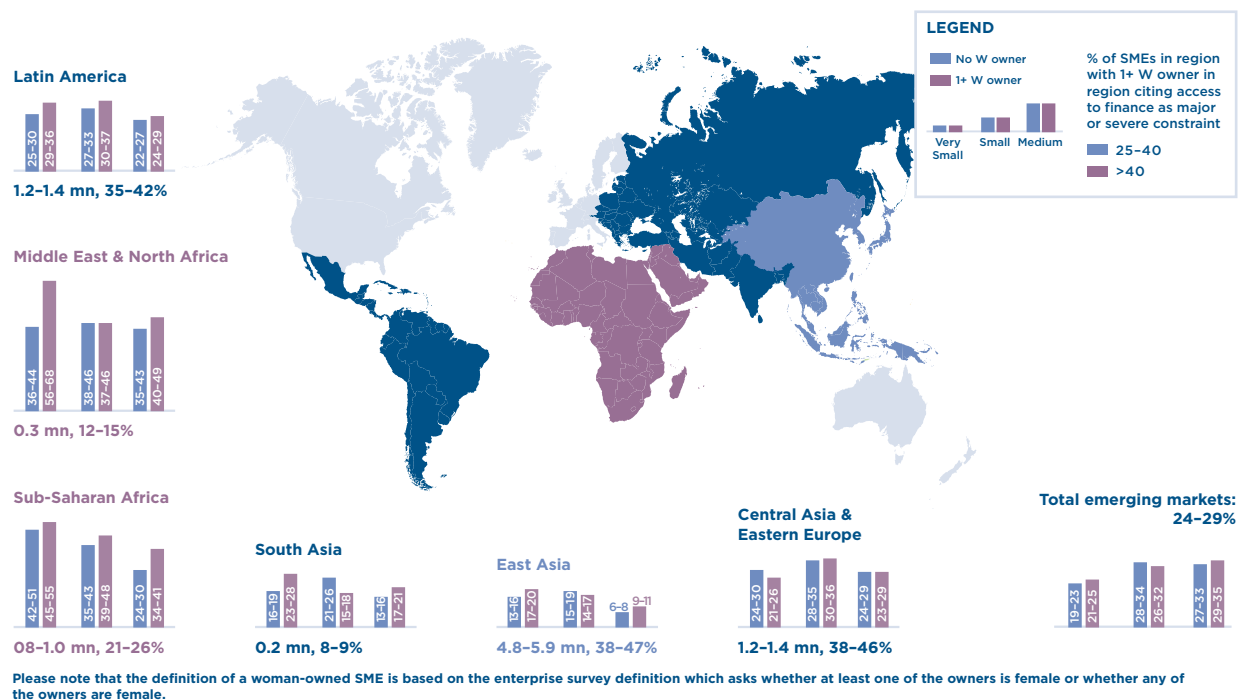
25 Women, Business and the Law, World Bank, 2009

26 World Bank, 2001; 2005; Udry, 1996 cited in Klassen, 2005, Stotky, 2006

FIGURE 1.3 PROPORTION OF SMEs THAT REPORTED ACCESS TO FINANCE TO BE A MAJOR/SEVERE BARRIER

Percent (region weighted average)

Women entrepreneurs are more likely to cite access to finance as a major or severe constraint



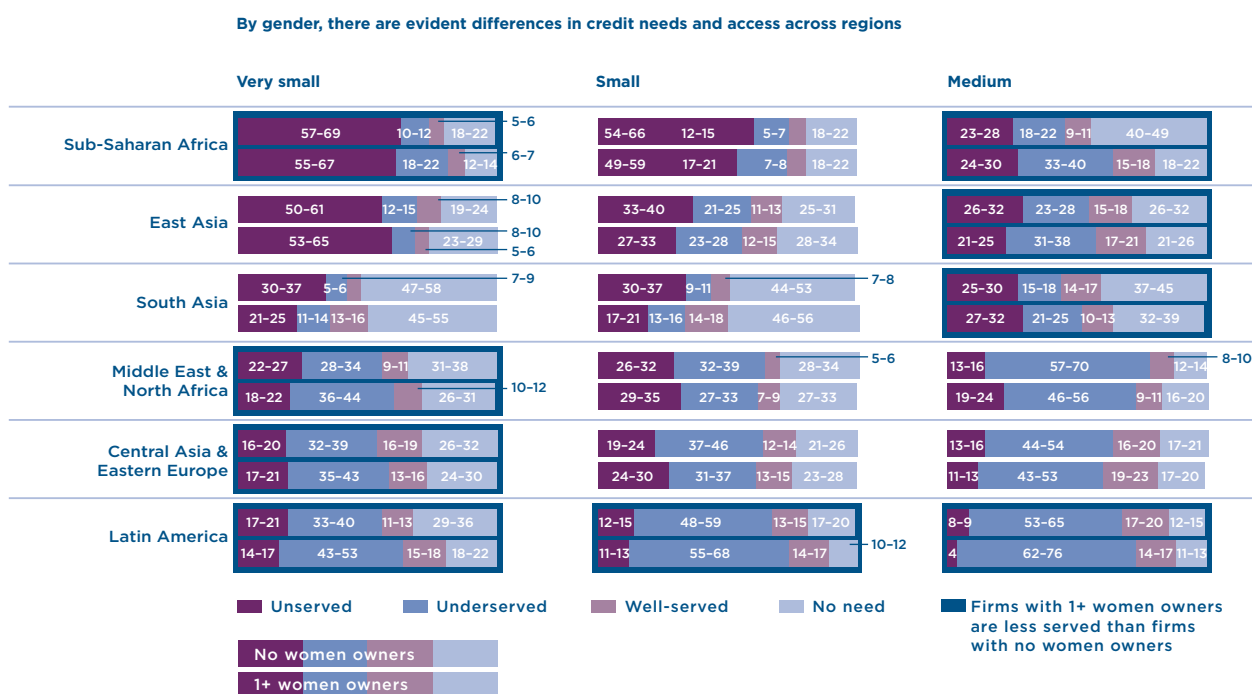
Source: McKinsey-IFC SME database; Enterprise Survey; team analysis

Most women entrepreneurs face disproportionately high and differentiated barriers relative to male entrepreneurs, including laws that discriminate by gender, customary practices, less access to resources, and lower levels of education, training, and work experience. Women also may face restrictions on mobility and often have multiple demands on their time. In 102 of the economies covered in *Women, Business and the Law*,²⁷ there is at least one such legal difference between men and women that may hinder women's economic opportunities. No economy imposes all 45 legal

differentiations on women, but 25 economies impose at least 10. According to the methodology of *Women, Business and the Law*, on average, high-income economies have fewer legal differentiations than middle- and low-income economies. However, even as income levels rise, gender disparities do not necessarily disappear. For example 17 of 39 high-income economies covered by the *Women, Business and the Law* report have at least one legal gender differentiation between men and women.

²⁷ *Women, Business and Law* is an objective set of indicators of barriers to entrepreneurship and employment for women. It focuses on laws and regulations that may lead to differences in the ability of women, vis-a-vis men, to start and run their own businesses, and to secure formal sector employment.

FIGURE 1.4 CREDIT NEEDS AND ACCESS FOR FORMAL SMEs BY REGION¹
Percent



Please note that the definition of a woman-owned SME is based on the enterprise survey definition which asks whether at least one of the owners is female or whether any of the owners are female.

- In Latin America, across sizes, firms with 1+ women owners are more underserved than firms with no women owners
- In South Asia and SSA, there is a significant difference between 1+ women owners (total level of unserved and underserved) for medium enterprises. The other regions and sizes show a minimal difference between genders
- Women are consistently less served (i.e., total level of unserved and underserved) than men for very small enterprises across 2/3 of all regions

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

Source: IFC SME database, Enterprise Survey, team analysis

Women continue to be concentrated in small, low-growth firms, and disproportionate share of women’s businesses fail to mature. Figure 1.4 shows evident differences in credit needs and access to finance by gender. Women consistently receive lower levels of service than men for very small enterprises across two-thirds of the regions. This has negative implications for

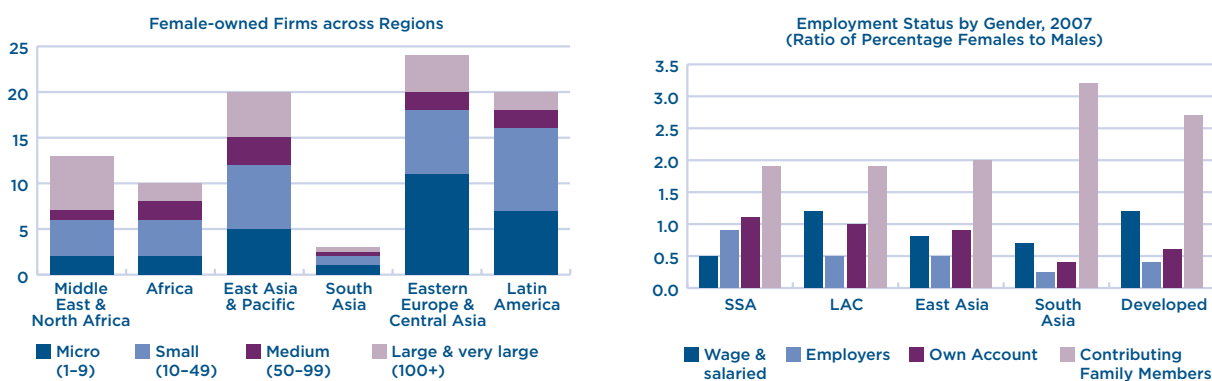
growth and poverty reduction in developing countries. Understanding the barriers women’s businesses face and providing solutions to address them is necessary for countries to further leverage the economic power of women in order to promote growth and the attainment of development goals.

2. Importance of Women's Access to Finance

Research shows that creation and growth of small firms is facilitated in countries that provide a supporting enabling environment, including easier access to finance.²⁸ Financial access also enables existing firms to expand by helping them to exploit growth and investment opportunities.²⁹ In particular, access to finance contributes to growth through entry of new firms³⁰ and the creation of a thriving private sector with efficient distribution of resources,³¹ and is particularly good for firm growth, especially for small businesses.³² Indeed, access to capital can be critical for firm growth.³³

Financial market imperfections are particularly constricting for small entrepreneurs who lack collateral, credit histories, and connections.³⁴ Many of these entrepreneurs in developing countries are women. Enterprise survey data shows that small firms are more likely to be negatively impacted by financial constraints than are large firms, which are 150 percent more likely to use bank finance for a new investment.³⁵ Women in developing countries are largely concentrated in small firms (Figure 1.5) and hence are likely to face greater financial constraints. Thus, looking at ways to increase their ability to access funding in order to develop and grow their businesses is critical to achieving private sector growth and sustainable development.

FIGURE 1.5 FEMALE-OWNED FIRMS ACROSS REGIONS AND EMPLOYMENT STATUS BY GENDER



Please note that the definition of a woman-owned SME is based on the enterprise survey definition which asks whether at least one of the owners is female or whether any of the owners are female.

Source: World Bank Enterprise Surveys; ILO, Global Employment Trends for Women 2008.

28 Klapper, Laeven, and Rajan, 2006

29 *Finance for All?*, 2008, Rajan and Zingales, 2003

30 Klapper, Laeven, and Rajan, 2004

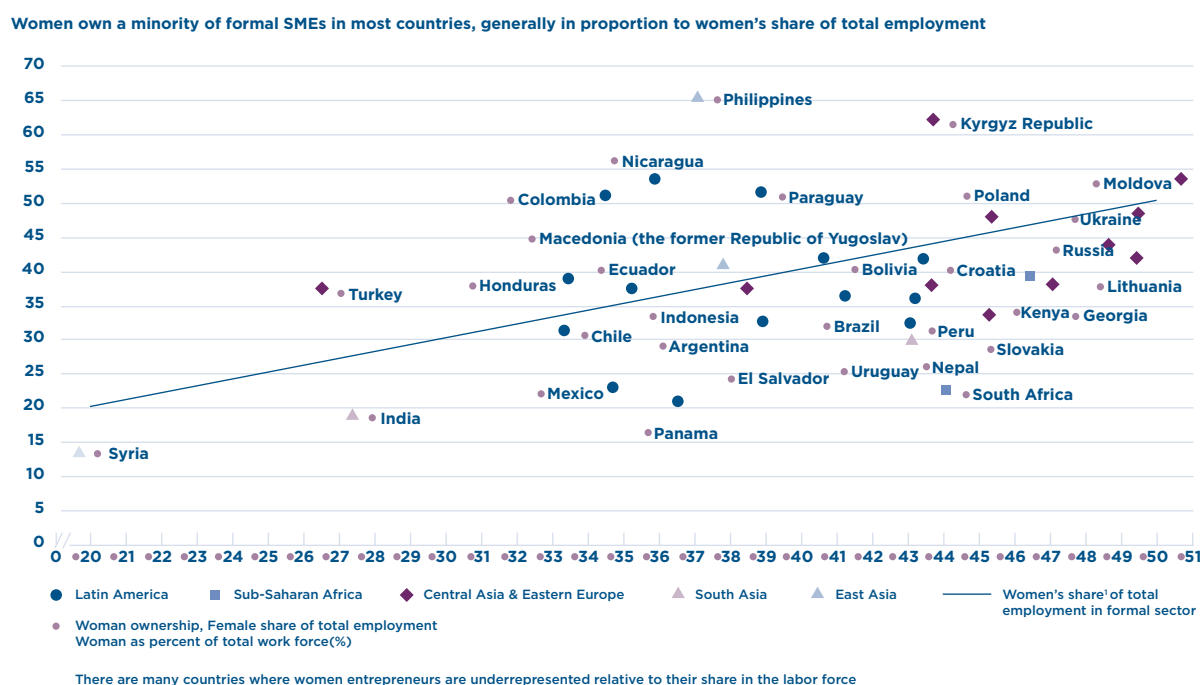
31 Rajan and Zingales 2003

32 Beck, Demirguc-Kunt and Maksimovic, 2005

33 Banerjee and Duflo, 2008; De Mel, McKenzie and Woodruff, 2008

34 Galor and Zeira 1993

35 Beck, Thorsten, 2007

FIGURE 1.6 WOMEN OWNERSHIP OF FORMAL SMEs

1 Direct relationship between share of employment and share of ownership (e.g., if women make up 30% of employment in a country, they represent 30% of SME ownership)

Source: IFC-McKinsey MSME database; Enterprise Survey; ILO, team analysis

Increasing access to finance is good for women's labor market opportunities as well as for the growth of women's businesses. Women own a minority share of formal SMEs in most countries, generally in proportion to women's share of total employment. However, there are many countries where women entrepreneurs are under-represented relative to their share in the labor force (See Figure 1.6). Women not only are more

likely to become gainfully employed after credit is extended to them, but are also able to significantly increase their income, which in turn positively impacts their families and communities. For example, the opening of Banco Azteca in Mexico increased the overall, total employment of women, including informal business owners and wage earners, by 1.5 percent.³⁶

Increasing access to finance for Women Business-Owners is also a sound strategy for financial institutions as they look to increase their business with SMEs. Financial institutions that have created specific approaches for women entrepreneurs as part of their overall SME strategies have seen an increase in their number of women clients, both as entrepreneurs and as consumers. The experience of members of organizations such as the Global Banking Alliance (GBA) for women, a consortium of financial institutions committed to serve the women's market, shows that extending banking services to women is profitable and sustainable.³⁷

Closely linked to the obstacles women business-owners face in accessing finance are the disproportionately high and differentiated legal and regulatory barriers. These barriers affect women's ability to run stronger, more viable businesses that financial institutions see as having an attractive risk profile. Struggling with these obstacles, many women business-owners in developing countries continue to be concentrated in small, low-growth firms that are often unable to fully mature.

The recent financial crisis has heightened the urgency for increasing women's economic opportunities. Women lacking in resources and opportunities were identified as being particularly vulnerable.

37 Global Banking Alliance for Women website: <http://gbaforwomen.org/default.asp?id=1284.2>

CHAPTER 2

Non-Financial Barriers to Expanding Women's SMEs

This section provides a greater context to women's access to finance by examining a number of non-financial barriers that can also constrain women's abilities to operate and grow their businesses. Some of the constraints are gender specific. These include gender differences in formal economic rights in the law, as well as cultural practices that can constrain the types of opportunities women pursue. Complicated and costly regulations, weak governance, or poor infrastructure services constrain all SMEs. Still, they can also have an indirect gender impact. Figure 2.1 shows how the proportion of women ownership in formal enterprises tends to increase with legal equality. As there are often differences between women and men in the types of enterprises they run, constraints that burden smaller and more informal firms will hurt women disproportionately — and addressing such constraints will disproportionately benefit women.

FIGURE 2.1 LEGAL EQUALITY AND WOMEN OWNERSHIP IN FORMAL ENTERPRISES

The proportion of women ownership in formal enterprises tends to increase with legal equality

Women's rights ¹	Average percent of formal SMEs with 1+ woman owner Percent	# of countries included
Not equal (0-2 "yes")	24-30	18
Partially equal (3-5 "yes")	24-30	22
Equal (6 out of 6 "yes")	24-30	32

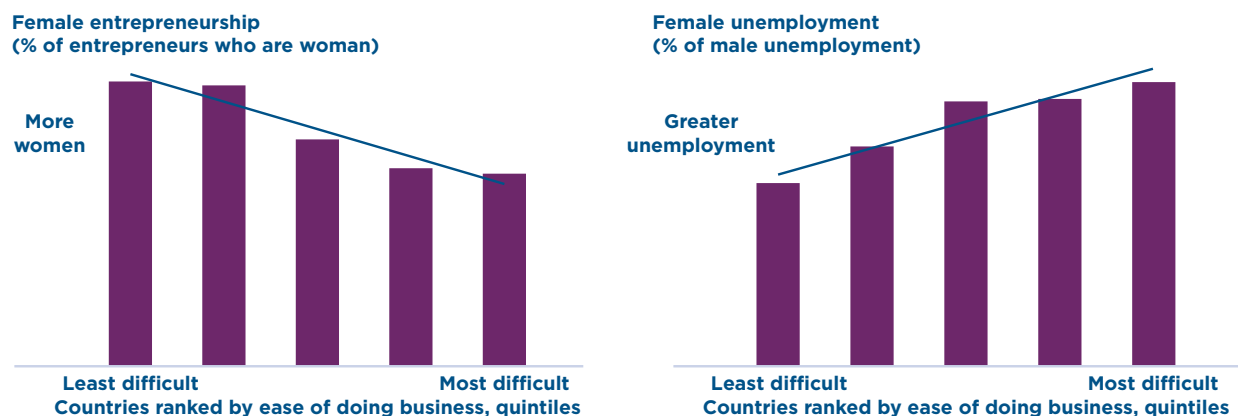
1 Used 6 questions to determine: Do men and women have : 1) The same personal income tax liability?; 2) Equal capacity by law? 3) Equal capacity by law (married men and married women)? 4) Equal ownership rights over moveable and immoveable property?; 5) Equal inheritance rights over moveable and immoveable property?; 6) Can women work in all industries? Survey does not distinguish between single and married women and research shows that experiences across these groups can vastly differ

Source: McKinsey-IFC MSME database; Enterprise Survey; Women, Business and the Law database; team analysis

LEGAL ENVIRONMENT

Smart regulation is key to enabling women to start and operate their businesses.

The World Bank study *Voices of the Poor* asked 60,000 poor people around the world how they thought they might escape poverty.³⁸ The answers were unequivocal: women and men alike pin their hopes on income from their own business or wages earned in employment. But in these economies, up to 80 percent of economic activity takes place in the informal sector. Firms may be prevented from entering the formal sector by excessive bureaucracy and regulation. Where regulation is burdensome and competition limited, success tends to depend more on whom you know than on what you can do. But where regulation is transparent, efficient, and implemented in a simple way, it becomes easier for any aspiring entrepreneurs, regardless of their connections, to operate within the rule of law and to benefit from the opportunities and protections that the law provides (See Figure 2.2).

FIGURE 2.2 GREATER EASE OF DOING BUSINESS, MORE WOMEN ENTREPRENEURS AND WORKERS

Note: Relationships are significant at the 1% level and remain significant when controlling for income per capita

Source: *Doing Business* database, World Bank Enterprise Surveys, World Bank, World Bank Development indicators database

A fundamental element in encouraging entrepreneurship is the right to access and control property.

This has been recognized in the literature since the time of Adam Smith. 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. However, gender gaps in property rights exist in many countries — both de jure, in statutes, and in practice, through more limited access to the justice system.

Women’s formal property rights are not always as secure as men’s.

Over 136 countries now have explicit guarantees for equality of all citizens and nondiscrimination between men and women in their constitutions. However, the constraints in effectively using and controlling the property remain common. This is particularly true for married women, as often husbands legally control the assets of the marriage. Of the 136 countries, only 20 do not have legal gaps in the economic rights for women and men.³⁹

Determining formal property rights can be complicated in situations of overlapping sources of law — often to the detriment of women.

Law is fluid, so statutory protections or rights can change. But determining rights is not only a matter of written statute or constitution. In many countries, particularly in Africa and the Pacific, customary law is a formal source of law. It often is seen as prevailing in issues of property and succession. As such, there can be overlapping sources of law that include non-codified customary law. Interpreting rights in such cases can be demanding and not necessarily predictable. Examination of cases from courts in Africa show that the uncertainties introduced are often to the detriment of women’s rights.⁴⁰ In some parts of Africa, customary laws prevent women from acquiring land titles without a husband’s authorization. Marriage is the most common avenue for women to gain access to land; husbands usually own it, while wives only have claim to its use (Box 2.1). Marriage can also be a common avenue for women to lose access to the land they already owned, depending on how the default marital property regime is structured.

³⁹ Women Business and The Law (2012) provides indicators of whether women and men have the same rights over movable and over immovable property, and whether they have the same legal capacity.

⁴⁰ For more on this, see World Bank publication: Women Business and the Law, 2010

BOX 2.1 WOMEN'S LEGAL AND ECONOMIC EMPOWERMENT IN AFRICA

Despite the inclusion of non-discrimination as one of the framing principles of each of the 47 African countries' legal systems, the majority of countries have formally recognized exceptions in key areas of women's economic rights. Twelve countries recognize in their constitution that customary law prevails over issues of marriage, property, inheritance; and explicitly exempts customary law from non-discrimination provisions. Twenty-two countries have head of household statutes that give husbands the legal authority to deny their wives from working outside the home or opening a bank account. Married women's ability to testify in court or to initiate legal proceedings can also be limited. And finally, some countries provide no statutory protections for women to keep a share of marital property upon divorce or inheritance.

Source: Lesonsky, 2010

Women often do not have the same right to land:

Property rights span a range of assets, but land can be the most valuable and is prized as a form of collateral. However, in many locations, property is titled in a husband's name alone. Married women may not be deemed creditworthy since they do not possess the title to their land or house. Inheritance laws that favor male heirs can exacerbate the unequal distribution of assets within a household.⁴¹

While property rights for women have slowly begun to improve in some countries, legislation has often
proved insufficient to change observed practices.

Often the rights that women do have may be undermined through land reform and rural development programs that grant property titles to the household head (often automatically assumed to be the man) and that do not protect or reinforce women's informal rights.⁴² Women thus own as little as 11 percent of land in Brazil and 27 percent in Paraguay. In Kenya women account for as little as 5 percent of registered landholders nationally.⁴³ In Tajikistan, despite equal rights of inheritance and ownership, while two-thirds of male-headed households own land, less than one half of female-headed households do so.⁴⁴ And where they do own and control land, their land holdings are often smaller than those of men. In Ghana, the mean size of men's landholdings is three times that of women's.⁴⁵ In India, women typically have little effective control over land⁴⁶ and in Sub Saharan Africa (SSA) most land is owned by men under the customary law.⁴⁷

Weak property rights disadvantage women in credit markets, because secured property rights to assets that borrowers can pledge as collateral can increase access to capital.⁴⁸

Women's lack of immovable assets and collateral disadvantages them in credit markets. Assets and collateral are important for entrepreneurs to obtain credit for start up and growth. Lack of sufficient collateral is one of the main reasons cited for rejection of loans and discourages many women from approaching banks. In India, for example, the absence of land titles significantly limits women farmers' access to institutional credit.

41 Goheer 2003; ILO/AfDB 2004; GEM/IFC 2005; Ellis and others 2007; Morrison, Raju, and Sinha 2007; Demircuc-Kunt et. al. 2008

42 World Bank Gender in Agriculture Source Book, 2008

43 Fiszbein and others, 2009

44 Gender in Agriculture Source Book, 2008

45 de Janvry and others, 2006 cited in WDR 2012 forthcoming

46 Aggarwal, 1994

47 Hallward-Driemeier, 2011

48 Peruvian economist Hernando de Soto, in his book "The Mystery of Capital," argues that the poor had plenty of capital but that the lack of property rights meant that it was unusable for access to finance.

In the Middle East women's small and medium enterprises are often in services, where banks have difficulty quantifying output since there are no physical assets, such as machinery, to serve as a basis for loan assessment. Running larger businesses and becoming employers, however, requires greater legal protection and better control over businesses. Box 2.2 shows how countries that do effectively change laws stand to gain.

BOX 2.2 STRENGTHENING WOMEN'S PROPERTY RIGHTS DOES AFFECT OPPORTUNITIES PURSUED

Ethiopia changed its family law in 2000, raising the minimum age of marriage for women, removing the ability of the husband to deny permission for the wife to work outside the home, and requiring both spouses' consent in the administration of marital property. While this reform now applies across the country, it was initially rolled out in three of the nine regions and two chartered cities. Comparison of two nationally representative household surveys, one in 2000 just prior to the reform and one five years later, helps estimate the impact of the reform. Five years later, we find a significant shift in women's economic activities. In particular, women's relative participation in occupations that require work outside the home, full time work, and higher skills rose relatively more where the reform had been enacted (controlling for time and location effects).

Source: Hallward-Driemeier and Gajigo, 2010

BOX 2.3 SOME BANK-LED INITIATIVES TO ADDRESS WOMEN'S LACK OF COLLATERAL

In Sri Lanka women commonly hold their wealth in gold jewelry. This is accepted by formal banks as security for loans (Banking the Poor, 2008). In Tanzania, Sero Lease and Finance, a women's leasing and finance company, provides loans to women to purchase equipment for their businesses. And in Uganda DFCU has designed a land product for women to acquire land and build their collateral (IFC, 2010).

Women are particularly disadvantaged in financial markets due to their lower asset ownership and property rights. Women generally have fewer years of work experience and less control over their earnings, and typically earn less than men. This directly affects their ability to save and build assets. Assets are also inherited or acquired at marriage. Inheritance and property rights often apply differently to men and women, in ways that tend to disadvantage women in many countries. Not surprisingly, gender disparities in access to physical capital and assets remain large and significant.⁴⁹

Given weaker access to land and bank accounts, modern collateral laws and credit information systems are key in enabling women to access finance (Box 2.3). Sound collateral laws will enable businesses to use their assets, especially movable property, as security to generate capital, while having strong creditor's rights has been associated with higher ratios of private sector credit to gross domestic product GDP. Credit information systems that collect data on bank loan repayments and from microcredit institutions, utilities, and trade creditors benefit female borrowers by allowing good borrowers to establish a reputable credit history without even having a bank account, thus enabling them to access credit more easily.

2.1 Cultural environment

Culture can constraint the opportunities women pursue. Women can face additional barriers related to custom, have less time available due to the prevailing gender division of labor, or have lower intra-household bargaining position and consequently less control over their earnings. For the women entrepreneurs who are looking to achieve scale and further develop their enterprises, such constraints may reduce the incentive to grow businesses and thus their ability to access financial services.

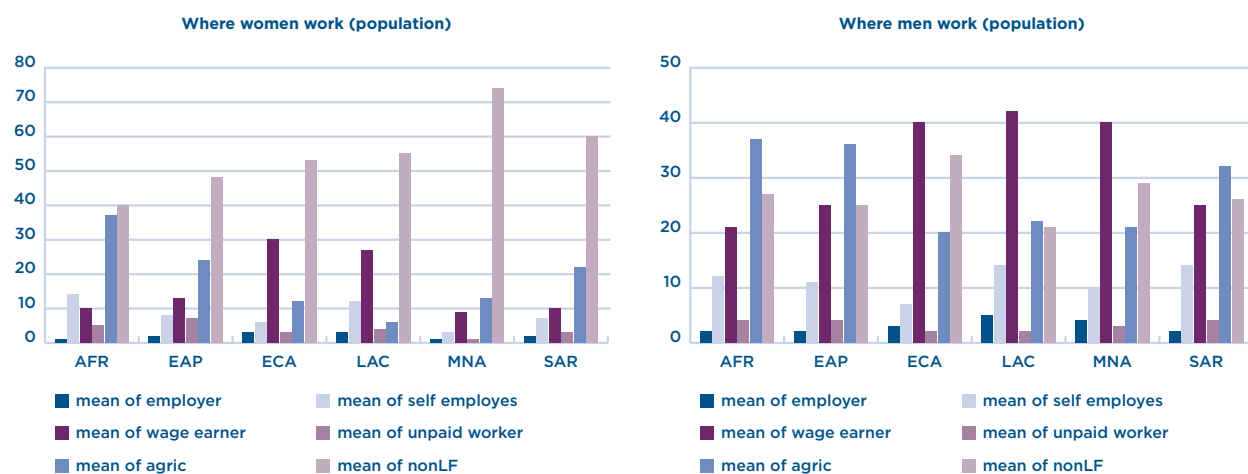
TIME AVAILABLE FOR ENTREPRENEURIAL ACTIVITIES

The greater time demand on women for household and child care activities⁵⁰ affects their market time allocation, duration and type of experience, learning and, consequently, the sector and choice of activity. Overall greater demand on time has the effect of limiting women's labor mobility and burdening them with disproportionately higher household responsibilities. Combined household and micro-firm data from Mexico points to child care obligations as the main restriction on the growth of female-owned firms. The data show that the differences in size and profits between female- and male-owned firms are larger for women who live in households where children under the age of 12 are present. The presence of children accounts for about 30 to 40 percent of the size and profit difference between female- and male-owned firms. Additional results from Mexico and

Bolivia also show that female-owned firms are two to three times more likely to operate inside the owner's home than are male-owned firms. This suggests that household obligations could restrict location, size, and industry choices for female business owners, possibly leading to performance differences.⁵¹ Research on Tanzanian women's economic activities suggests that reducing time burdens of women could increase household cash incomes for smallholder coffee and banana growers by 10 percent, labor productivity by 15 percent and capital productivity by 44 percent.⁵²

Consequently, flexibility in self-employment is often a big motivating factor for women with families to become self-employed, while this is not always true in the case of men.⁵³ The gender gap in time demand may also affect the duration and types of work experience men and women have and thus be a significant reason why they are in formal and informal businesses.⁵⁴

FIGURE 2.3 GENDER DIFFERENCES IN ECONOMIC PARTICIPATION BY REGION



Source: Expanding Opportunities for Women in Sub-Saharan Africa. Hallward-Driemeier, 2011

50 Blackden and Bhanu 1999

51 Bruhn, 2009

52 Blackden and Bhanu, 1999

53 Boden R.J. 1999, Lombard, 2001

54 Dessing 2002; Grossbard-Shechtman and Neuman 1998

Custom may further reinforce a gender division of labor. Women may be socialized into bearing the higher share of the workload. While hard evidence is lacking, anecdotal evidence suggests that the gender division of labor persists even in advanced, non-agricultural societies.⁵⁵ Gender differences in economic participation are one reason why more women are not part of the labor force (Figure 2.3).

Customs and social norms often also define the activities women can engage in, imposing restrictions on mobility or on engagement with the outside. In the Solomon Island while women's activities as small traders and as producers of agricultural products and handicrafts are accepted, women are not otherwise encouraged to start and grow businesses.⁵⁶ Such customary restrictions not only limit women's choices, they also often form the basis from which a country's laws derive and may pose a deeper challenge to reform.⁵⁷

Social norms, though hard to change, are not cast in stone. Norms persist and reinforce gender inequalities in markets and institutions, rendering the goal of gender equality even harder to achieve. One of the few studies that attempts to quantify the impact of culture⁵⁸ finds that the effect persists even after controlling for possible indirect effects of culture that are transmitted through educational levels and spousal characteristics. However, customs and customary laws are not cast in stone and appropriate policy and legal reform and its implementation can change norms.

INTRA-HOUSEHOLD BARGAINING POSITION

Women often have less voice and control over resources including on their own income, which may act as a disincentive to business expansion. Among married women, 34 percent in Malawi, 28 percent in the Democratic Republic of Congo, 18 percent in India, and 14 percent in Nepal report that they are not involved in decisions about spending their earnings.⁵⁹

Other studies on rural enterprises show that women may manage several microenterprises simultaneously to conceal the true extent of their earnings from their male partners.⁶⁰ In Zimbabwe, a study shows that women dispersed peanut plants throughout their plots rather than bunch them together to disguise the extent of their planting.⁶¹ In Uganda, women lack of control over income, even when they have provided the labor for it. This often acts as a disincentive for cash crops, as men tend to control the resulting income.⁶² Compared to men, women re-invest a smaller share of the profit and this impacts the growth of their businesses.⁶³ In Morocco female businesses generally face increased pressure to draw money from their projects and inject it into the family budget than men.⁶⁴ Also, survey results find that among women entrepreneurs in Vietnam only 23 percent of 500 businesses in the sample were able to reinvest business earnings to fuel business growth.⁶⁵ Women in Solomon Island lack the incentive to grow their businesses, fearing that their earning may be confiscated, as assets and earnings are

50 Klapper & Parker 2010

56 Hedditch and Manuel, 2010

57 Hallward-Driemeier, 2011

58 Fernandez and Fogli, 2005 examined the work and fertility behavior of women aged 30-40 who were born in the United States but whose parents were born elsewhere. Historical labor force participation rates and fertility rates in the country of origin of the parents are significant determinants of the labor force participation and fertility decisions of these women. The authors interpret these variables as proxies for culture, and find that their effect persists even after controlling for possible indirect effects of culture that are transmitted through educational levels and spousal characteristics

59 United Nations Survey- Department of Economic and Social Affairs, 2010

60 World Bank (2008) :Gender in Agricultural Resource Book,

61 Although harvesting took longer, their husbands did not realize how much money their wives were making by selling peanuts, or the significance of the social capital the women reaped through bartering and giving away peanuts (Vijfhuizen 1996).

62 World Bank. 2005a. Uganda - From Periphery to Center: A Strategic Country Gender Assessment. Washington, DC

63 Narain, 2009, Klapper and Parker, 2010

64 Murray I. and N. Barkallil, Women's World Banking 2006

65 Women Business Owners in Vietnam: A National Survey, IFC, 2006

controlled by men.⁶⁶ While the average women's return to capital in Sri Lanka was dramatically lower than that of men, women who were "empowered" to invest efficiently, without fear of takeover, were more profitable. Not having the agency to make strategic life choices even for self-generated income thus restricts women entrepreneurs from realizing their full potential.⁶⁷

Women's lack of access to a safe place to save as well as access to products and services to meet their life cycle needs such as education, health, insurance, pension etc further impacts their ability to reinvest their earnings in business growth (Narain, 2009). Box 2.4 shows examples of products and services that reflect and meet these needs.

BOX 2.4 PRODUCTS AND SERVICES THAT MEET WOMEN'S LIFE CYCLE NEEDS

mChek's research and mobile money pilots with microfinance institution Grameen Koota, in India shows that women consistently report the benefits of secure savings, even from their husbands who commonly take their money for alcohol. Quotes such as "My husband can break the phone, but he'll never get the money out of the SIM" indicate a level of security women do not have with cash. Women participants in the study suggested mobile money features such as keeping separate account balances and multiple PINs in order to keep secret the actual value in their accounts. Security is also particularly important for women to be able to save for long-term expenses that they are expected to manage such as school fees. (Rozycki, 2011).

MannDeshi Bank, a rural women's cooperative bank in India introduced smart cards as a safe place to save for its women members who did not want to take their daily earnings home for fear of confiscation or siphoning off for other uses. The card not only helped women save at their convenience, it also made them eligible for larger loans against savings. MannDeshi Bank benefitted through better repayments and higher savings (MannDeshi Bank, 2011).

SEWA Bank India's approach is to meet life cycle needs of women through a variety of products and services. SEWA has developed products and services to meet productive and non-productive financial needs through savings and credit and insurance so as to enable women to increase their asset base and capitalization (SEWA Bank) while also meeting their life cycle needs (SEWA, 2011)

RESTRICTIONS ON MOBILITY

Restrictions on mobility limit women's ability to start and grow businesses by impacting both demand and supply. In highly restrictive societies, women may not be allowed to talk to strangers or go out alone, both of which are necessary to start and grow a business.⁶⁸ This impacts their ability to access finance to grow their businesses (Box 2.5). Norms around mobility may be particularly restrictive for women entrepreneurs in

remote rural areas. Not many studies have looked at the link between mobility restrictions and business start-up or productivity. The relationship can be a complex one, however.⁶⁹ On the one hand, increased demand for female labor may cause a loosening of mobility restrictions.⁷⁰ On the other hand, mobility restrictions themselves limit female labor supply. Additionally, the cultural norms that support these mobility restrictions may also restrict demand for female labor.⁷¹

66 Hedditch and Manuel, 2010

67 del Mel et. al., 2009

68 Field et. al., 2010

69 Morrison et.al., 2007.

70 Bardhan, 1974, cited in Rahman and Rao, 2004

71 Morrison et.al., 2007

BOX 2.5 RESTRICTIONS ON MOBILITY FOR WOMEN IN MENA

Restrictions on mobility may create significant impediments for women to do business in the MENA region. In some cases, women need the permission of husbands to obtain a passport or travel. Today, a woman may face fewer challenges in finding foreign buyers for her firm's output, but she cannot board the plane to close the deal if her husband has not given her written permission to obtain a passport and travel. Or she may succeed in attracting the leading foreign investors in her sector to partner in her venture, but she may still have to bring her father or husband to cosign her loan, even though banking laws do not require it. Although banking laws do not discriminate against women borrowers, obtaining a loan may be harder for women in countries where banks require the husband as a cosigner, even if he lacks financial resources or is not involved in the venture. The intent is to ensure that the woman's actions do not interfere with the wishes of the family or her husband.

Source: The Environment for Women's Entrepreneurship in the Middle East and North Africa Region. World Bank. 2007

BOX 2.6 TRAINING WOMEN IN NONTRADITIONAL SECTORS

Under an initiative led by an Italian corporation, Pashtun women in Kabul from low income families were trained in non-traditional businesses that had hitherto been reserved for men, such as gemcutting, cellphone repair, and catering. Many of the trainees have graduated to work as caterers, lantern makers, cellular phone repairers and gem-cutters. A group of trained gem-cutters have since set up a company, the Sultan Razia Gem Cutting Co., in Kabul. A USAID evaluation of the company's model states that it has "a sound basis for rapid expansion." Getting the women to this training, however, was not easy. The Italian corporation first had to convince the "Shura" (local council) members to allow women to train with them. As an additional protective measure, they also added a Shura member to their payroll.

Source: Narain, 2006

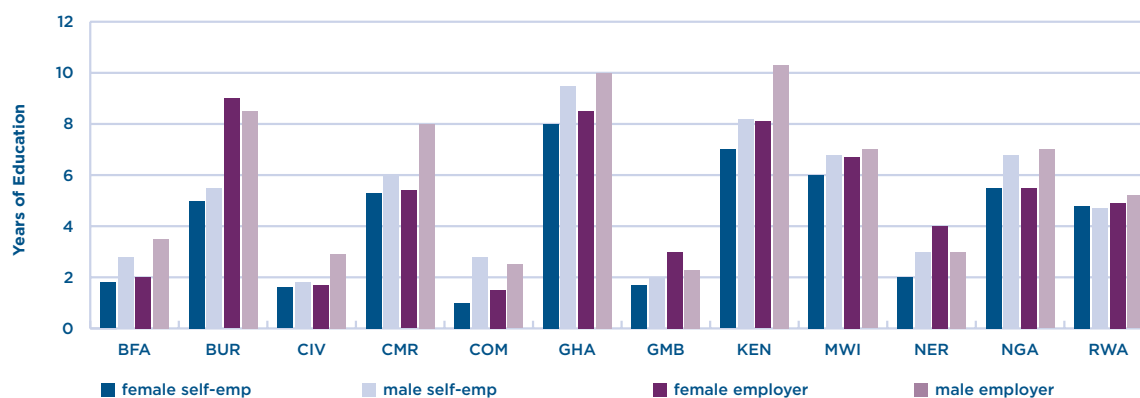
2.2 Human capital

Human capital is a strong predictor of entrepreneurial activity, but women still have lower measures of human capital. Among older generations, the gender gap in years of schooling is significant. However, in recent years, formal education is one area where tremendous progress has been made in closing gender gaps. Primary school enrollment rates are close in the vast majority of countries, although not all. Indeed, in some locations, including the Middle East and North Africa, more women than men are enrolled in tertiary education. However, in other measures of human capital such as literacy, financial literacy, and management skills, gaps persist (Figure 2.4).

Increasing women's education, skills, and experience would further enhance their financial access opportunities. As access to tertiary education has expanded at unprecedented rates in the last decades, there has been a strong growth in female participation. In 2010, within the Top MBA Survey, 48 percent of MBA applicants are women, the highest rate ever, up from 33 percent in 2005.⁷² Since 1970, the number of women enrolled in tertiary institutions has grown at almost twice the rate of men, and tertiary gender enrollment ratio (GER) for women is now higher than that of men in 92 out of 131 countries with data in United Nations for Education, Science and Culture Organization (UNESCO)'s Global Education Digest. In 2008, GER for women was at least one quarter above that of males in North America, Europe, and Latin American and the Caribbean. However, in South and Central Asia and in Sub-Saharan Africa, overall participation in tertiary education remains very low. The growth in female participation in higher education can be seen as a positive development that has yet to translate into a greater representation of women in labor and entrepreneurship markets.⁷³

72 QS TopMBA.com Applicant Survey 2010. http://www.topmba.com/sites/default/files/applicants_survey2010.pdf

73 UNESCO Institute for Statistics, Global Education Digest 2010: Comparing Education Statistics Across the World

FIGURE 2.4 EDUCATION BY EMPLOYMENT CATEGORY IN AFRICA

Source: Expanding Opportunities for Women in Sub-Saharan Africa. Hallward-Driemeier, 2011

Although more women now have greater access to education, women tend to be the least educated entrepreneurs, with lower work experience and education levels in developing countries. In developing countries, 54 percent of women entrepreneurs have not completed secondary education, compared to the 34 percent who have some graduate experience in developed countries.⁷⁴ For example, in Africa self-employed individual women are frequently the least educated relative to their male counterparts. Furthermore, the same is observed when comparing women and men SME owners'. There are exceptions, such as in Burkina Faso, where women employers have a higher education level than male employers. In Bangladesh, 70 percent of women entrepreneurs reported being self-taught compared to 44 percent of male business owners, and 38 percent of women business owners had no education compared to 19 percent of their male counterparts.⁷⁵

Male entrepreneurs often have more prior work experience to bring to their business. Further, men are more likely than women to have been employed prior to starting a business⁷⁶ and have more wage sector experience.⁷⁷ Women also generally lack vocational/technical training and experience compared to their male counterparts.⁷⁸ Work experience is also a good predictor of whether men and women work in formal or informal sectors. Together, education and work experience are known to impact the choice of activity. Higher education and experience, for example, are related to high return activity, being licensed at start up,⁷⁹ and hence being attractive to lenders. Low levels of education and financial literacy can prevent women entrepreneurs from adequately assessing and understanding different financing options, and from navigating complex loan application procedures. Similarly, the fact that SMEs' accounting and financial statements are often not transparent makes them risky borrowers and

74 Minniti, 2009

75 ICA, 2008

76 Brush 1992, Kepler and Shane, 2007

77 Aronson 1991, Lee and Rendall, 2001

78 Watkins and Watkins, 1984

79 Hallward-Driemeier, 2011

thus less attractive to lenders.⁸⁰ Women in many informal businesses may lack financial statements and properly maintained books of accounts, putting them at a disadvantage.⁸¹ Capacity building of SMEs in terms of preparing financial statements and business plans, as well as improving financial literacy and management training, is shown to have positive impact on SME development.⁸² Randomized interventions have tested the impact of changing terms on which credit is accessed and the benefits of combining it with various types of training.⁸³ Results are mixed, however.⁸⁴ For example, a randomized evaluation of a financial literacy and business training program in India found higher uptake of loans and savings products and higher business income for Hindu women but not so for Muslim women, who faced higher mobility restrictions.

Better time allocation would allow women to capitalize on inputs such as business training. A study looking at the impact of business training in Pakistan⁸⁵ found that business training leads to increased business knowledge, lower business attrition, better business practices, and improvements in several household and member outcomes. However, these effects are mainly concentrated among male clients. A possible reason why women failed to capitalize on the training is that they have less time available to devote to the business or that their schedule is dictated by household chores and is thus inflexible. To realize the full potential of women entrepreneurs while improving women's human capital, it may be necessary to address gender gaps in time demand.

Creating opportunities for women to further increase their work experience would positively impact entrepreneurship and access to start-up finance through higher overall savings. Savings and internal funds are important for start-up finance. Savings or access to savings services can also increase financial inclusion as well as enterprise investment, especially among female entrepreneurs.⁸⁶

2.3 Regulatory environment

Regulatory requirements that discourage formalization disproportionately impact women entrepreneurs. Formalization⁸⁷ is known to increase access to finance. However, many women may choose to stay informal due to a number of constraints. A number of studies show that economies with higher business entry costs are associated with a larger informal sector and a smaller number of legally registered firms. Many economies have undertaken business registration reforms in stages — and often as part of a larger regulatory reform program. Among the benefits have been greater firm satisfaction and savings, and more registered businesses, financial resources and job opportunities. Gender and investment climate assessments undertaken by IFC in Africa and the Pacific, for example, show that while both men and women face constraints in registering businesses, women are further disadvantaged due to their overall lower skill, experience, and ability to navigate the system. Cultural restrictions are also a factor, such as those dictating mobility and interacting with male officials, as well as greater domestic

80 IFC, 2010

81 Ellis et.al., 2007

82 IFC, 2010

83 Karlan and Valdivia (2011); Bruhn and Zia, 2011); Mansuri and Gine, 2011; Drexler, Fischer and Schoar, 2010

84 Some business training, for example, shows an impact on the growth of firms, though not on entry or survival (Bruhn and Zia, 2011). Karlan and Valdivia (2010) find that a business education program for female micro-entrepreneurs in Peru improves record-keeping, though not profits; and Drexler, Fischer and Schoar (2010) show that a basic rules-of-thumb based training, but not formal business training, leads to improvements in business outcomes for micro-entrepreneurs in the Dominican Republic. Some promising results include the impact of accessing consulting services on productivity for existing businesses.

85 Mansuri and Gine, 2011

86 Dupas and Robinson, 2009

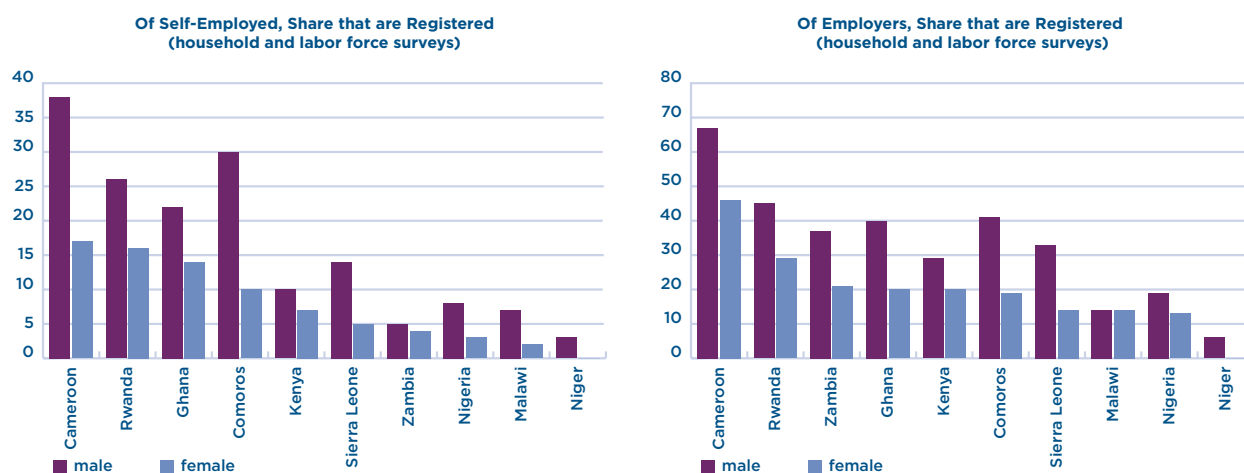
87 Informal firms in Bolivia show no significant effect of gender on the entrepreneur's decision to make the enterprise "formal." Often, informal firms are not inclined to formalize due to the high tax burden faced by formal firms and because bank loans in Bolivia do not require firms to be formal for access to finance. (McKenzie and Salkho, 2007)

responsibilities (Figure 2.5).⁸⁸ Thus in Samoa, where women own 40 percent of all micro-businesses, such firms are required by law to obtain a license and pay taxes. But most women's micro-businesses operate informally. The formalities required to obtain a business license (including the need to complete forms, pay a \$90 fee, and submit information about the business ownership and location), as well as the linkage with the taxation system, is seen as a disincentive to registration. Cost of travel to urban centers where the offices are located is another disincentive for formalization, which is likely to be more of an issue for women who lack time, are less exposed to officialdom, bureaucracy, and business matters, and have less information on business processes than their male counterparts.⁸⁹

Formalization and size impact the extent of other business environment constraints, often more so than gender.⁹⁰ For example, access to land is reported

as a larger constraint by smaller firms and particularly informal firms. On the other hand, labor regulations are reported as more constraining by large formal firms, reflecting the greater red tape associated with having more employees. However, for informal firms it is also seen as a constraint, possibly reflecting that labor regulations are one of the main reasons why some firms remain informal.⁹¹ Entrepreneurs in the formal sector spend considerably more time dealing with officials than do those in the informal sector. In each case, the differences by gender on these constraints within size or formality are considerably less significant. One implication is that giving women the background and appropriate environment to encourage formality should help more women expand their opportunities. Since many of these constraints are typical for smaller, informal firms per se, one may hypothesize that the concentration of women entrepreneurs in this particular segment of firms is in large

FIGURE 2.5 SHARE OF REGISTERED FIRMS IN AFRICA, BY GENDER



Source: Expanding Opportunities for Women in Sub-Saharan Africa. Hallward-Driemeier, 2011

88 Mayoux (1995) points out that women entrepreneurs are constrained by restrictions such as lack of information, which is predominantly channeled through men. In the transition economies of Eastern Europe for example, women entrepreneurs' lack of access to networks disadvantaged them in part because they had fewer contacts from Soviet times. (Smallbone and Welter, 2001; Ruminska-Zimny, 2002)

89 Hedditch and Manuel, 2010

90 Bardasi et.al., 2007; Hallward-Driemeier, 2011

91 Hallward-Driemeier, 2011

part driving limitations to access finance more than gender-specific institutional or cultural barriers. More research is needed to identify the specific relevance of individual factors here.

2.4 Infrastructure

Poor infrastructure impacts women entrepreneur’s ability to grow their businesses. Evidence from the road project in Peru, for example, showed that an unintended positive impact was the increased economic activity of women.⁹² Improved infrastructure can potentially improve women’s ability to physically access institutions, including financial institution (Box 2.5). Branchless banking, Information Communication Technology-led solutions, mobile technology, and banking agents operating beyond brick and mortar branches together constitute a way forward for women lacking such access.⁹³

Unreliable or poor infrastructure can also be a binding constraint for financial institutions that serve SMEs. A financial institution’s outreach can be greatly impacted by poor infrastructure. Thus, electricity shortages that are cited as a major constraint by both men and women entrepreneurs also impact financial institutions’ outreach and consequently access to finance. The need for generators, for example, may increase the costs of physical outreach for banks.⁹⁴

2.5 Governance

Weak governance can hurt small firms. Bribes, or payments made to “get things done,” can be fixed costs, representing a proportionately higher cost for smaller firms. Those firms that are not compliant with regulations can be particularly vulnerable. Officials may see women as soft targets who face less recourse from their demands for payments. Indeed, when asked

BOX 2.7 CONSTRAINTS ON PHYSICAL ACCESS TO FINANCIAL INSTITUTIONS ARE HIGHER FOR WOMEN IN RURAL AREAS

Most women in rural Ghana do not have physical access to the banks, as one bank serves an approximate area of over 50,000 square kilometers. For the majority of poor farmers, the cost of a trip to the bank is too high, particularly since several trips are often required to obtain bank loans. Women are usually further handicapped from using rural banks:

- Women have problems leaving their children and household duties long enough to travel to the bank.
- Even if they can reach the bank, they find the mostly male staff intimidating (90 percent of the staff in most of these institutions are men).
- Poorer women’s lack of control over resources, such as land and labor, limits their eligibility for loans.
- Illiteracy or semi-literacy creates a further barrier to processing paperwork.

Since the banks’ ability to lend has been constrained by inflation-induced de-capitalization, often there are insufficient funds available to finance loan requests. In such cases, it is the women who receive lowest priority.

Source: IFAD, 2000

92 An impact survey found that 77 percent of women felt that the rehabilitated roads and tracks enabled them to travel farther, that 67 percent felt that the roads and tracks enabled them to travel more safely, and that 43 percent felt that the roads and tracks enabled them to obtain additional income. World Bank: <http://siteresources.worldbank.org/INTGENDER/Resources/PeruRRPFINAL.pdf>

93 Ivatury and Mas, 2008, Mas and Rosenberg, 2009

94 IFC, 2010

which types of business environment constraints may be greater for women, both female and male respondents in a five-country study reported that corruption and harassment from the police were two of the three areas where women faced greater constraints. The third area was access to finance.

2.6 Barriers can affect potential entrants, not just incumbent entrepreneurs

The constraints discussed here are generally those facing existing business owners – but non-financial barriers could have their largest impact on the decision of whether to be an entrepreneur at all. Whether legal or cultural restrictions or challenges in the business environment discourage would-be entrepreneurs is hard to judge, as this information is rarely collected. Nor is there much research on how these factors shape the choice of sector in which to operate. However, the entry decision is clearly an important one. Indeed, the gender gap is often most pronounced in the types of enterprises women and men run and the relative lack of women among the larger, formal, higher value-added sectors. This point is elaborated on in the next section. However, it is worth bearing in mind, both in interpreting the evidence presented in this section and in the next section on financial barriers themselves, that the effects on entry are a significant part of the overall story.

2.7 Non-financial barriers can affect financial barriers, too

This chapter has focused on non-financial barriers to SMEs that are not based on financial institutions, financial infrastructure, or firms' internal qualifications for credit. Rather, these barriers influence the legal and regulatory environment, cultural constraints to women's activities, quality of infrastructure, and governance issues. To the extent these barriers impact the profitability and/or opportunities available to a business, they do have an impact on access to finance. Barriers in the business environment that serve to lower expected returns make any entrepreneur a less attractive client to financial institutions. It is beyond the scope of this report to make detailed recommendations to address most of these non-financial barriers; the one exception is the gender gaps in legal rights, which has a more direct link to accessing finance. It is worth keeping in mind that addressing the constraints described in this chapter can also indirectly support the access to finance agenda by expanding the opportunities open to businesses. To the extent that these non-financial barriers are particularly burdensome for the types of businesses women run, or have a direct gender angle, addressing these issues would then be particularly beneficial for women entrepreneurs.

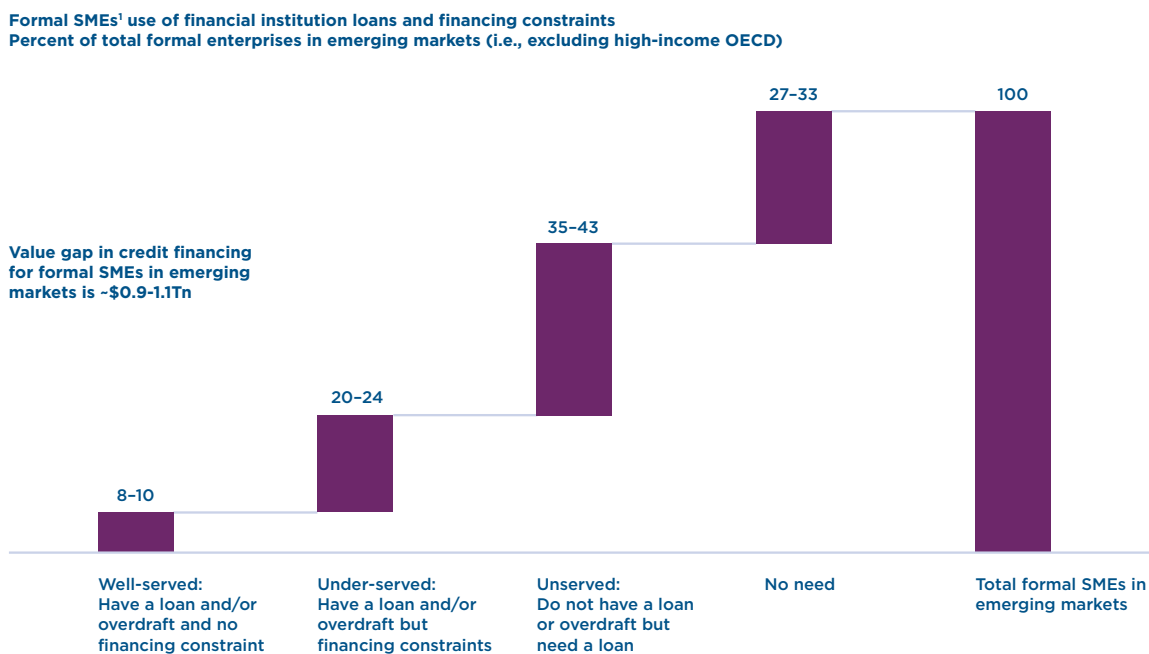
CHAPTER 3

Access to Finance a Key Barrier for Women-owned SMEs

Access to finance is a key constraint for both male and female SMEs in developing countries (Figure 3.1). This chapter discusses the importance of access to finance for the growth of women-owned businesses. It also captures evidence on gender differences in size, sector, and performance of firms, particularly regarding the

link between access to finance, the types of enterprises run by women, and the sectors where they tend to operate. Finally, the chapter discusses the constraints faced by financial institutions in trying to address the needs of the women-owned SME sub-segment.

FIGURE 3.1 FORMAL SMEs IN EMERGING MARKETS FACE SIGNIFICANT FINANCING CONSTRAINTS



¹ The number of SMEs unserved or under-served is calculated based on SMEs' access to bank loans and overdraft only (i.e., not including SMEs' access to trade financing, leasing, factoring and other forms of credit). However, the value of the credit gap in dollars takes into consideration credit available through loans, overdrafts, leasing, financing, trade finance, and other forms of formal credit.

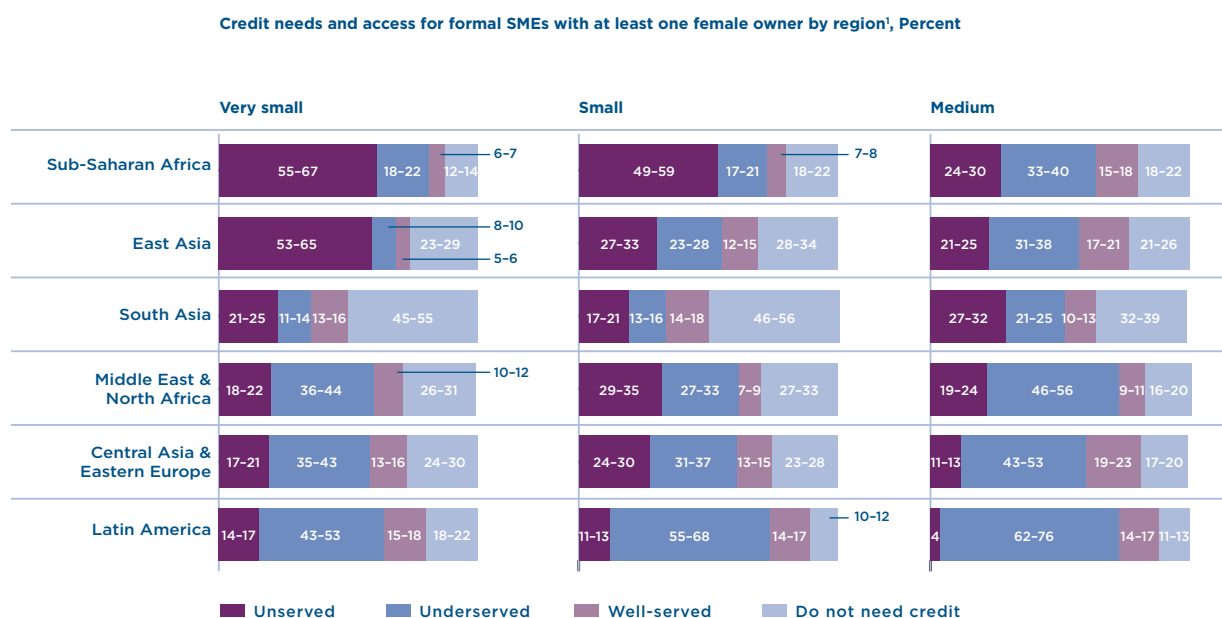
Source: IFC SME database, Enterprise Survey, team analysis

3.1 Women-owned SMEs are an underserved segment

Women-owned SMEs are a financially underserved segment as demonstrated in Figure 3.2. They are less likely to obtain formal financing and often pay higher interest rates. Financial constraints at start up as well as access to basic banking services are some of the most discussed topics in literature.⁹⁵ In addition, women entrepreneurs in some regions and sectors receive smaller loans (Figure 3.3). These are also cited as the reasons why their businesses grow at a slower pace

than businesses owned by men. A recent survey from the Gallup World Poll looking at data from Latin America and Sub-Saharan Africa shows significant differences in access to financial services for women and men-owned businesses in developing countries. Figures 3.4 and 3.5 show that, on average, women have less access to basic banking services such as banking and saving accounts. In addition, they are more likely to rely on internal and informal sources of funding such as their own savings, or loans from family/friends, church, Microfinance Institutions (MFI), etc, to start a business, as shown in Figure 3.6.

FIGURE 3.2 CREDIT NEEDS AND ACCESS FOR FORMAL WOMEN-OWNED SMEs



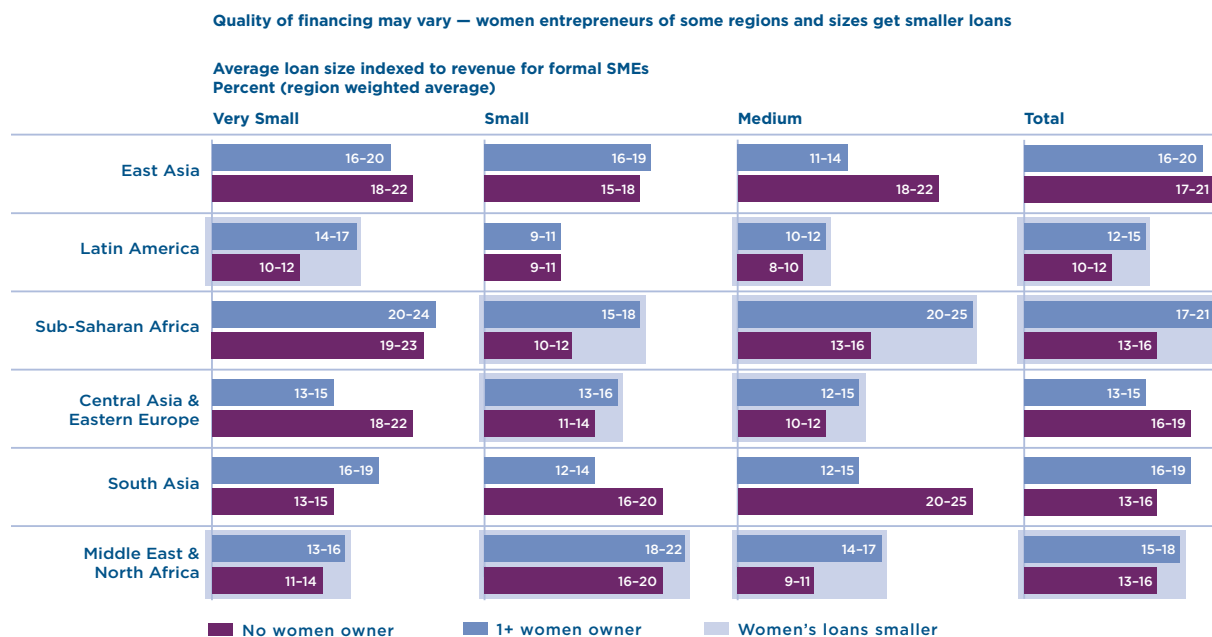
Please note that the definition of a woman-owned SME is based on the enterprise survey definition which asks whether at least one of the owners is female or whether any of the owners are female.

- Sub-Saharan Africa and East Asia report the highest rates of unserved women enterprises
- Underserved rates are highest among medium enterprises, since most already have access to finance

1 Definitions (see appendix): Unserved: Do not have a loan AND applied OR needed loan; Underserved: Have a loan but access to finance is a constraint (but not necessarily a "major" or "severe" constraint, which is a separate question); Well-served: Have a loan AND access to finance is not a constraint; No need: Do not have a loan AND did not apply AND did not need

Source: IFC-McKinsey MSME database; Enterprise Survey; team analysis

FIGURE 3.3 AVERAGE LOAN SIZE INDEXED TO REVENUE FOR FORMAL SMEs

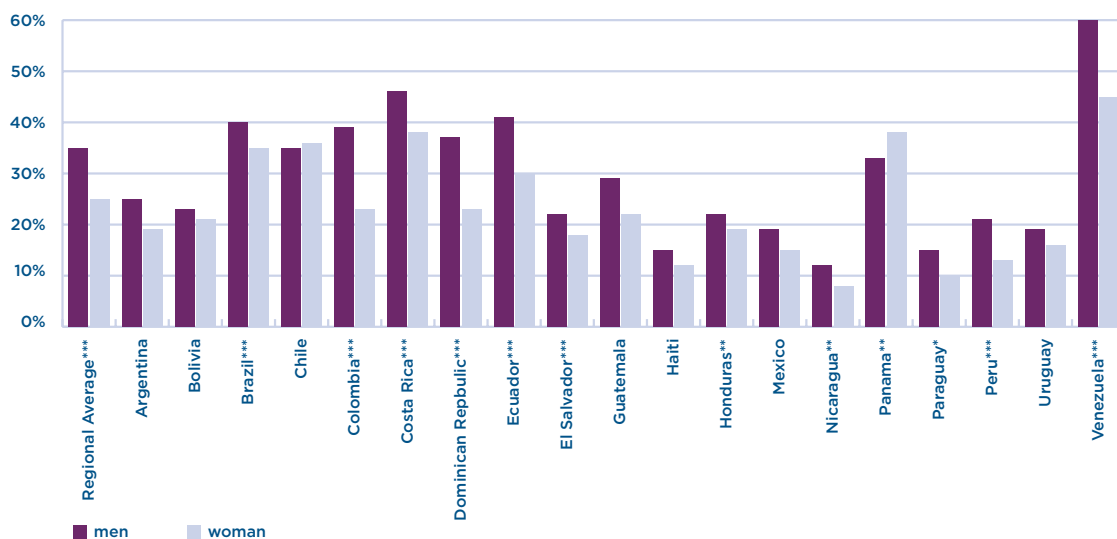


Please note that the definition of a woman-owned SME is based on the enterprise survey definition which asks whether at least one of the owners is female or whether any of the owners are female.

- Latin America, SSA, and MENA are regions where firms with 1+ woman owners have significantly smaller loan size, adjusted for the revenue level, than firms with no female owners
- Firms with 1+ woman owners for one or two firm sizes in East Asia, C. Asia / E.EU, and South Asia, on the other hand, have larger loan sizes

Source: IFC-McKinsey MSME database; Enterprise Survey; team analysis

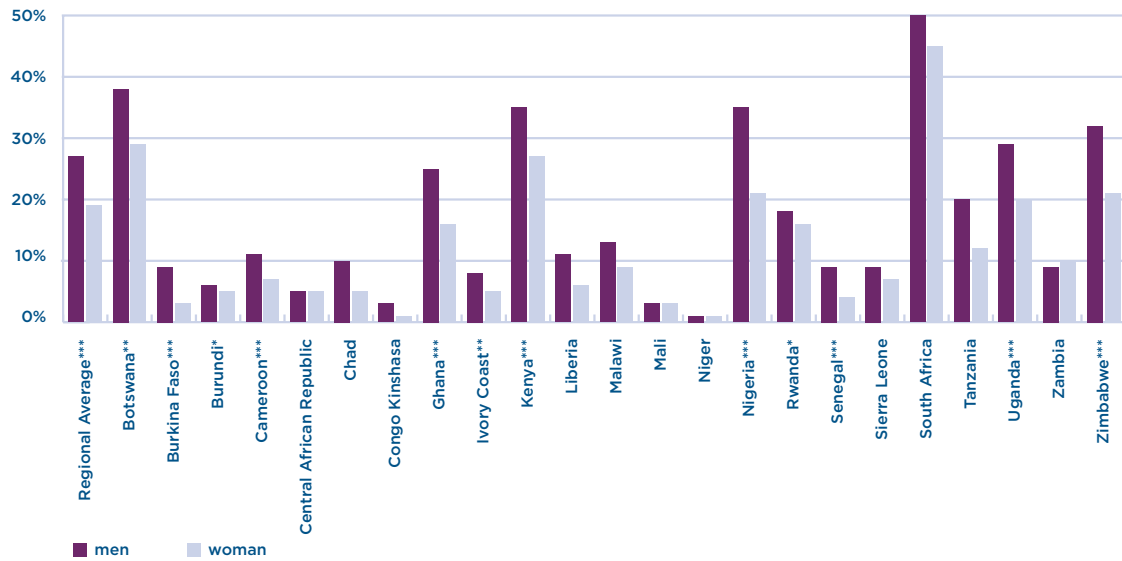
FIGURE 3.4 PERCENTAGE OF ACCESS TO A SAVINGS ACCOUNT BY GENDER



The chart shows the average response across men and women, and indicates whether the differences are statistically significant (****significant at the 1% level; **at the 5% level; *at the 10% level).

Source: Gallup Poll 2010 - Mary Hallward-Driemeier, Leora Klapper, Asli Togan Egrican

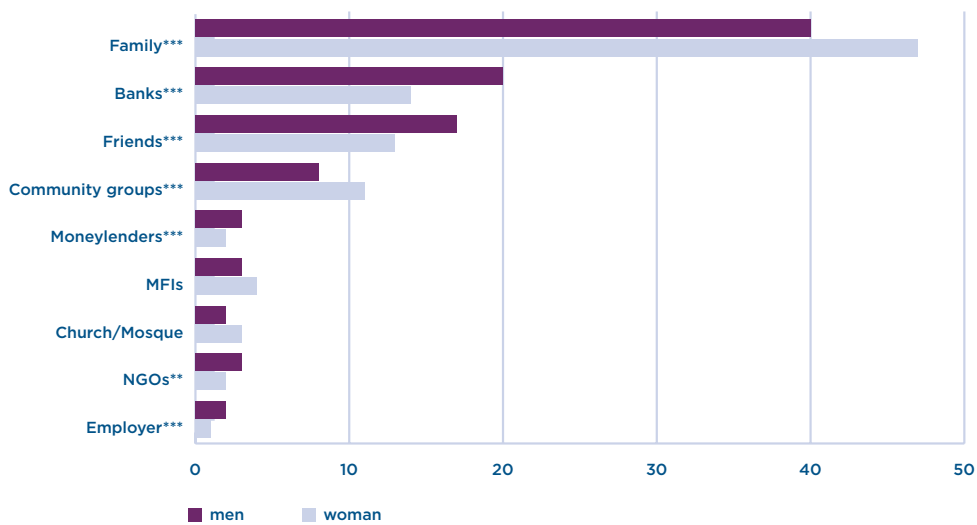
FIGURE 3.5 PERCENTAGE OF ACCESS TO BANK ACCOUNT BY GENDER



The chart shows the average responses across men and women, and indicates whether the differences are statistically significant (***= significant at the 1% level; **at the 5% level; * at the 10% level).

Source: Gallup Poll 2010 -Mary Hallward-Driemeier, Leora Klapper, Asli Togan Egrican

FIGURE 3.6 DIFFERENT SOURCE OF FUNDING FOR BUSINESS START UP BY GENDER



The chart shows the average responses across men and women, and indicates whether the differences are statistically significant (***= significant at the 1% level; **at the 5% level; * at the 10% level).

Source: Gallup Poll 2010 -Mary Hallward-Driemeier, Leora Klapper, Asli Togan Egrican

The response to women’s lack of access to finance has largely been focused on increasing women’s access to micro-credit.

While microfinance has increased women’s access to finance and has served to improve welfare and consumption, smoothing growth-oriented women entrepreneurs may require access beyond microfinance. The number of women reached by microfinance has grown exponentially from 10.3 million in 1999 to nearly 69 million in 2005, an increase of 520 percent.⁹⁶ However, there is an increasing recognition that the growth and start-up needs of business women go beyond micro-loans. The problem is particularly acute for women who want to grow sustainable businesses and for those who want to start new micro, small, and medium-sized enterprises:

“Some women have extremely good business ideas requiring larger loans, but they face discrimination in accessing such loans, with the result that their businesses collapse because they are forced to purchase inferior equipment or materials.”⁹⁷

Furthermore, while many NGO MFIs have transformed to become banks or have graduated their clients to larger individual loans, women often hit a glass ceiling in microfinance and are largely confined to group loans. As small loans are known to be less profitable,⁹⁸ it is likely that as MFIs grow and transform into profit-oriented institutions, the number of women benefiting from microcredit could progressively decline⁹⁹ (Box 3.1).

BOX 3.1 GLASS CEILING IN MICROFINANCE PROGRAMS FOR WOMEN?

Share of women served declines as MFIs diversify or transform into banks. Micro Banking Bulletin (MBB) data for 234 institutions globally, for example, shows that women form 73.3 percent clientele of MFIs targeting the low end but only 41.3 percent for MFIs targeting the high end and 33.0 percent of those targeting small business (The Micro Banking Bulletin, (MBB Vol 11, 2005). A UNCDF survey (2001) similarly shows that women were less conspicuous in programs with larger loan sizes that could support higher levels of business development. A recent study by Women’s World Banking (WWB) also shows that the percentage of women borrowers declined from 88 percent to 60 percent among ‘transformed’ MFIs. An analysis of all FIs that report to the MIX Market in 2006 confirms this. Women represented a far smaller percentage of the clients of banks (46 percent) compared to NGOs (79 percent) and a declining percentage of clients of transformed organizations: from 73 percent in 1999 to 54 percent in 2006 (UN, 2009).

A supply side reason for this is that microfinance institutions as they grow and become for profit, shift their focus away from more expensive to service group loans. On the demand side small size of micro-loans and the short term nature of the loans do not allow women borrowers to make long term investment in their businesses or to convert an opportunity for business growth. Further, the income generating activities that microloans to women serve are household businesses in which women may or may not have any control in allocation or investment decision making or on the business assets. This limits their ability to use such assets as collateral. Thus despite their excellent repayment records in group loans women may fail to increase their credit worthiness to access loans without joint liability.

Source: Narain, 2009

96 Daley Harris, Sam, 2006

97 Mayoux, 1999

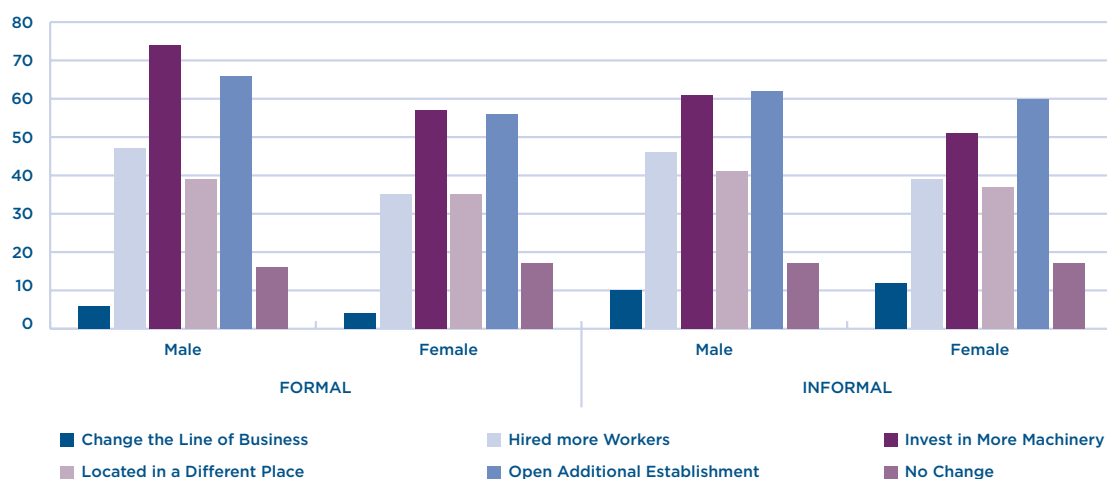
98 Armendáriz and Morduch, 2010

99 Cull et al., 2006

Low demand is often cited as a reason for women's low access to finance, but that may only be partly accurate. Women report being denied bank loans in high numbers, which in turn discourages them from applying. For example, in MENA between 50 and 75 percent of the women surveyed reported that they have sought external financing for their businesses at some time during the previous 12 months. Most had not received any financing from a formal financial institution. The difficulties reported include high interest rates, collateral, lack of track record, and complexity of the application process (Box 3.2). Women entrepreneurs in Bangladesh, particularly in the non-metropolitan areas, are less likely to have bank loans (or informal loan) and complain more (29%) about the high cost of borrowing than men (19%). Far fewer women (1%) compared to men (14%) had applied for loans.¹⁰⁰ In Eastern Europe of Central Asia (ECA), women are 20 percent more likely to be rejected by a bank.¹⁰¹ Further, women who need a loan are less likely to get one than are men, and firms that do have access to capital are larger in scale.¹⁰²

Many women entrepreneurs self-finance the growth of their businesses, but growth is likely hindered by their current financing practices (Figure 3.7). Very few of the women surveyed in the IFC MENA study are using formal bank credit (Box 3.2). Instead, they are financing the growth of their businesses by relying upon personal savings, investment from private sources such as family and friends, and the reinvestment of business earnings. For example, private sources (savings, family and friends) have been used over the past year by 44 percent of women entrepreneurs. On the other hand, very few of the women business owners surveyed use credit cards to finance business growth. Only in the UAE are a significant number (21%) using credit cards. Usage is 5 percent or less in the other four countries. While this may not, in and of itself, be a negative finding, given typically higher interest rates on credit cards, it may be an additional indicator that capital availability is more restricted for women business owners.¹⁰³

FIGURE 3.7 WHAT WOULD ENTREPRENEURS HAVE DONE DIFFERENTLY IF THEY HAD HAD MONEY AVAILABLE AT START-UP?



Source: Expanding Opportunities for Women in Sub-Saharan Africa. Hallward-Driemeier, 2011

100 ICA, 2008

101 Heidrick and Nicol, 2002

102 Sabarwal and Terrel, 2008

103 IFC and CAWTAR, 2007

BOX 3.2 WOMEN'S BUSINESSES IN THE MENA REGION AND ACCESS TO FINANCE

Women entrepreneurs in the five MENA countries (Bahrain, Jordan, Lebanon, Tunisia, and United Arab Emirates (UAE)) reported access to finance as a major constraint:

Most women had sought loans but did not receive them: While between half and three-quarters of the women business owners surveyed had sought external financing for their businesses some time during the previous 12 months (76% in Tunisia, 62% in the UAE, 59% in Jordan, 56% in Bahrain, 51% in Lebanon), most did not receive any financing from a formal financial institution.

Less than one-third of the women surveyed have bank credit: Significantly higher than the others are the women business owners in Tunisia, 47 percent of whom have bank credit. However, that is compared to 75 percent of Tunisian women business owners who sought such finance. Similarly in Jordan, while 62 percent sought finance, only 34 percent received it. In UAE 32 percent had bank finance while in Bahrain it stood at 22 percent out of 56 percent who pursued bank financing. In Lebanon, only 17 percent of the women business owners were granted financing, although 51 percent applied for it.

Significant number of women who did seek external financing over the past 12 months reported that they encountered difficulties in doing so. Fully 55 percent of women business owners in Tunisia encountered an obstacle when seeking financing. For them, high interest rates (36%) were the most significant barrier. Another 11 percent were denied financing due to lack of collateral. In the UAE, 51 percent of those surveyed also encountered difficulties, ranging from high interest rates (28%) to finding the process too complicated (16%), lack of collateral (15%), and being denied formal bank credit because of the lack of a track record (14%). In Jordan, 47 percent of those surveyed encountered difficulties seeking external financing. Nineteen percent found the interest rates too high, 17 percent found the process too complicated, and another 16 percent were denied due to lack of collateral. In Lebanon and Bahrain 29 percent encountered difficulties when seeking external financing. For them, high interest rates (16% each) were the main problem.

3.2. Financial institutions are not lending to women-owned SMEs

Financial institutions' portfolio of loans with women-owned SMEs tends to be significantly lower than the share of women-owned SMEs in their target markets would suggest. The reasons for under-serving this market segment are not very well studied. Anecdotal evidence points to a variety of factors, including the various limitations for and characteristics of women-owned businesses noted in this report, but also a perception of higher risk and cultural bias amongst loan officers is often reported by local banks when they set up and grow specifically targeted lending programs for women-owned SMEs. Such targeted programs, where combined with financial literacy training for women entrepreneurs, have shown to result in growing

numbers of loans to this market segment, despite its concentration in smaller, service-oriented, often home-based and often part-time businesses.

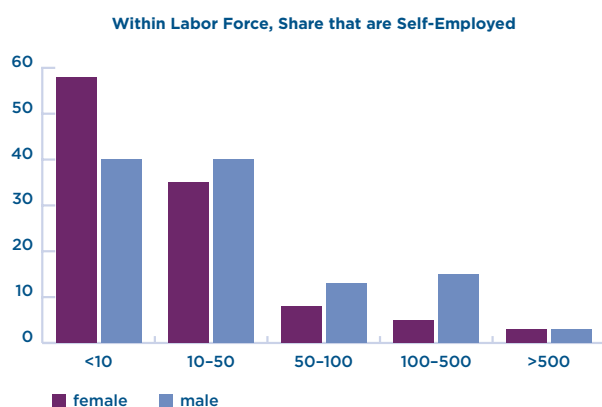
3.3 The types of businesses women run impact their ability to access finance

3.3.1 GENDER DIFFERENCES IN SIZE

Women's entrepreneurship is high, but skewed towards smaller firms. On average, businesses owned by men in developed countries are twice as large as women owned-businesses; this is also the case in developing countries. In most regions of the world, women entrepreneurs disproportionately own smaller enterprises (Figure 3.8). Though women are running a large number of formal small and medium enterprises,

the share of women-led businesses falls as the size of business increases.¹⁰⁴ For example, in Latin America (Argentina, Bolivia, Brazil, Ecuador, Honduras, Mexico, Peru) the percentage of female business owners in micro- firms ranges from 33 percent in Argentina to 50 percent in Honduras. However, as firm size increases, the percentage of female business owners drops in all countries. Thus between 18 and 31 percent of small firms owners are women, where small firms are defined as having 5 to 10 employees.

FIGURE 3.8 SHARE OF MALE AND FEMALE-OWNED BUSINESSES BY SIZE AND NUMBER OF EMPLOYEES



Source: Sabarwal and Terrel, 2008

3.3.2 GENDER DIFFERENCES IN SECTOR AND ENTERPRISES

The choice of enterprise/economic activity is the critical piece to understand gender gaps in entrepreneurial opportunities. Women’s choices with respect to industrial sector can be important in explaining

gender differences in entrepreneurial performance. Women’s concentration in the personal services sector and their under-representation in the more lucrative professional services and construction industries explain about 9 to 14 percent of the gender-based self-employment earning differential.¹⁰⁵ However, the choice of activity itself may be affected by other constraints such as access to finance.

Women-owned SMEs tend to be concentrated in less profitable industries. Globally, the largest share of women entrepreneurs both in nascent and established businesses are active in consumer-oriented activities, while women entrepreneurs are least present in extractive industries such as mining, oil and gas.¹⁰⁶ Among low and middle income countries, women’s largest share is in consumer-oriented businesses, while women in high-income countries exhibit a greater share in services.¹⁰⁷ Women tend to concentrate in “female” sectors and are also more likely to be managers in heavily female industries (Figure 3.9). These include services and traditional lower value-added sectors such as garments and food processing, restaurants, wholesale and retail trade,¹⁰⁸ whereas men-owned businesses are relatively more concentrated in other manufacturing and metals. The share of male-headed firms in construction, transportation, and other services tends to be much larger than the share of females in those sectors. The share of female-headed firms is also relatively high in the manufacturing sector, with the majority of female-headed manufacturing businesses clustered in the food and textile sectors. This is not true for male-headed manufacturing businesses. Female-headed firms in the retail sectors tend to be much larger than the share of male headed firms in that sector.¹⁰⁹

104 Bruhn, 2009; Hallward-Driemeier, 2011; Sabarwal, Terrell, Bardasi 2009; Costa and Rijkers, Amin, 2010

105 Hundley, 2001

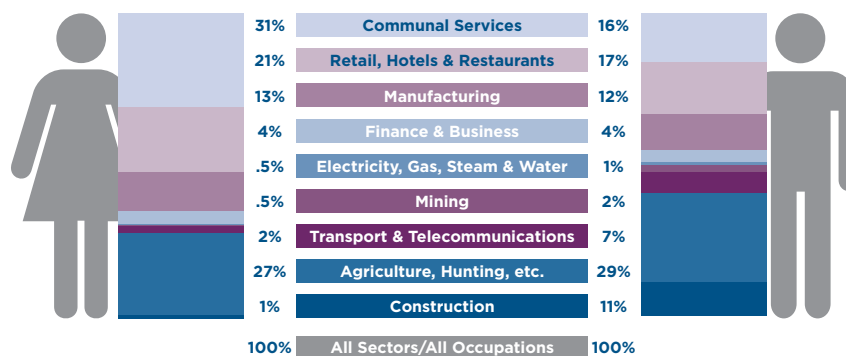
106 Minniti, 2009

107 Ibid

108 Sabbarwal, Terrel, and Bardasi 2009 report this based on their study of entrepreneurs from ECA, Africa, and LA.

109 Hallward-Driemeier, 2011

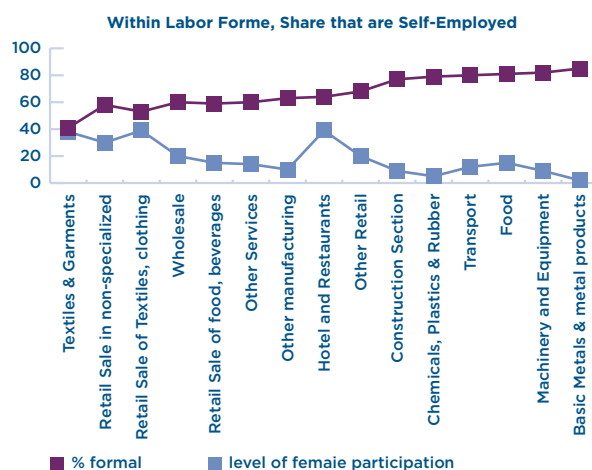
FIGURE 3.9 WOMEN AND MEN WORK IN DIFFERENT SECTORS: DISTRIBUTION OF FEMALE/ MALE EMPLOYMENT ACROSS SECTORS



Note: Totals do not necessarily add up due to rounding

Source: WDR 2012 team estimates based on International Labor Organization (2010) (77 countries).

FIGURE 3.10 DEGREE OF FORMALITY AND LEVEL OF FEMALE PARTICIPATION BY SECTOR



Source: New Enterprise Survey in Five Countries (GHD), World Bank, 2011

Women entrepreneurs are more likely to be in the informal sector, running smaller firms (Figure 3.10). Globally, the informal economy is estimated to be between 23 and 35 percent of all economic activity. For countries in the lowest quartile of GDP per capita, the estimates increase to between 29 and 57 percent.¹¹⁰ Figure 3.10 points out the share of women-owned businesses that are operating in the informal sector versus that of men. A recent enterprise survey of new enterprises in Côte d'Ivoire, Kenya, Nigeria, and Senegal finds that the share of women business owners is 50 percent higher in the informal sector, with 18.1 percent of the registered firms run by women, compared to 27.6 percent of the informal firms.¹¹¹ In Asia, a large majority of women are own account workers (31.2% compared to 50.2% for men) and contributing (unpaid) family workers (37.4% compared to 17% for men).¹¹² South Asia had the highest rate of vulnerable employment or self-employed workers¹¹³ and contributing family workers among all regions in the world at 84.5 percent for women and 74.8 percent for men.

110 LaPorta and Sheleifer, 2008

111 Hallward-Driemeier and Rasteletti, 2010.

112 ILO, 2011.

113 Vulnerable workers is a newly defined measure (MDG 1) of persons in vulnerable employment, i.e. working without social protection and is highly gender sensitive as a large number of women work as contributing (unpaid) family workers (ILO, 2011).

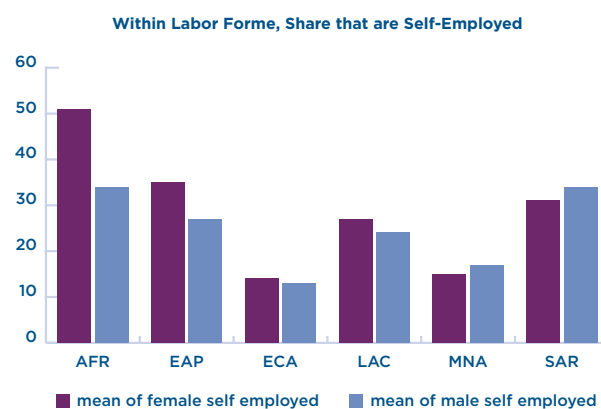
Thus, the likely degree of formality within a sector can itself be a predictor of women's participation. This has great implications for women's ability to access finance, as formal financial institutions have no mechanisms to reach out to the informal sector. Hence, women entrepreneurs are often not targeted.

Women are more likely to be home-based and operate within the household than are men heading enterprises.¹¹⁴ Informal or unregistered firms in SSA¹¹⁵ show a greater proclivity among female entrepreneurs compared with male entrepreneurs to work from home.¹¹⁶ However, there is no evidence that shows that female entrepreneurs working from home are less serious about doing business, as measured by the number of hours a business operates in a week and labor productivity.¹¹⁷ In Bangladesh, the majority of the non-metropolitan women-owned enterprises are home-based (97%) compared to 25 percent of those owned by men.¹¹⁸ The majority of women-owned non-farm enterprises are informal, as only 2 percent of firms are registered compared to 42 percent for firms owned by men. Similarly, among informal businesses in Argentina, 63 percent of female-owned firms but only 39 percent of male-owned firms operate from inside household premises. In contrast, the share of home-based male and female firms in Peru is nearly equal. (21.7 and 24.4% respectively).

In many developing countries, more women are starting a business out of necessity than men. Overall 24.8 percent of women, largely from

developing countries, start a business out of necessity compared to 19.4 percent of men.¹¹⁹ These statistics show that women in developed countries may have more income-generating opportunities, reducing the pressure to start a business out of necessity.¹²⁰ For example, in Iceland, for every woman starting a business out of necessity, there were 18 who were motivated by an opportunity.¹²¹ In South Africa, by contrast, the ratio of female opportunity to necessity early stage entrepreneurial activity was 1 to 1. Among new entrepreneurs from Côte d'Ivoire, Kenya, Nigeria, and Senegal, 60 of the new business owners can be characterized as necessity entrepreneurs.¹²²

FIGURE 3.11 SHARE OF EMPLOYERS WITHIN LABOR FORCE, BY GENDER



Source: Expanding Opportunities for Women in Sub-Saharan Africa. Hallward-Driemeier, 2011

114 Mead and Liedholm 1998; Bruhn, 2009

115 Burkina Faso, Cameroons, Ivory Coast, Madagascar and Mauritius

116 Amin, 2010

117 The differences that do exist are roughly the same for male and female-owned businesses

118 ICA, 2008

119 Ibid.

120 Several studies support this. Cowling and Hayward (2000) argue that women tend to move from unemployment to self-employment when labor market conditions deteriorate, indicating a desire to maintain family income when men are at high risk of losing their jobs. Uhlaner et al (2002) find that countries with a higher female share of the labor force are characterized by a lower level of self-employment. Using data for 29 countries, Verheul et al (2004) show a significant positive relationship between unemployment rates and the share of women in total entrepreneurs. Kovalainen et al (2002), however, do not find a link between unemployment and female entrepreneurship (cited in Sabbarwal and Terrel, 2008).

121 Minniti and Arenius, 2003

122 Hallward- Driemeier, 2011

Women are far less likely than men to be employers (Figure 3.11). Across SSA, half of those who are self-employed are women, yet only a quarter of employers are women. Of entrepreneurs, women are more likely to be running informal, small firms, in lower value-added activities. In ECA the share of male employers in the total male workforce is 4.4 percent, compared to 1.7 percent for women. Further, in Azerbaijan and Turkey the gender gap in employers is large and the concentration of male employers is particularly high. The gender gap is smallest in Russia and Moldova, though the overall proportion of entrepreneurs is low in these two countries.¹²³ Likewise, fewer women are employers in the high-income OECD countries (2.3% compared to 6% male entrepreneurs) and Latin America and the Caribbean (LAC) (2.7% compared to 5.9 % male entrepreneurs).¹²⁴

3.3.3 GENDER DIFFERENCE IN PERFORMANCE

Comparisons between women-owned and men-owned enterprises show that differences in profitability and productivity are largely driven by differences in size, educational profile of the owner, and sectoral profile of the firm — with differences between formal and informal sector being very important. Among developing countries in ECA, LAC, and SSA value-added per worker is lower in firms managed by women than by men.¹²⁵ Interesting differences by countries exist though: while output per worker is eight times higher for men's businesses in Bangladesh, the differences are almost negligible when comparing men-owned and women-owned firms in Indonesia.¹²⁶

Most of the gender gap in performance is accounted for by the differences in types of enterprises (i.e the size and sector of the enterprise). For example, among formal businesses in SSA simply comparing women's and men's businesses indicates a gender gap in labor productivity of 6 percent, but the productivity gap disappears when comparing enterprises of the same sector, size, and capital intensity. A significant share of the gender performance gap in SSA is caused by women entrepreneurs' concentration in informal industries¹²⁷. The median productivity in the formal sector is more than three times the median productivity in the informal sector. In fact, within the formal sector, median productivity for female entrepreneurs is actually slightly higher than that of their male counterparts.

Countries with higher overall entrepreneurship rates also have more women in entrepreneurial activity. There is a very strong positive correlation (0.97) between the rate of early-stage entrepreneurial activity for men and the corresponding rate for women.¹²⁸ Moreover, countries with high female entrepreneurial activity rates are also characterized by high total entrepreneurial activity rates. This suggests that women's entrepreneurship is closely related to the general framework conditions for entrepreneurship in a specific economy.¹²⁹ In addition, it should be noted that the gender differences disappear at higher level firms, showing that once controlled for sector, size, and education, women business owners perform equally as well as men entrepreneurs and have less difficulty in accessing funding.

123 World Bank ECA regional study, forthcoming.

124 WDI, 2005-2007, 2009 or latest available, cited in the ECA Regional Study World Bank, forthcoming.

125 Sabarwal et. al., 2009, Hallward-Driemeier, 2011, Bruhn, 2009

126 Costa dn Rijkers (2011)

127 Gajigo and Hallward-Driemeier, 2010

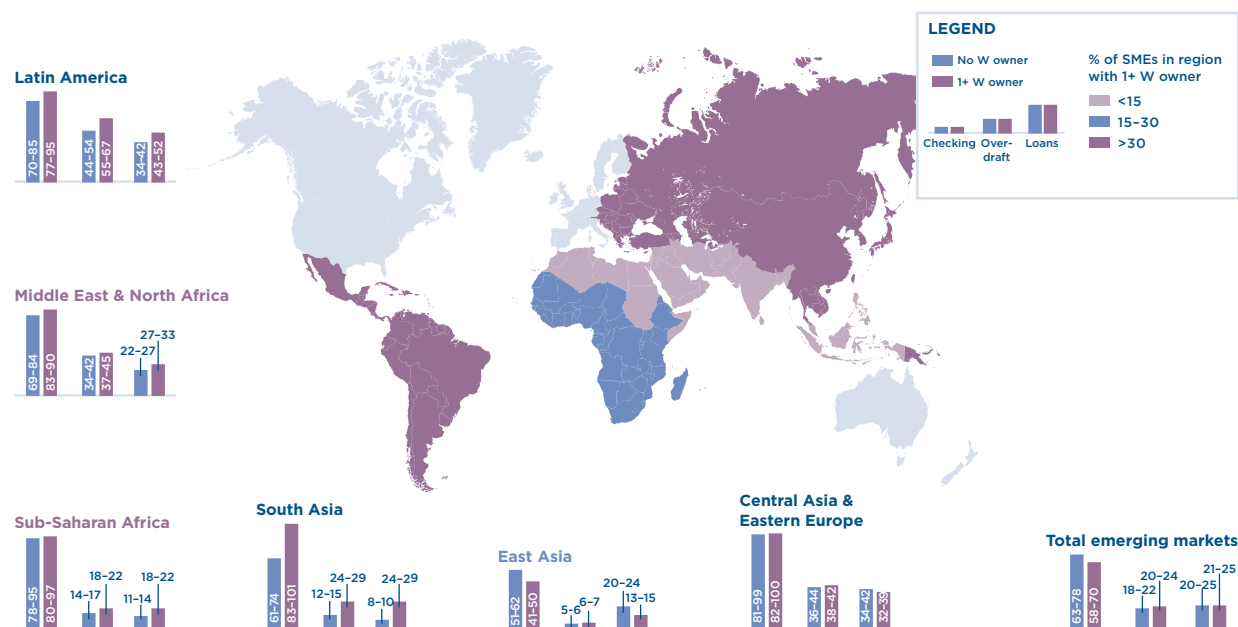
128 Minniti, 2009, Verheul et al (2004) also find that countries with high female entrepreneurial levels are also characterized by high total entrepreneurial rates.

129 Delmar, 2003

While enterprise-survey results suggest similar access to finance for women-owned and men-owned enterprises in the formal sector, further studies are needed to explore and confirm this finding. In many regions of the world (see Figure 3.12), and when averaged across regions also globally, the difference reported by men-owned and women-owned enterprises when accessing various financial services appear negligible. Few differences exist with financial services such as having checking accounts or accessing overdraft. Most differences, if any, appear to exist in accessing loans — with survey data showing the largest gaps in SA, SSA, MENA and LAC being greatest. The similarities in access to finance — even in the formal sector — are somewhat surprising since the

restrictions to operating a business per se that are experienced by women entrepreneurs (driven by their institutional and cultural context and personal profiles described in the preceding chapters of this report) exist in the formal as well as in the informal sector. The similarities in access to finance displayed in the survey results therefore require further study to ascertain that not other factors are at play in driving this result (e.g. only women who have already overcome significant hurdles in the business environment when formalizing their enterprises may respond to the survey; the definition of women-owned enterprises deployed by the survey instrument includes firms co-owned by men which might tilt the results).

FIGURE 3.12 PROPORTION OF FORMAL SMEs WITH ACCESS TO FINANCIAL PRODUCTS
(Percent not weighted by size)



Source: McKinsey-IFC MSME database; Enterprise Survey; team analysis

Even when formalized, women-owned businesses experience disproportionate difficulties accessing finance when starting-up their firms.

Evidence in four African countries for which data was collected for new businesses show that there are gender differences in access to capital at the start-up.¹³⁰ Among developing countries, such as Lithuania, Ukraine, Nigeria and Pakistan, finance is a more important barrier to business development and start-up for women entrepreneurs than for men entrepreneurs.¹³¹ Women-owned SMEs are most likely to fund their business at start-up than men.¹³² Median start-up capital is higher for men than women both in the formal and the informal sector (figure 3.13). In South Africa, women entrepreneurs had accessed only 5 percent of the Black Economic Empowerment (BEE) equity fund.¹³³ In four other African countries, the median capital for male entrepreneurs is more than twice that of female entrepreneurs, although the differences are higher along sector than by gender.¹³⁴

3.4 GOVERNMENTS AND FINANCIAL INSTITUTIONS HAVE A ROLE TO PLAY

The public sector and financial institutions have a role to play in improving access to finance for women-owned SMEs. Public and private sector institutions can create and administer programs specifically geared toward supporting the growth of women entrepreneurs. With the financial services sector bearing the brunt of the effects of the economic crisis, it has also become apparent that more sustainable business models are required for financial services providers to smooth returns and generate new revenue streams.

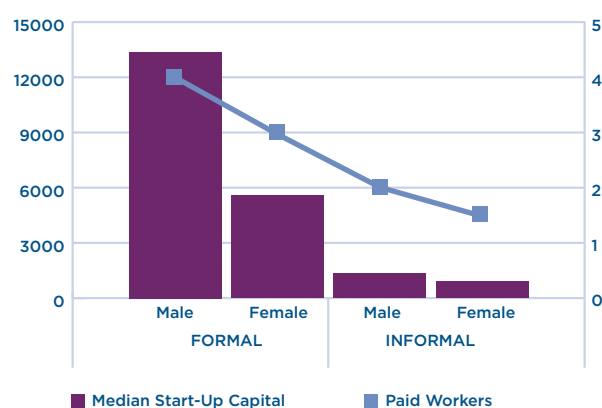
Commercial banks targeting women entrepreneurs in the SME market as a fast-growing and untapped market segment have found these programs financially rewarding.¹³⁵ Benefits reported by banks running such programs include amongst other advantages:

Brand loyalty and multiple sales points: Women entrepreneurs appear less likely than men to switch financial service provider and more likely to purchase several financial products from the same. This reduces acquisition cost despite the initial somewhat higher cost of including under-banked or non-banked women entrepreneurs in the customer base in the first place.

Health of Portfolio: Portfolios of loans provided to women entrepreneurs exclusively appear to have a lower share of non-performing loans (NPLs), for a variety of reasons, including women entrepreneurs' greater interest and willingness to restructure early.

Servicing women-owned enterprises successfully may require financial services firms to tailor their products to the specific needs of this market segment. There are still relatively few examples in the

FIGURE 3.13 START-UP CAPITAL AND WORKFORCE BY SECTOR AND GENDER FROM NEW ENTERPRISES



Source: Gajigo, Hallward-Driemeier, 2010

130 Gajigo and Hallward-Driemeier, 2010

131 Aidis, et.al. 2003, Bardasi, 2008, Guheer, 2003

132 Neithammer, 2007

133 Naido et.al., 2006

134 Gajigo and Hallward-Driemeier, 2010

135 www.gbaforwomen.org

industry of banks offering financial services specifically geared towards women entrepreneurs. Reports on successful examples include recommendation to partner with business membership organizations and to study the financial services needs of women entrepreneurs carefully. For example, since members of the World Council for Curriculum and Instruction (WCCI) in Lahore identified access to finance for women-owned SMEs as a main obstacle to expanding their businesses, the body negotiated in 2006 a special women entrepreneur financing scheme with the Bank of Punjab for loans up to 500,000 rupees. The scheme accepts WCCI member customers without any collateral requirement (i.e., no assets will be mortgaged to

issue a loan) provided that their loan application is accompanied by two letters of personal guarantee (from two guarantors that have prime real estate properties in urban centers) and a WCCI letter of recommendation.¹³⁶

Initial results are certainly promising, but more rigorous evaluation of their effectiveness is needed. It is also important to ensure that specific programs are tailored to local conditions, taking into account cultural and traditional realities. The next chapter showcases a number of different initiatives that financial institutions, public sector entities, and donor agencies can think about scaling up and replicating.

CHAPTER 4

Exploring Various Finance Models for Women MSMEs

All sectors have a role to play in order to increase women's participation in developing the private sector in emerging markets and developing countries. As a complement to the literature and evidence review undertaken in this report, a comprehensive collection of successful financial models specifically geared towards women-owned MSMEs has been compiled (See Annex B).¹³⁷ These models have proven to be successful both for the creditors and their expanded female clientele. Although not too many of these examples exist, the ones featured in the report have shown positive results and can be scalable, replicable, and adaptable by other institutions while taking cultural accounts into consideration.

Some of the best practices collected have been developed by members of the Global Banking Alliance for Women (GBA), a membership organization of institutions around the world who lead women's wealth creation through innovative programs that provide women's business enterprises with vital access to capital, markets, education, and training. The GBA was founded in 2000 by Bank of Ireland, Fleet Boston Financial/Bank of America, Westpac Banking Corporation, RBC Royal Bank of Canada. all recognized as leaders for their programs for women. The GBA now comprises 30 member institutions, including leading global banks and national banks like Access Bank in Nigeria. GBA's network serves as a connector of people, information, and resources. Through a collaborative system and the Annual Summit, financial institutions and experts in the field exchange information as they start or enhance their services to women enterprises.

The stocktaking exercise is designed to illustrate objectively a broad range of current practices and features in the women-owned MSME finance space. The purpose of the stocktaking is not to advocate for specific MSME finance models and policies; rather it is aimed at gathering and presenting valuable insights on women-owned MSME financing, and serving as a resource for the G-20 in expanding women MSME finance practices.

A total of 37 approaches of women MSME finance interventions were identified and analyzed. Twenty-nine of the models are private sector approaches and six are government approaches/ public support schemes covering the following:

- Private sector models suited to provide sustainable financial services to women-owned MSMEs;
- Legal and regulatory interventions that enable women-owned MSME access to finance; and,
- Public support mechanisms to foster MSME financing.

Different mechanisms tailored to meet the specific needs of the female MSME segment are used by the different schemes. Besides extending credit outreach to women, these programs have successfully demonstrated that women are a profitable and a loyal market segment. Some of the programs directly aim at the supply side constraints, for example, through credit lines specifically aimed at increasing access to finance for women entrepreneurs and training both the bank staff and women.

¹³⁷ See Annex B of the report

Stocktaking Exercise Methodology

Five criteria have been used to evaluate the relevance of the submitted models:

- **Leverage:** Models should maximize the leverage of public interventions — if any — in catalyzing private MSME finance to a maximum number of firms.
- **Scale and Sustainability:** Models must credibly demonstrate either existing relevant scale or potential to be scaled up over the long term, and must be able to function on a sustainable basis.
- **Replicability:** Models should be able to prove their potential to be replicable in other countries and contexts.
- **Results and Track Record:** Models should have a clear and measurable financial access impact on MSMEs, as demonstrated from the results from pilot or empirical testing.

- **Implementation Capacity:** Models must have a realistic timeframe for implementation and be suited to the technical, legal, and financing capacity of the IFIs.

A standardized template has been designed for the purpose of this exercise, with a view to capture as comprehensively and accurately as possible the key features and data points needed for the evaluation of a given model. The featured examples reveal that a combination of credit and business management and financial training are possible models that yield results. Furthermore, addressing the women's market also means looking at issues that are legally an impediment for women to own and run strong and profitable businesses.

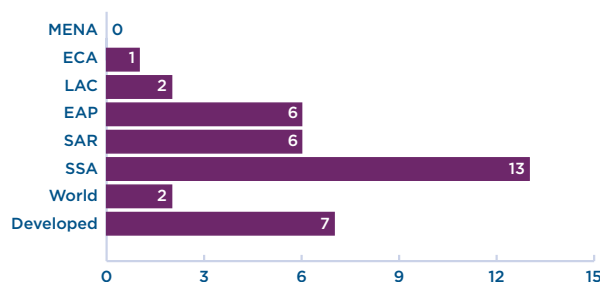
It should be noted that the case collection captures a small sample of actual MSME finance models worldwide and, as a result, the compositions of cases from the stocktaking might not match the global composition of mechanisms and experiences.

TABLE 4.1 STOCKTAKING REPORT TEMPLATE

Stocktaking Exercise Template: Case Information Requested

Basic Information
■ Name of the initiative
■ Implementing Parties
■ Year Started
■ Targeted SME sector
■ Category of Information
■ Summary of the initiative and results achieved
■ Links to background research
Model Description
■ Initiative background and rationale
■ Objective
■ Description of the mechanism
> Sources of public and/or private funding
> Performance of Mechanism in leveraging public funding to facilitate private funding
■ Results
> Timeframe for results
> Amount of financing facilities to date
> Cost benefit
> Expected results by end of initiative
Key Success Factors, Scalability and Replicability
> Description of success factors based on categories, scalability and replicability opportunities

FIGURE 4.1 COLLECTED WOMEN-OWNED MSMEs FINANCE MODELS BY REGION



OVERVIEW OF THE CASE COLLECTION

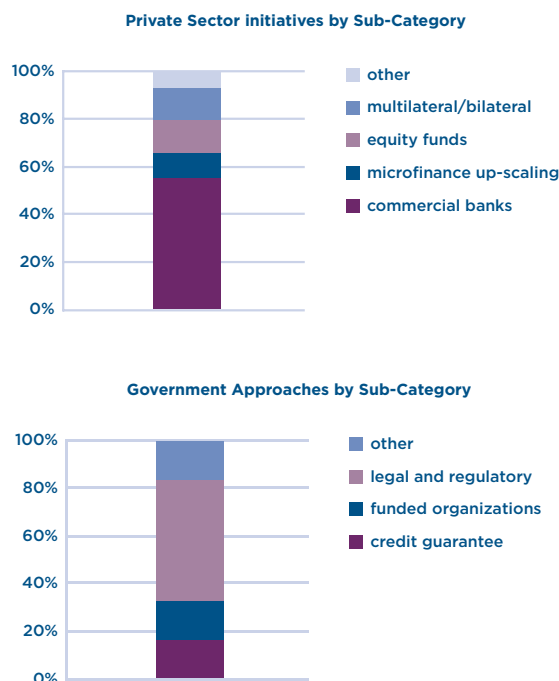
As part of the stocktaking exercise, 28 models of women MSME finance interventions have been gathered. Collected models represent developed and developing countries throughout several regions of the world. Models implemented in the Africa region represent the largest share of the collection. The cases include single, multi-country, regional, and multi-regional models (Figure 4.1).

The database of collected models provides an excellent overview of a wide range of MSME finance mechanisms and policy interventions for women entrepreneurs, as implemented in various countries and regions. The mix of models represents both private sector initiatives and government approaches/public support schemes further classified by sub-category (Figure 4.2). At 83 percent of the cases, private sector initiatives are the most widely represented models in the collection. Under this category are commercial banks, equity funds, microfinance up-scaling, and multilateral/ bilateral initiatives. Government approaches/public support schemes are represented by credit guarantee, funded facilities, and legal and regulatory initiatives. While good legal frameworks and financial infrastructure set the necessary pre-conditions for

MSME finance targeting women to flourish, they take longer to implement compared to other initiatives.

There is still a long way to go to accurately quantify the performance of the proposed models in terms of outreach, sustainability, and leverage. It is difficult to quantify outreach in a way that can be benchmarked across models. Even across similar initiatives, comparisons are difficult, given that collected mechanisms have various maturities and operate in different environments. Even when outreach, sustainability, and leverage data are provided, it is often difficult to draw conclusions in the absence of thorough impact evaluations. This chapter intends to draw key lessons from the qualitative comparison of models in order to highlight initiatives that seem particularly promising in increasing access to finance for women-owned MSMEs, while allowing for the information weakness described above.

FIGURE 4.2 COLLECTED WOMEN-OWNED MSME FINANCE MODELS BY TYPE OF INTERVENTION



4.1 Commercial Banks Targeting Women-owned SMEs

Programs from 16 commercial banks with a clear approach to women-owned businesses in both developed and developing countries were analyzed. Three of the models are implemented in developed markets (United States, Canada, Australia) and the others were in emerging markets, with a very high concentration in Africa. The information gathered through these models shows that financial institutions do have a role to play in increasing access to financial services for women entrepreneurs and are finding benefits in further segmenting their SME approach to specifically target and focus on women entrepreneurs.

Based on the environment in which they operate, the financial institutions have been categorized as two types:

1. Developed country banks, which can boast of a pretty robust enabling environment as well as a strong legal system where laws promote gender equality. In developed economies, women's networks are also much stronger, and thus enable the banks to access timely information on women-entrepreneurs, assess what their needs are, and appropriately provide targeted solutions to grow this specific portfolio for financial institutions.
2. Emerging/developing country banks, which face different challenges in terms of reaching SMEs and further challenges when it comes to women entrepreneurs. In addition, these banks usually operate within limited infrastructure and a difficult business enabling environment that is heightened when it comes to targeting women entrepreneurs. Amidst these difficulties, commercial banks such as Access Bank Nigeria, Garanti Bank Turkey, and DFCU Bank have all created a specific offering for women entrepreneurs tailored to their needs, while taking into account the cultural context.

DEVELOPED COUNTRY BANKS

The three identified models from developed country banks have approached the women-owned business segment in a fairly different manner, based on the needs of their women clientele.

Wells Fargo, which operates in the United States, is the first institution to recognize and seize the opportunity to create national and publicly stated lending goals specifically dedicated to supporting women-owned businesses in their growth. Recognizing that women entrepreneurs face barriers in accessing finance and information, training, and networking opportunities, Wells Fargo created specific products and solutions to enable U.S. women entrepreneurs.

Similarly, Westpac Banking Corporation in Australia saw the opportunity the women business-owner segment could present for the bank. In the late 1990s, Westpac underwent a cultural shift to establish itself as the bank of choice for women in Australia. But unlike Wells Fargo, Westpac chose to establish its own Women Investment Advisory Service Unit, which specialized in investment planning, education, risk management, and business services.

Further targeting its intervention within the women's market, Westpac disaggregated by gender the portfolios of every section of the bank and conducted research that enables it to create a strong value proposition for Australian women business owners. Westpac developed platforms such as the Ruby Connection and the Learn Lead and Succeed Program to provide Australian women entrepreneurs with what they needed the most: business management training and an opportunity to network among themselves to potentially partner and grow their businesses.

Westpac's women in business program contributed over AUS \$ 2.5 bn to Westpac's bottom line in 2009. The Bank has received national and global sustainability awards, including recognition as one of the world's most ethical companies in 2008, 2009, and 2010 by

Ethisphere; the only Australian bank listed on the 2011 list of Global 100 Most Sustainable Companies; and recognition by the Dow Jones Sustainability Index as a leader in the global banking sector.

Another developed market financial institution that is successfully targeting women entrepreneurs and is partnering with the U.S. government to achieve results is American Express. Through the American Express OPEN Program, women business owners are able to not only access a variety of cards specifically designed to help them manage their day to day business activities, they are also able to access information, advice, and guidance from other women entrepreneurs. The OPEN forum has an online platform providing cutting-edge tools and insights to help women business owners easily monitor their everyday operations, from advertising new products to paying vendors. American Express has also partnered with “Count Me In, Make Mine a Million” Program to work with its women clients and help them in achieving the million-dollar sales threshold.

To further increase access to opportunities for women entrepreneurs, American Express pushed heavily for the passing of the Women-Owned Small Business (WOSB) Federal Contract program, which restricts a percentage of competed government contracts to women in 83 different industries. This creates more federal contracting opportunities for women-owned small businesses.

Finally, to further increase access to opportunities for women entrepreneurs, American Express, in collaboration with Women Impacting Public Policy (WIPP), created the “Give Me 5 Program” to advocate for more federal contracting opportunities for women-owned small businesses. The program is designed to educate women business owners on how to apply and secure federal procurement opportunities (See Annex B).

Although these models had fairly different approaches to increasing access to finance for women entrepreneurs, one common aspect seen across all three as well

as others collected from other banks such as the Royal Bank of Canada and the Royal Bank of Scotland is the importance of providing targeted training and mentoring/networking opportunities to women entrepreneurs as part of the services offered by the bank, whether in partnership with an independent entity or as part of the bank’s core offering.

DEVELOPING COUNTRY BANKS

In developing country banks, analysts observed somewhat the same model but with additional emphasis on creating products and services that alleviate the burden of collateral, help women business owners at the start-up phase, and provide additional products and services such as company insurance to enhance the capability of women to run stronger businesses.

For example, as part of its SME business strategy in Uganda, DFCU Bank created the Women in Business (WIB) Program in 2007 to assist Ugandan women entrepreneurs in achieving growth. Similar to the women business interventions cited earlier, DFCU provided business management and financial literacy training to women entrepreneurs in addition to traditional loans. The difference in DFCU’s offering is in the way the Bank specifically formatted some of its loans and savings products to address the needs of women entrepreneurs. As collateral requirements are a major obstacle for Ugandan women who have difficulty accessing property, DFCU created a “land loan” specifically for women. With this product, women are able to obtain a loan to purchase property that they can later on use as collateral for a business loan.

DFCU also promotes partnerships among clients. To facilitate this process, it created the Investment Club, a savings scheme where women entrepreneurs raise funds together to make a future business investment. Members of the investment club can also use the amount saved as collateral. Through the program over \$20 million have been on-lent to women entrepreneurs in Uganda.

Similarly, to enhance the capacity of women entrepreneurs to run stronger businesses, SME Bank in Malaysia has created a type of incubation system in which it provides financing facilities, entrepreneurial guidance, and training, and assists clients in marketing and promoting their products. SME Bank has adapted these different products to match the needs of women entrepreneurs who, in Malaysia, are heavily concentrated in manufacturing and tourism. SME Bank has used its incubation center to encourage more enterprising women to enhance their business skills and grow their businesses. SME Bank Malaysia has several packages for the women entrepreneurs, depending on their size and development level.

In the DRC, Rawbank, in addition to training and regular SME Banking products for women entrepreneurs, has added a legal desk to its services in order to facilitate the registration of businesses for women entrepreneurs who need the permission of their husbands to register a company and open a bank account. The bank also relies on a primarily lending strategy that eases the collateral requirements for women entrepreneurs.

Other banks in developing markets such as Garanti Bank Turkey, Exim Bank Tanzania, Access Bank Nigeria, Sacom Bank of Vietnam, and Bank International Indonesia,¹³⁸ have also realized the potential of women entrepreneurs and are starting or examining specific approaches to enhance growth opportunities for women-owned businesses. It is important to note that these projects are, for the most part, just starting, although they already show promising results. Also, to enable women micro-entrepreneurs to move up the chain, some microfinance institutions are exploring ways to assist women entrepreneurs. The next section identifies two microfinance institutions that are addressing the entrepreneurial need of women at that level.

4.2 Microfinance Institutions Have a Role to Play in the Growth of Women Entrepreneurs

As some microfinance institutions are scaling up, they are finding it beneficial to grow with their women clients, and in that way are assisting them in scaling up their businesses as well.

This is the case of MiBanco Peru, which, as it becomes a commercial bank, includes as part of its strategy looking at ways to enhance the skills of women micro-entrepreneurs in Latin America to assist them in achieving scale. To achieve this goal, MiBanco has created the “Crece mi Negocio” Program, which enables women to access bigger loans for equipment rather than small individual loans. MiBanco is also bundling its loans with a minimum of 150 hours of training for the women businesses that have qualified for at least \$10,000 credit. The training course is developed with Thunderbird University in the United States and a university in Peru.

Similarly, Sero Lease in Tanzania, which from the onset provided micro-leases to its women entrepreneur clients, also couples its loans with training that covers not only business and financial management but ways to access markets as well. Most importantly though, Sero Lease has partnered with Exim Bank in Tanzania in order to offer a very early opportunity to its women clients to establish a relationship with a commercial bank by opening a “Tumaini” (savings) account. Through this mechanism, Sero Lease women clients are able to establish and grow their relationship with a commercial bank that, once they reach a certain level of growth, can provide the appropriate financial services for these women to sustain the expansion and development of their business.

138 See Annex B of the report

Equity is equally important for the growth of women entrepreneurs. Although commercial banks and microfinance institutions are more often approached for financing, other sources such as equity funds or angel/investment funds may be more appropriate for women entrepreneurs, especially at the start-up stage. Women-owned businesses attract less than 5 percent of venture capital funds worldwide.¹³⁹ As do other businesses, women-owned enterprises need to be properly capitalized if they are to achieve sustainable growth. Investment funds such as equity and angel funds provide the solution not just for accessing seed funding, but also for obtaining hands on coaching very early on in the business, which may increase survival rates.

Although not many of current existing funds are specifically targeting women-owned SMEs, a couple are starting to arise both in developed and developing countries. The stocktaking exercise identified four, two of which are already showing promising results.

UK-based Trapezia Fund is the first equity fund dedicated to the venture capital requirements of women-centered business in the United Kingdom and in Europe. Trapezia offers the opportunity to invest in women-focused businesses for 3 to 5 years. The fund, which uses tax rebates to incentivize investors, started with £4.5 million in November 2006. It has invested amounts of £240,000 to £550 in a diversified portfolio of 10 companies led by women. As the investments are relatively new, it is too early to discuss returns. A Trapezia II fund is currently in negotiation to meet the demand of women entrepreneurs in the United Kingdom.

Similarly in South Africa, the Women Enterprise Development Initiative (WEDI) is a seven-year, \$250 million closed-end, women-owned SME equity fund that combines high social impact investing and above average returns on investment by supplying up to 1 percent of funds under management in the proper assessment and ongoing support required for women

entrepreneurs to be successful in the medium and long term. WEDI incorporates a multi-disciplinary and holistic approach to enterprise development, while providing additionality with capacity building to the services of the women-owned SMEs to build long-term growth. Operating out of South Africa, the fund covers the Southern African Development Community (SADC) region. WEDI is also fairly new, and it is thus too early to discuss returns.

4.3 Government and DFIs role in increasing access to finance for women-owned MSMEs

External support to further private sector interventions and policy to improve the enabling environment are critical to further increase opportunities for women-owned businesses. Governments and multilateral and bilateral programs have an important role to play in facilitating private sector involvement and access to finance for women entrepreneurs. As part of the stocktaking exercise, 10 interventions from governments and multilateral/bilateral initiatives to enhance the participation of women entrepreneurs and increase their ability to access finance have been identified. Of the developing country models, one stands out as having achieved some results. In addition, a number of multilateral and bilateral organizations have provided support to further increase opportunities for women to access financing either through direct intervention with private sector entities or through governments.

GOVERNMENT INTERVENTIONS

In India, the government has drawn up an ambitious 14-point action plan for public sector banks to increase women's access to bank finance, with a view to increasing women's access to formal finance, including SME finance. However, no impact evaluations are yet available. The Indian government set a target of 5 percent aggregate public sector bank lending to women and

instructed the central bank to maintain a database to track its performance. Following the government directive, Reserve Bank of India (RBI) in 2000 asked public sector banks to disaggregate and report the percentage of credit to women within their total lending. The Indian government's action plan set a target of increasing such loans from their 2001 level of 2.36 percent to 5 percent of total lending. This data is reported in RBI's Trends and Progress Report annually. The aggregate net bank credit to women increased to 6.3 percent in 2009, with 25 banks reaching the target. Though the full impact of the policy requires further exploration, tracking data has increased awareness of women's low access levels.¹⁴⁰

Furthermore, India's 11th Plan encourages ownership rights for women by offering incentives for ownership of property. Women homebuyers benefit from tax exemptions, lower stamp duties, and easier availability of home loans. A lower stamp duty rate helps in saving on the overall costs while purchasing property, thus acting as a significant boost for prospective women buyers. Such is the increase of prospective women buyers that developers are also considering incentives aimed at women. State and local governments in Uttar Pradesh, Delhi, Orissa, and Punjab have launched some initiatives in this regard. For example, in 2002, the state of Delhi cut stamp duty rates from 8 to 6 percent for women owners. In case of joint ownership by men and women, the duty is 7 percent. Using the opportunity that India's favorable macro-environment provided, Man Deshi bank advocated for stamp duty reduction for joint property registration for women borrowers, and honor and reward husbands that undertake such joint registrations.¹⁴¹

DFIS AND IFIS INTERVENTIONS

As part of the stocktaking exercise and the gender empowerment agenda, a number of DFIs and IFIs

have been supporting both private sector and government entities to increase access to finance and growth opportunities for women-owned MSMEs.

The majority of the DFIs who submitted focused their interventions in developing countries. Different types of schemes are provided by DFIs to enhance the private sector and governments' efforts to address the needs of women entrepreneurs. For example, the International Finance Corporation, the private sector arm of the World Bank Group, has provided over \$118 million in credit lines and equity schemes to commercial banks in developing countries to increase their capabilities of addressing the needs of women entrepreneurs (Box 4.1). Similarly, the African Development Bank and USAID have signed guarantee facilities with financial institutions to mitigate the risk perceived by financial institutions looking to lend to women entrepreneurs.

Most DFIs interventions are coupled with technical assistance to assist the financial institutions in addressing the women-owned MSME segment, as well as enhancing the skills of women entrepreneurs to run their businesses.

As very few examples specifically geared towards increasing access to finance for women-owned MSMEs exist, the stocktaking exercise examines the few models that could potentially be scaled up and replicated globally to increase access to finance and opportunities for women-owned MSMEs in developing countries. Chapter 2 and 3 show the need for approaches both at the business enabling environment and at private sector level. To increase the participation of women-owned MSMEs in the private sector and enhance their opportunity to achieve growth systematic efforts are needed not only nationally, regionally, and globally, but also within the private sector and at government levels. The G-20 is uniquely placed to influence the agenda to increase women entrepreneurship and their ability to access finance to grow their businesses.

140 Narain, 2009

141 Narain, 2009

BOX 4.1 DFI AND IFI INTERVENTIONS**IFC**

IFC recognizes that aspiring businesswomen are often prevented from realizing their economic potential and is therefore committed to creating opportunities for women in business. IFC aims to mainstream gender issues into its work, while helping to better leverage the untapped potential of both women and men in emerging markets. IFC provides financial products and advisory services to:

- Increase access to finance for women entrepreneurs;
- Reduce gender-based barriers in the business environment; and
- Improve the sustainability of IFC investment projects.

Thus far, IFC has worked with over 16 banks to enhance their ability to provide more targeted products and services to women entrepreneurs. Through this intervention, IFC has invested over \$118 million, of which over \$86 million have been lent to women entrepreneurs, and well over 2,200 women entrepreneurs have had the opportunity to increase their business and financial management skills.

AfDB GOWE Program

“Growth Oriented Women Entrepreneurs (GOWE),” a partial guarantee aimed at women entrepreneurs, was launched by AfDB. The program was launched in Kenya and Cameroon in 2006 and 2007 respectively. The Kenya GOWE program is fully financed by the African Development Bank (AfDB) with up to USD \$3 million for capacity building and management, and another USD \$10 million for the partial guarantee facility. In Cameroon, the GOWE program is financed jointly by AfDB (USD \$530,000), Canada Trust Fund (USD \$450,000), and Irish Trust Fund (USD \$100,000) for capacity building and management. AfDB has in place Euro 10 million for the partial guarantee with International Labor Organization (ILO) as the technical advisory partner. Under the GOWE program, AfDB has guaranteed 47 loans amounting to USD \$1.75 million and trained over 600 women entrepreneurs on managing their businesses. Similar partial guarantee programs in Tanzania and Zambia have also recently been launched.

USAID’s DCA (Development Credit Authority)

USAID partners with Kenyan financial institutions to encourage lending in underserved areas due to the perception of high risks. Under this partnership KCB, a Kenya bank, has introduced the Grace Loan, which is tailor-made for individual women entrepreneurs and women business groups to meet their working capital or business expansion. Through the Grace Loan, women are able to apply for a loan of up to \$62,000, repayable in up to 36 months. The loan also has an important training component. To access value added services, women entrepreneurs get the opportunity to join KCB’s Biashara Club. Since the launch, the bank has lent over USD \$1.6 million to 350 women entrepreneurs.

CHAPTER 5

Suggested Actions and Policy Recommendations

At the G-20 Seoul Summit in November 2010, the leaders of the 20 member-countries endorsed the “Financial Inclusion Action Plan” and the creation of the “Global Partnership for Financial Inclusion (GPFI).” The leaders’ declaration states the following as the rationale behind the creation of the group:

“To promote resilience, job creation and mitigate risks for development, we will prioritize action under the Seoul Consensus on addressing critical bottlenecks including infrastructure deficits, food market volatility, and exclusion from financial services.”

One important dimension of inclusion within the broader agenda is gender.

With access to finance a significant barrier to SME growth, particularly for women-owned businesses, expanding financial inclusion is an important policy goal. Women continue to be underserved by financial institutions. The impact of more limited access to finance not only impedes women’s ability to grow their businesses, it can also restrict the types of businesses they begin in the first place and thus their future potential.

To ensure that women entrepreneurs’ access to finance is given due attention within the broader SME finance agenda, a three-fold action plan is set out here for G-20 leaders:

I. Endorse a set of recommendations for policymakers in the developing world to establish a supportive enabling environment for women entrepreneurs to access financial services in their respective countries.

II. Lead efforts to identify, evaluate, and support the replication of successful models for expanding financial services to women entrepreneurs.

III. Lead efforts to gather gender-disaggregated data on SME finance in a coordinated fashion by establishing a platform to consistently collect cross-country data.

The recommendations largely focus on direct measures to facilitate women’s access to finance; most of the non-financial barriers discussed in Chapter 2 are beyond the scope of this report. However, there is one exception. The issue of women’s legal rights, while going beyond just the financial benefits for women, clearly has implications for women’s ability to operate a business, to control collateral that could be used for a loan, and to enter into contracts, including opening a bank account.

I. Endorse a set of recommendations for policymakers in the developing world to establish a supportive enabling environment for women entrepreneurs to access financial services in their respective countries.

The recommendations are derived from the experience of both developed and developing countries, and aim to help policymakers focus their resources on creating the right environment for women entrepreneurs to access financial services in developing countries. A few of the recommendations directly address gender specific constraints, such as the need to close formal gaps in women’s property rights and the legal capacity

to enter contracts in their own name. Other recommendations are gender-neutral in that they focus specifically on addressing constraints for growth for smaller firms or firms in the informal sector where women entrepreneurs are particularly active.

DEVELOP COUNTRY-SPECIFIC DIAGNOSTICS AND STRATEGIES TO INCLUDE GENDER DIMENSIONS IN THE FINANCIAL INCLUSION AGENDA

An effective strategy to address gender gaps in SME access to finance in an individual country should be based on a comprehensive diagnostic of the gender gaps in SME entrepreneurship as well as gender gaps in access to finance. This would include an evaluation of the demand and supply of credit to better understand the SME financing gap, as well as evaluations of the relevant laws and regulations, the quality of the financial infrastructure, gender gaps in perceived risk assessments by financial institutions, and a better understanding of gender-specific profiles, behaviors, and opportunities among entrepreneurs that might prevent women entrepreneurs from growing their firms into larger businesses.

DEVELOP SUPPORTIVE LEGAL AND REGULATORY ENVIRONMENT FRAMEWORK

INCREASING WOMEN'S LEGAL ACCESS TO PROPERTY IMPROVES ACCESS TO COLLATERAL AND CONTROL OVER ASSETS, STRENGTHENING THEIR INCENTIVES AND ABILITY TO GROW A BUSINESS

Access to and control over property is a basic requirement to running a business. It determines whether one has the necessary inputs, as well as the degree to which returns to the enterprise can be retained. Given the centrality of property rights to providing the ability and incentive to grow a business, addressing gender gaps in these rights removes a constraint to women's entrepreneurship. While not all individuals are even aware of

their formal rights (or lack thereof) and while not all laws are enforced, as countries develop, the role of the law grows in importance and the principles it espouses shape individuals' expectations, choices and, thus, their outcomes. Ensuring women's property rights is therefore a central part of the broader commitment to gender equity and women's empowerment.

Gender equality in economic rights has been on the agenda of most government signatories to Committee on the Elimination of Discrimination Against Women (CEDAW) and other international conventions, and is recognized as a guiding principle in almost every country's constitution. However, inequities exist on the books in many countries, as shown the Local Economic and Employment Development (LEED) database in Africa and the Women, Business, and the Law global database. There is a need to be proactive in addressing the formal gaps in property rights; they are not necessarily addressed with economic development. In Sub-Saharan Africa, for example, gender gaps in these economic rights are as common in middle-income countries as in low-income countries. Gender gaps in economic rights are associated with higher rates of women entrepreneurs being self-employed rather than employers.¹⁴²

Specific steps to address gender gaps in economic rights include:

- Applying constitutional provisions of nondiscrimination in areas of marriage, property, and inheritance.
- Giving women equal say over the administration and transfer of marital property.
- Limiting or removing head-of-household laws that allow husbands to deny permission to their wives to engage in a trade or profession, or to choose the marital home.
- Removing provisions requiring a husband's signature to enter into contracts or open a bank account.
- Enabling married women to testify equally in court.
- Recognizing women's rights to marital property on divorce or in inheritance.

- Facilitating joint titling of land and other assets and allowing married women equal access to national identity documents, such as passports, which can be prerequisites for financial transactions.

Address constraints in de facto access to enforcement of property rights

For women to have their property rights respected and enforced, they need to be able to access the justice system. This involves addressing constraints in actual access. For example, issues of language, cost, distance, and time can constrain women's access. Programs such as mobile courts and greater roles for paralegals can expand access to courts. In addition, capacity building for women to know their legal rights is important in cases where such rights exist but women lack awareness of them.

However, there is another dimension. In many countries, the legal system is heavily male-dominated, or staffed by individuals that have little firsthand knowledge of the cultural or societal pressures facing women seeking their support. Here, sensitivity training can be very effective. Building awareness of potential gender bias, and measures to counteract such bias, among judges and within the broader legal community can greatly facilitate women receiving justice.

ENCOURAGING FORMALIZATION

Simplifying the procedures and reducing the time and cost needed to register a business is associated with increased numbers of firms being registered. Addressing these constraints in business registration can benefit women who have less information and time and who are largely in informal businesses. Other steps can also be taken to make registration more attractive. Costs associated with formalization can be addressed through reducing other regulatory red tape and rationalizing firms' tax burdens. At the same time, more can be done to increase awareness of the benefits of registration. These benefits include access to greater protections of property rights through the court

system, expanded markets through a greater ability to supply other registered firms and, most importantly, a greater ability to access finance. As this report has shown, formal businesses have higher access to finance. Facilitating formalization should help more firms strengthen their access to finance.

EXPAND FINANCIAL INFRASTRUCTURE SUCH AS CREDIT BUREAUS AND COLLATERAL REGISTRIES THAT CAN INCREASE ACCESS AND REDUCE THE COSTS OF BORROWING

Integrated credit bureaus that access microfinance credit histories and small loans can increase access to finance. Bureaus should not only include negative histories, such as when loans are not paid back in full, but also positive histories, as when loans have been successfully repaid. Building these credit histories may be particularly beneficial for women who are seeking to expand their amount of credit and who are more likely to lack traditional collateral. Further, credit bureaus, as they reduce information gaps, can reduce the cost of borrowing.¹⁴³ Collateral registries and secured transaction systems can also expand the types of assets that can be used for collateral. Facilitating the use of movable collateral for borrowing could disproportionately affect women, whose assets are more likely to be movable.

STRENGTHEN SME ACCESS TO SMALL CLAIMS COURTS AND ALTERNATIVE DISPUTE RESOLUTION MECHANISMS

The strong link between well-functioning court systems and access to finance for small firms is amply demonstrated.¹⁴⁴ For SMEs, the most relevant starting point is through small claims courts and improved access to court-referred mediation or alternative dispute resolution mechanisms. The benefits are likely greatest for those who are more time constrained, lack overall legal literacy, face greater challenges negotiating bureaucratic systems, and are more inclined to have verbal contracts that are not enforceable in a court of law.

143 IFC 2010

144 Malhotra et al., 2006, Mehnaz, 2007

BUILD CAPACITY OF FINANCIAL INSTITUTIONS TO BETTER SERVE WOMEN ENTREPRENEURS

Enhancing commercial banks' capacity to further respond to the needs of the growing market of women-owned enterprises would increase banks' outreach to this segment of the SME market. These capacity building efforts need to be at several different levels within the institutions. At senior management level there is a need to be sensitized to the potential benefits and returns, as well as the requirements for adapting to the needs of women entrepreneurs. Similarly, loan officers need specific training in evaluating women-owned businesses and lending to women-owned SMEs.

Organizations such as the Global Banking Alliance for Women (GBA), a consortium of financial institutions who profitably and sustainably provide financial services to women entrepreneurs, can play a major role in driving this agenda forward. Furthermore, as DFIs invest in private sector banks, they can further influence financial institutions in reaching out to women SMEs by setting specific targets, providing training, and offering information about best practices.

EXPAND RESEARCH INTO THE MOST EFFECTIVE WAYS TO COMBINE ACCESS TO FINANCE AND BUSINESS TRAINING

Credit is more likely to be extended to those with stronger knowledge of business practices and financial literacy. Indeed, having these skills is a predictor of how productively the credit will be used. Yet evaluations of specific training and lending schemes show mixed results. More needs to be known about how best to tailor programs to different types of borrowers. The experience of financial institutions in providing additional financial literacy and business management training seems to be a good model to replicate, but financial institutions should be actively involved rather than relying on independent training organizations.

DESIGN EFFECTIVE GOVERNMENT SUPPORT MECHANISMS

G-20 members and non-members alike should encourage policy makers in developing countries to review their existing activities and programs on financial inclusion to ensure they cover gender issues. Most countries have programs to expand access to finance, with a focus on SMEs; these should include gathering gender-disaggregated data, conducting analysis, and taking steps to explicitly address the needs of women entrepreneurs.

APPOINT A NATIONAL LEADER/CHAMPION FOR WOMEN SMEs

Such a person could coordinate with different stakeholders and ensure that the agenda remains a priority. This person could chair the gender review and recommendations of SME programs to ensure commitment and accountability to the agenda. It is critical that this independent person or organization report not only to the gender ministry, but also, most importantly, to the entities in charge of policies impacting the SME segment (i.e., ministry of commerce, trade, and finance).

BUILD MORE INCLUSIVE PUBLIC-PRIVATE DIALOGUE PROCESSES BY EMPOWERING WOMEN'S NETWORKS AND ASSOCIATIONS TO ACTIVELY PARTICIPATE IN THE POLICY DIALOGUE

Strengthening women's voices includes involving women in the reform process, and ensuring that issues of relevance to women are included on the agenda. Women's participation would give voice to gender-differentiated constraints that are often overlooked in gender-neutral policies and a male-dominated policy making process. This could be facilitated by including women's networks and associations in the policy dialogue, as well as by increasing women's access to networks, including mainstream structures such as the Chamber of Commerce and business and industry associations that too often have low female representation.

STRENGTHEN WOMEN ENTREPRENEURS' HUMAN CAPITAL BY DEVELOPING ENTREPRENEURIAL EDUCATION AND TRAINING OPPORTUNITIES THAT ARE BETTER ALIGNED WITH THE SPECIFIC NEEDS OF WOMEN ENTREPRENEURS

The associated benefits of higher management skills in terms of higher productivity are generally the same for women as for men. Women's measures of human capital are very similar to men working in the same type of activities, e.g., the human capital of women in the formal sector is much more like that of their male colleagues in the formal sector than it is like that of women in the informal sector.¹⁴⁵ However, women overall have less education and training. Improving women's access to training programs and networking opportunities will help expand their opportunities.

CONSIDER PROVIDING INCENTIVES AND SPECIFIC GOALS FOR INCREASED PROCUREMENT BY GOVERNMENT OF GOODS AND SERVICES FOR WOMEN-OWNED ENTERPRISES (SPECIFICALLY WOMEN-OWNED SMEs) WITHIN THEIR COUNTRIES

This would not only increase opportunities for women-owned SMEs, but it would also improve the banks' appetite in financing them.

- Establish participation criteria to ensure that suppliers and contractors in procurement proceedings do not unfairly discriminate against or adversely affect business concerns owned and controlled by women.
- Provide business concerns owned and controlled by women with the maximum practicable opportunity to participate in the performance of procurement contracts.
- Establish governmentwide goals for participation by business concerns owned and controlled by women in the performance of procurement contracts.
- Require suppliers and contractors to develop subcontracting plans promoting participation by business concerns owned and controlled by women.

- Establish uniform criteria and procedures for certified suppliers and contractors as "business concerns owned and controlled by women."

II. Lead efforts to identify, evaluate, and support the replication of successful models for expanding financial services to women entrepreneurs.

The few models featured in this report have shown that it is profitable for commercial banks to actively target women entrepreneurs. However, additional data is needed on women-owned SMEs. Increased efforts to capture these models and replicating them will be critical to enabling women-owned businesses to access the financing they need to grow. Furthermore, incentivizing commercial banks to further segment their SME clients and create or customize products and services to address the needs of these segments will help financial institutions in serving their SME more efficiently and profitably. The experience of existing initiatives and efforts can be leveraged, scaled-up, and complemented on a strategic basis through the convening power and high-level strategic support of the G-20.

III. Lead efforts to gather gender-disaggregated data on SME finance in a coordinated fashion.

BUILD CONSISTENT AND RELIABLE GENDER-DISAGGREGATED DATA SOURCES ON WOMEN'S BUSINESSES AND ACCESS TO FINANCE

A key step is establishing a platform to consistently collect cross-country data and gender-disaggregated data with a clear definition of a women-owned business and an ability to monitor drivers of gender-specific differences in enterprise growth and access to finance. Such data should seek to determine whether policy interventions are warranted and, if so, how best to design them. Areas where more data and research are needed include:

- Factors shaping entry, sorting into types of enterprises (sectors) and influencing growth decisions. Individual panel data is needed to understand who decides to become entrepreneurs and why, including the role of access to credit as an entry barrier.
- Registration. Include gender of the owners in business registration forms.
- Definition of “women’s businesses” and ownership or control. Collect better data on women’s ownership and women’s decision making power in enterprise surveys.
- Gender disaggregated information on lenders’ portfolios. Gather gender-disaggregated data from financial institutions on portfolio of borrowers, as well as terms and conditions on which men and women receive loans, so as to understand the reason behind any differences exist and the appropriate response.

IN COLLECTING GENDER-DISAGGREGATED DATA ON ACCESS TO FINANCE, NATIONAL FINANCIAL AUTHORITIES SHOULD DIFFERENTIATE AMONG TYPES OF FINANCIAL SERVICES

Central banks and other national financial authorities, working in collaboration with commercial banks and other non-bank financial institutions, should differentiate the data they collect by types of financial services, including checking accounts, savings accounts, and business loans in the formal sector.

FACILITATE COMPUTERIZATION AND ON-LINE REGISTRATION OF BUSINESSES

Computerized business registration will greatly facilitate the collection of data on registered businesses, and should include information on the gender of the business owners and information on the individual with primary decision making authority within the business. This will allow for women’s share in ownership to be tracked, and better identify those businesses that are truly women-run. Greater automation of the system will also have other benefits of facilitating the process and, by decreasing interactions with officials, lower the risk of corruption in the process.

INCLUDE GENDER-DISAGGREGATED QUESTIONS ON ACCESS TO FINANCE IN NATIONAL SURVEYS

National surveys on labor force participation or economic activities, such as those conducted by the statistical office of the ministry of labor or industry, should be encouraged to track ownership of assets by individuals and not just households, and should include questions about whether and why individuals are unbanked. These should also include the informal sector as collecting data in this market remains a challenge.

ANNEX A

METHODOLOGY FOR KEY ESTIMATES

Primary data source for global data

IFC-McKinsey MSME database

IFC and McKinsey built a detailed database in MSMEs, drawing on readily available global datasets that provide coverage to a large number of countries and national statistics in 2010.

For this report, the model was upgraded using the latest available Enterprise Surveys (as of July 2011) as a starting point, as it is the most comprehensive global dataset with gender-disaggregated information. However, they do not include rural and agribusiness.

Then, the available data from national statistics was integrated, and analyses were triangulated with interviews and additional data points. For countries without Enterprise Survey data, we used regional average as proxy. For the informal sector, given that there were only 14 countries where the Informal Enterprise Survey was available in the standardized format, we have used a series of assumptions to extrapolate the variables.

Definition of MSMEs and SMEs

While we recognize that the definition of SMEs vary from country to country, in order to maintain consistency of our analyses across countries, for the purpose of this exercise we classified enterprises as: micro (1-4 employees), very small (5-9 employees), small (10-49 employees), and medium enterprises (50-250 employees). The MSMEs can be further classified into formal and informal based on their regulation status.

MSMEs include micro, very small, small, and medium enterprises, while SMEs include very small, small, and medium enterprises. Non-registered or informal enterprises and non-employer firms are grouped together due to the lack of data to consistently differentiate between formal and informal non-employer firms.

Definition of gender ownership

In the standardized set of Enterprise Survey, the question used to define women ownership was “is at least one owner female?” or “are any of the owners female?” These questions pose certain limitations because they do not indicate the actual percentage of female ownership nor key decision maker. The team has conducted additional analyses replicated with alternative definitions where possible (e.g., woman sole proprietor, top manager). Two points to note:

- For South Asia, the question was slightly different: “are any of the principal owners female?” where a principal owner was defined as those with at least 5% share. This has likely led to the under-representation of female ownership in South Asia compared to other regions
- Several countries, most notably China, did not include gender-related questions (regional average was used as proxy)
- MENA countries (except for Yemen) have separate questionnaire, and some variables from the standard sets are not available. Due to sample size limitations, MENA is sometimes excluded from individual analyses

ADDITIONAL DATA SOURCES

- National statistics – often from Ministry of SMEs or similar agencies, national bureau of statistics
- ILO: Women and Men in the Informal Economy: A Statistical Picture
- Country and region specific studies (e.g., Women's Entrepreneurship in the Philippines, Serving the Financial Needs of Indonesia SMEs, Women-owned Businesses in Asia/Pacific, Middle East and Africa: An Assessment of the Business Environment)
- Expert interviews (McKinsey, IFC/World Bank, external)

1 Sample size of female ownership (at least 1 women) -16,000; female as sole proprietor -4,000; female as decision maker -3,000

ANNEX B

WOMEN MSME FINANCE STOCKTAKING MATRIX

Code	Region	Country	Name of the Program	Implementing Organization	Starting Year	Type	Sub-type	Project Summary
1	AFR	Malawi	Gender Entrepreneurship Markets Program	NBS Bank	2008	Private Sector Initiative	Commercial Bank	NBS Bank's Gender Entrepreneurship Markets program, in collaboration with IFC, was started in June 2008. The Strategic Business Plan addresses issues that impact the development of women's businesses, including limited access to finance, risk aversion, lack of collateral, low financial and business skills, high costs of funds, and acute shortages of foreign exchange and reduced training margin. The program's training component improves women's skills related to business and financial planning, product marketing, customer service, and financial management. Women are also exposed to banking requirements and the essence of banker/customer relationships. In order to develop this target market, NBS Bank set up a section of products and services specifically for women in business.
2	SAR	Pakistan	Commercial bank catering the financial needs of women entrepreneurs	First Women Bank Ltd.	1989	Private Sector Initiative	Commercial Bank	First Women Bank Ltd. is a commercial bank established in 1989 to cater the financial needs of women entrepreneurs. It serves as a development finance institution for women in both urban and rural areas. The bank thinks of their micro and SME borrowers of today as potential corporate clients of the future and offers SME loans at highly competitive rates. Loan applicants must have an account with FWBL before applying for a loan. After proper documentation is submitted, a branch officer makes a business site visit and then the evaluation and appraisal of the application takes place. Different financial products are offered to women entrepreneurs including financial services that facilitate coping with negative events and household needs.

Code	Region	Country	Name of the Program	Implementing Organization	Starting Year	Type	Sub-type	Project Summary
3	EAP	Malaysia	SME Women's Program	SME Bank	2005	Private Sector Initiative	Commercial Bank	SME Bank began operating as a development financial institution to meet the needs of SMEs in October 2005 and now operates through 19 branches nationwide. The bank nurtures and meets the unique needs of SMEs in Malaysia by responding to their funding and business growth needs. It complements services offered by commercial banks through integrated financial and business advisory services, focusing on the entrepreneurial community. The Women's Program is packaged specifically for women entrepreneurs in the sectors of manufacturing and selected services. The program offers financial assistance to women entrepreneurs who need support and meet requirements of the program. SME Bank strives to improve the economic status of women in accordance to the aspirations of the Ministry of Women, Family and Community Development.
4	AFR	Kenya	Fanikisha Project	Equity Bank, United Nations Development Programme (UNDP), ILO, and the Ministry of Finance	2007	Private Sector Initiative	Commercial Bank	From the start-up level on, Equity Bank offers a variety of products that allow women to grow their businesses and credit. Some of the benefits of the products are discounted business improvement trainings, advisory services, motivational talks and trade fairs, flexible collaterals, good repayment period, and competitive interest rates. The Fanikisha Project offers a variety of products designed to support growth and development of women SMEs. It provides access to financial services and financial literacy training to women entrepreneurs, as well as university scholarships for top boy and girl students in the districts in which it operates. Fanikisha loans are based on an evaluation of a business's cash flow, rather than on collateral and loan amount depends of previous repayment record. Through the Fanikisha training sessions women are educated in all aspects of business management with emphasis on the preparation of business plans.

Code	Region	Country	Name of the Program	Implementing Organization	Starting Year	Type	Sub-type	Project Summary
5	AFR	Kenya	Term Loans for Women	Commercial Bank of Africa in collaboration with AfDB and Growth Oriented Women Entrepreneurs Program Kenya	2006	Private Sector Initiative	Commercial Bank	In collaboration with AfDB and Growth Oriented Women Entrepreneurs (GOWE) Program in Kenya, Commercial Bank of Africa provides access to term loans (3-5 years) between \$20,000 and \$40,000. There is a 50% partial security on the loans so the GOWE can access additional finance with existing business assets. Women benefit from training on business planning and strategy development, business mentorship, networking, and business advocacy. In order to be eligible for these loans, the business must be legally registered, have been in existence for at least two years, be majority owned (at least 51%) and managed by women, have growth oriented business plans, be able to provide 20% of the total project costs either in existing business assets or additional injection, and be commercially viable.
6	AFR	Nigeria	Gender Empowerment Program	Access Bank, IFC	2009	Private Sector Initiative	Commercial Bank	Access Bank, a full-service commercial bank, started the Gender Empowerment Program in 2009 in collaboration with IFC. IFC's investment is \$15 million, and Advisory Service costs were \$350,000. The program is aimed at supporting women entrepreneurs by providing finance, capacity planning, networking, advisory services, and marketing collaborations. Women also benefit from alternative collateral options such as debentures, bill of sales, and jewelry. Thus far, more than 680 women have received training and USD \$37 million have been lent to 550 women entrepreneurs, with non-performing loans being 1%. Access Bank has opened over 1,562 deposit accounts, and the increase in deposits was about \$10 million USD. As of 2009, ROA was 8%. The GEM Program has been included in Access Bank's Regional Expansion Strategy.

Code	Region	Country	Name of the Program	Implementing Organization	Starting Year	Type	Sub-type	Project Summary
7	North America	United States	Women's Business Services Program	Wells Fargo, National Association of Women Business Owners (NAWBO)	1995	Private Sector Initiative	Financial Services Company	<p>Wells Fargo is a diversified financial services company considered to be a leading lender to women-owned businesses. Its Women's Business Services Program provides outreach and education to help women business owners increase their access to capital and other financial services. Wells Fargo effectively partners with women organizations like National Association of Women Business Owners (NAWBO) to reach women business owners and provide its clients with research, financial solutions, and business advice resources. The program includes: providing financial tools, research, financial guides, workshops, seminars, building partnerships with national and regional organizations, and an annual "Trailblazer" award to recognize the business achievements and leadership of women entrepreneurs. Since the program was launched in 1995, Wells Fargo has loaned more than \$35 billion to women business owners. The bank serves women-owned business with financial services including loans and lines of credit including unsecured credit lines of up to \$100,000. By 2006, the program saw more than 700,000 loans to women-owned small business, exceeding \$25 billion. Local bankers get to know the goals and needs of businesses and help them grow and prosper.</p>

Code	Region	Country	Name of the Program	Implementing Organization	Starting Year	Type	Sub-type	Project Summary
8	ECA	Turkey	Women Entrepreneur Support Package	Garanti Bank, European Bank of Reconstruction and Development (EBRD)	2010	Private Sector Initiative	Commercial Bank	<p>In 2010, EBRD signed a Euro 50 million loan facility with Garanti Bank of Turkey. The purpose of this EBRD supported project is to enable GARANTI Bank to expand its portfolio of MSME loans in the economically less developed regions in the East and South East and East regions of Turkey and for specific sectors, namely agriculture and women entrepreneurs. For Garanti Bank, this facility is an opportunity to further increase access to finance for Turkish women entrepreneurs through its ongoing "Woman Entrepreneur's Support Package", the first of its kind designed by a private bank in Turkey. The objective of the program is to increase access to finance for business to women and to increase women's access training as well as to raise awareness of this market. The package includes special project loans for women-owned SMEs, company insurance, access to business and financial management training through partnerships the bank has with local universities, and sponsoring the "Woman Entrepreneur of the Year" award in collaboration with Kagider (Turkey Women Business Association). Since the start of the program in 2007, Garanti bank has on-lent USD \$250 million to 12,000 women entrepreneurs and consumers, approximately 1,600 participants have been trained, and over 3,000 applications have been submitted for the Bank-sponsored "Turkey's Woman Entrepreneur of the Year contest."</p>

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9	AFR	Uganda	Ugandan Women Entrepreneurs	DFCU Uganda, IFC	2007	Private Sector Initiative	Commercial Bank	In 2007, IFC signed a USD \$6 million loan agreement with DFCU to enhance the bank's ability to increase its SME portfolio. Of the USD \$6 million, USD \$2 million were carved out to be lent to Ugandan women entrepreneurs. The objective of the program was to increase bank financing for women entrepreneurs and increase access to training and networking. DFCU has since lent over USD \$16.1 million in term loans, working capital loans, mortgages, leases, and land loans to 300 SME women entrepreneurs, and enhanced the finance and business management skills of over 400 women business owners. The NPL was 1.5% compared to 2.5% for male clients. DFCU has introduced several innovative products, including land loans, and supported Savings and Credit Cooperative Societies Loan (SACCO) for women who have gone through the start-up phase of business but lack conventional securities needed for individual business loans and prefer to borrow through a group approach. DFCU has also opened over 1,800 new deposit accounts through the program and has had a strong demonstration effect on other banks in Uganda.
10	AFR	Democratic Republic of Congo	Lady's First	Rawbank	2010	Private Sector Initiative	Commercial Bank	RAWBANK, a member of the Global Banking Alliance for Women and a partner of IFC's Women in Business Program, is considered one of the most important commercial banks in the Democratic Republic of Congo. It offers a variety of services, including SME Banking services with a special focus on Women in Business through its Lady's First Program, launched in March 2010. The program aims to promote female entrepreneurship by improving access to financial services, encouraging and helping women customers to formalize their businesses, offering advisory services, training, and financial education, and developing partnerships. Financial products and services are designed according to an SME banking approach. Capacity building is done through training, using modules such as "Business Edge," which serves to enhance SME managerial skills. Networking is done through events such as business dinner, seminars, and workshops geared to improve SME access to information and markets.

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11	Australia	Australia	Women in Business Program	Westpac	2002	Private Sector Initiative	Commercial Bank	<p>Westpac sought to become the "Bank of Choice for women" by realizing the potential of Australia's businesswomen. Since 2002, Westpac has been the only Australian bank to have a dedicated Women's Market team. Westpac is a founding member of the Global Banking Alliance for Women, a membership organization of institutions committed to women in business and women's wealth creation worldwide. Internal training across the bank is aimed at lifting the standard of service to women. Education is offered to businesswomen, including educational seminars, cash flow workshops, and superannuation information sessions.</p> <p>Westpac's women in business program contributed over AUS \$2.5 bn to Westpac's bottom line in 2009. The Bank has received national and global sustainability awards, including recognition as one of the world's most ethical companies in 2008, 2009, and 2010 by Ethisphere; the only Australian bank on the 2011 list of Global 100 Most Sustainable Companies; and recognition by the Dow Jones Sustainability Index as a leader in the global banking sector.</p>
12	North America	Canada	RBC Royal Bank's focus on Women Entrepreneurs	RBC Royal Bank	1994	Private Sector Initiative	Commercial Bank	<p>RBC Royal Bank, considered the largest lender to small businesses in Canada, decided to become in the bank of choice for women back in 1994. As a result, banking staff was trained in gender-sensitive service delivery in order to offer appropriate financial and nonfinancial support like consulting services and educational events. An online network for women entrepreneurs was created offering women business owners access to information on business strategies, mentorship programs, networking, events and other knowledge resources. After RBC started its focus on women entrepreneurs, client satisfaction improved by 30% and its overall SME market share increased from 18% to 23%. RBC is a sponsor of Women in Capital Markets, a non-profit organization promoting the presence of women in capital markets; and the Canadian Women Entrepreneur award to recognize achievements of women entrepreneurs.</p>

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13	World		Women's World Banking	Women's World Banking	1981	Private Sector Initiative	Microfinance Network	Women's World Banking is the only microfinance network with an explicit focus on women. With 39 financial organizations from 27 countries, WWB provides small loans, sometimes as modest as \$100, for people to start their businesses. Working through its partners/affiliates, WWB develops innovative microfinance products for the women's market based on research and segmentation. WWB builds the internal capacity of the institution's staff to effectively serve women. The network conducts market research to understand the unique needs of women customers and develops gender responsive financial products such as remittance savings programs, credit, saving, and insurance products. Marketing initiatives are also designed to empower and inspire women customers by building their knowledge and confidence levels. Every financial intervention is linked with proper training easily understandable by women, i.e., using Social Soap Opera to change attitudes towards borrowing and saving.
14	LAC	Dominican Republic	ADOPEM Bank program for Dominican Women	ADOPEM Savings and Loan Bank	2005	Private Sector Initiative	Microfinance	ADOPEM has network of over 32 branches in the country and serves well over 75,000 women clients needing loans of up to \$500. The loans are combined with a variety of training options, including vocational training (dressmaking, upholstery, kitchen and bathroom repair, beauty etc), basic business management, and financial skills training and self confidence and development. ADOPEM has also developed a remittance banking program to enable Dominican women who receive remittances to be able to use them in productive activities, such as micro businesses, as well as to support other products and services, such as housing loans and schooling insurance.

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15	AFR	Tanzania	Sero Lease and Financial Limited	Sero Lease Financial Ltd.	2002	Private Sector Initiative	Micro-leasing Company	Sero Lease and Finance Limited is a for-profit micro-leasing company that provides business training, economic empowerment, and capital to thousands of lower-income female entrepreneurs in rural Tanzania. It provides leases that enable entrepreneurs to invest in productive assets and enables its client women to borrow without credit history or collateral to access the use of capital equipment or other items such as agricultural, catering, secretarial equipment. Once the assets become a woman's property (upon full payment of the lease), the assets can be used as collateral for working capital loans and, in turn, further business expansion. In this way, Sero Lease and Finance Limited acts as a catalyst to create and support sustainable small enterprises, build incomes, create jobs, and lift women and their families out of poverty. Thus far, Sero Lease has empowered over 25,000 women with total credit worth over USD \$15 million. Many women have become business owners and more than 125,000 jobs have been created. Subsistence micro-businesses have grown into small and medium business with the help and support of SELFINA.
16	AFR	AFR- Nigeria	Makeda Fund	Makeda Fund, SEAF, NOI Consulting	2006	Private Sector Initiative	Equity Fund	The Makeda Fund, with a fund size of \$50- \$75 million and an investment size of \$0.5-\$5 million, was formed by SEAF and NOI Consulting. The Fund focuses its investment on women-owned and managed SMEs in Africa, with particular focus on Nigeria. The strategy for portfolio management is to build on the SEAF (Small Enterprise Assistance Funds) model, and on providing technical assistance to work from the bottom up. Management fee is 3% of the fund's committed capital. The main target is women entrepreneurs with stable businesses that have potential for growth, early stage investments in markets where there is demonstrated demand, and businesses that have developed a product in a niche market with a sustainable competitive edge. Some of the sectors of interest are distribution, professional service, retail, tourism, and agribusiness, among others. The fund empowers women by providing access to long-term and affordable capital; technical assistance through a technical assistance provider; training in product development, sales and marketing, quality control, financial systems and management; and networking through SEAF and NOI Consulting.

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17	AFR	South Africa	WIPHOLD	WIPHOLD Investment Trust, WIPHOLD NGO Trust	1994	Private Sector Initiative	Equity Fund	<p>WIPHOLD is an investment and operating group established in 1994 with a seed capital of R500 000 dedicated to the economic empowerment of black women. The group's operational investments are concentrated in the financial, infrastructure, and resources sectors. WIPHOLD takes a two-pronged approach to social development by linking the core businesses of the company to social development issues. This is done in a way that is profitable for the companies while simultaneously empowering recipient communities. Investment strategy is based on enhancing the overall value of the companies invested in, on identifying new BEE business opportunities, and on enhancing synergies between investee companies. WIPHOLD was the first black empowerment company to establish a permanent broad-based shareholding that includes 1,200 direct and 18,000 indirect beneficiaries through the WIPHOLD Investment Trust, and over 200 000 beneficiaries through the WIPHOLD NGO Trust. Half of the company's shares are held by black women, all of the executive directors are black women, the board is entirely composed of women and, of the shares held by management and employees, 70% are women-owned.</p>

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18	AFR	Sub-Saharan Africa	Women Enterprise Development Initiative	WEDI	2007	Private Sector Initiative	Close-ended Private Equity Fund	<p>The WEDI Fund is a seven year US \$250 Million closed-end, SME equity finance vehicle that combines high social impact local investing and above-average returns on investment by investing up to 1% of funds under management in the proper assessment and ongoing support required for SMEs to be successful in the medium to long term. WEDI incorporates a multi-disciplinary and holistic approach to enterprise development while supporting viable and sustainable enterprises by adding skills, and capacity and technical assistance for long-term success. Both market and demand driven financing solutions are provided to businesses underserved by the traditional sources of capital. WEDI targets high growth enterprises across selected markets in Southern Africa that are at least 50% owned by women and that have at least 50% women in top management. Strategic investments are made in the form of structured debt and equity investment in high growth potential enterprises that are locally owned. An international network of strategic partners allows the WEDI Fund to invest across the SADC region and in 9 critical markets in Sub-Saharan Africa.</p>
19	AFR	Africa	"Growth Oriented Women Entrepreneurs (GOWE)	GOWE Program financed by the African Development Bank (AfDB), International Labor Organization (ILO)	2006	Private Sector Initiative	Multilateral/Bilateral-Partial Guarantee Program	<p>Growth Oriented Women Entrepreneurs (GOWE), a partial guarantee program aimed at women entrepreneurs, was launched by AfDB in Kenya and Cameroon in 2006 and 2007 respectively. The Kenya GOWE Program is fully financed by the African Development Bank (AfDB) with up to US \$3 million for capacity building and management, and another US \$10 million for the partial guarantee facility. In Cameroon, the GOWE Program is financed jointly by AfDB (US \$530,000), Canada Trust Fund (US \$450,000) and Irish Trust Fund (US \$100,000) for capacity building and management. AfDB has in place Euro 10 million for the partial guarantee, with International Labor Organization (ILO) as the technical advisory partner. Under the GOWE program, AfDB has guaranteed 47 loans amounting to US \$1.75 million and trained over 600 women entrepreneurs on managing their businesses. Similar partial guarantee programs in Tanzania and Zambia have also been launched recently.</p>

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20	AFR	Kenya	USAID's Development Credit Authority (DCA)	USAID, KCB Bank and other Kenyan financial institutions	2002	Private Sector Initiative	Multilateral/ Bilateral	USAID partners with Kenyan financial institutions to encourage lending in underserved areas with the perception of high risks. Under this partnership KCB - a Kenyan bank- has introduced the Grace Loan, which is tailor made for individual women entrepreneurs and women business groups to meet their working capital or business expansion. Through the Grace loan, women are able to apply for a loan of up to \$62,000, repayable in up to 36 months. The loan also has an important training component. To access value added services, women entrepreneurs get the opportunity to join KCB's Blashara Club. Since the launch, the Bank has lent over US \$1.6 million to 350 women entrepreneurs.
21	SAR	Bangladesh	ADB's SME Initiative	Asian Development Bank	2009	Private Sector Initiative	Multilateral/ Bilateral	ADB has granted a \$76 million loan to Bangladesh to expand the economically vital non-urban small and medium-sized enterprises (SME) sector. The objective of the program includes increasing access to bank loans and training to SMEs including women entrepreneurs. Fifteen percent of the sub-loans are to be lent to women entrepreneurs in the targeted areas. A linked advisory services grant of \$500,000, funded by the Australia-ADB South Asia Development Partnership Facility, is also being used to improve the financial skills and management capacity of women entrepreneurs.
22	LAC	Peru	Mibanco- Crecer mi Negocio	Inter-American Development Bank (IDB), Mibanco	2010	Private Sector Initiative	Multilateral/ Bilateral	In August 2010, the Inter-American Development Bank approved a \$10 million 5-year unsecured loan to expand access to financial services for women micro entrepreneurs in Peru. The loans combine training with micro lending to offer an inclusive cycle of support to low-income women entrepreneurs. The program design builds on studies that show that although the loan repayment record for women is better than men, their businesses are 30 percent less likely to survive in Peru than enterprises run by men. Mibanco launched the "Creceer Mi Negocio" product offering loans on average in the \$2,000 to \$3,000 range to be used for business expansion projects such as new machinery/equipment, or improvement of the business locale. One-session training workshops in basic financial literacy and management will be offered to more than 100,000 women free of charge. Longer training courses will be offered to more mature women business-owners jointly with a Peruvian university and the Thunderbird School of Management.

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23	EAP	Cambodia	Cambodian Government's Private Sector Forum	Cambodian Government	2010	Public Support Schemes	Government Approach	As a part of Cambodian Government's Private Sector Forum, business women's constraints to doing business have been identified and their perspective included in policy making. Based on the forum's recommendations, import duties on silk yarns were reduced from 7% to 0% and VAT was suspended for a period of three years, which directly affects 20,000 women silk weavers whose livelihood depends on this economic activity.
24	EAP	Pacific	Vanuatu Women in Business Organization, Tonga's Public Private Dialogue Program	Vanuatu government, Tonga government	2010	Public Support Schemes	Government Approach	In Vanuatu, the first Vanuatu Women in Business organization was created in April 2010 to represent women's interests in the business community and put forward a gender perspective in discussions with the government on business regulation. A gender sensitive business start up guide is being produced and Doing Business Task Force committed to pursue a women's help desk after the new Companies Act passes. As a part of Tonga's public private dialogue program, an organization dedicated to the represent business women's interests has been formed. Organization's secretary has joined the Starting a Business Working Group to ensure gender issues are properly considered.
25	SAR	India	14 point action plan for public sector banks to increase women's access to bank finance	Indian Government, Reserve Bank of India (RBI)	2000	Public Support Schemes	Government Approach	The Indian Government has drawn up a 14 point ambitious action plan for public sector banks to increase women's access to bank finance, with a view to increasing women's access to formal finance, including SME finance. The Indian government set a target of 5% aggregate public sector bank lending to women and instructed the central bank to maintain a database to track its performance. Following the Government directive, the Reserve Bank of India (RBI) in 2000 asked public sector banks to disaggregate and report the percentage of credit to women within their total lending. The Indian government's action plan set a target of increasing such loans from their 2001 level of 2.36 percent to 5 percent of total lending. The aggregate net bank credit to women has since increased to 6.3% in 2009 with 25 banks reaching the target. Though the full impact of the policy requires further exploration, tracking data has increased awareness of women's low access levels.

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26	SAR	India	India's 11th Plan	Government of India, state and local governments in Uttar Pradesh, Delhi, Orissa and Punjab	2002	Public Support Schemes	Government Approach	India's 11th Plan encourages ownership rights for women by offering incentives for ownership of property in women's name. Women home buyers benefit from tax exemptions, lower stamp duties and easier availability of home loans. A lower stamp duty rate helps in saving on the overall costs while purchasing property, thus acting as a significant boost for prospective women buyers. State and local governments in Uttar Pradesh, Delhi, Orissa and Punjab have launched some initiatives in this regard. In 2002, the state of Delhi cut stamp duty rates from 8% to 6% for women owners. In case of joint ownership by men and women, the duty is 7% (Narain 2009). Using the opportunity that India's favorable macro-environment provided, MannDeshi Bank advocated for stamp duty reduction for joint property registration for its women borrowers. Incidentally, the bank also honors and rewards husbands that undertake such joint registrations.
27	SAR	India	Micro, Small, and Medium Enterprise Development Project	Government of India, Small Industries Development Bank of India (SIDBI), Asian Development Bank (ADB)	2009	Public Support Schemes	Government Approach	The "Micro, Small, and Medium Enterprise Development Project" is a project loan of \$50 million with the guarantee from the government of India. The loan aims to help SIDBI in reaching out to small borrowers and micro enterprises that have grown too large for traditional microfinance lending. SIDBI ensures 30% of the loans are qualified female MSME entrepreneurs. Thirty percent of the project loan is intended for direct finance and 70% for indirect finance through participating financial institutions. Participating banks increase their MSME portfolios through the use of ADB's PCCG. US\$ 11.02 million have been disbursed as of May 18, 2011 for the financing of 777 MSMEs. Of the amount disbursed, \$1.8 million is for direct financing and \$9.2 million is for indirect financing through two PFIs.

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28	North America	United States	Women-owned Small Businesses Federal Contract Program	American Express OPEN Division, US Federal Agencies	2011	Public-Private Partnership	Federal Contracting	<p>OPEN is an advocate of small businesses and has worked to create federal contracting opportunities for women-owned small businesses through their "Give me 5 Program" co-founded with the nonpartisan group "Women Impacting Public Policy." This initiative seeks to better position women-owned businesses to meet the government's 5% federal contracting goal. The "Women-owned Small Businesses Federal Contract Program" announced in March 2011 is a public-private partnership seeking to grow women businesses in the United States. Through this program, federal agencies are authorized to restrict competition to women-owned small businesses on 83 different industries, targeting those that have been underrepresented by women. These restrictions give women businesses access to federal contracting, which provides them greater business stability and growth potential. In order to participate, businesses must be at least 51% owned, controlled, and managed by a woman, and prove economic disadvantage, among other things. A spouse's finances may also be considered during the evaluation if the spouse has a role in the business or has provided credit support to it.</p>
29	AFR	Tanzania	Women Entrepreneurs Finance Program	Exim Bank in collaboration with IFC, the Canadian International Development Agency, and Sero Lease Financial	2007	Private Sector Initiative	Commercial Bank/ Micro-leasing Institution Partnership	<p>Exim Bank became the first financial institution in Tanzania to provide lines of credit to women entrepreneurs running midsize enterprises when it launched its Women Entrepreneurs Finance Program in 2007. IFC provided a \$5 million credit line to finance the program and the Canadian International Development Agency helped fund the business advisory services. Exim Bank offers an innovative approach to address the unique challenges of women entrepreneurs running midsize firms by allowing them to use contracts with reputable companies as collateral for their loans, which have an average size of \$160,000. With the help of IFC, Exim Bank has also partnered with Sero Lease and Finance, a micro-leasing company in Tanzania, in order to aid women moving from microfinance to the formal banking sector, by facilitating the transfer of borrowers' good credit histories from microfinance institutions to commercial banks. The "Tumaini" savings and loan product was successfully launched, and \$1 million was committed to this effort targeting 30,000 women. The program is complemented with training on banking services such as loan application process, and business planning and management.</p>

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30	UK	Scotland	RBS Women in Business Program	Royal Bank of Scotland	2007	Private Sector Initiative	Commercial Bank	The Royal Bank of Scotland understands the particular needs of women-owned businesses and helps them grow their businesses from the start. The bank's network of more than 200 Women in Business Ambassadors provides support and advice for women business-owners. For new businesses, Royal Bank offers a very useful start-up package for women, including information and advice to get their businesses running, business planning software, and offers and discounts for new businesses. Similarly, established businesses have access to the Royalities Business package, which helps in budgeting and also has special offers and discounts. RBS provides a range of financing options to suit the different needs of businesses at different levels of development. Since 2007, RBS has opened more than 110,000 women-owned business accounts. To further enhance their support and network groups, Royal Bank partners with leading organizations offering training and advice to women in business such as Everywomen Ltd. and The Athena Network.
31	EAP	Vietnam	Sacom Bank's Branch for Women	Sacom Bank	2006	Private Sector Initiative	Commercial Bank	The Saigon Thuon Tin Commercial Joint Stock Bank (Sacombank) with more than 235 branches in Vietnam has been particularly successful in its outreach and lending to the retail and SME segments. The bank has used customer segmentation and product differentiation as part of their strategy, and now operates special branches for women entrepreneurs. The 8th March Bank for Women Branches have unique financial services and service delivery standards catered to women entrepreneurs. Some of the distinctive features of the two branches are warm welcomes, friendly service, and involvement of women entrepreneurs in community development services. Women business owner have access to special accounts, deposits, loans, and credit cards in this model that has been successfully operating for five years.

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32	EAP	Indonesia	BII Women SME Initiative	PT Bank Internasional Indonesia (BII) in collaboration with IFC	2010	Private Sector Initiative	Commercial Bank	PT Bank Internasional (BII) has 286 branches in Indonesia and has made SME one of its key businesses. BII Women One is a special savings product offering women benefits like insurance protection and a Smart Spending and Saving program. Women One has no monthly administration fee and also benefits women by offering a comprehensive bill payment service. In 2010 BII signed an agreement with IFC to receive their advisory services and expand credit to women entrepreneurs and SMEs. The project involves an IFC financing package of up to \$75 million. The program will help BII grow its presence in the poorer provinces of Indonesia and enhance the bank's products and services to allow women entrepreneurs to obtain financing for their businesses more easily. BII sees the attractiveness of the women SME market, which at the moment is extremely underserved; 90% of women use their personal savings to grow their businesses. Future plans include launching a credit product specifically for women.
33	North America	United States	Global Women's Equality Fund	PAX	2007	Private Sector Initiative	Mutual Fund	Global Women's Equality Fund is a mutual fund that seeks long-term growth of capital by investing in companies around the world that are leaders in promoting gender equality, women's empowerment, and sustainable development. For example, the Fund invests in micro-finance initiatives supporting women entrepreneurs and earning to two women's organizations: Mercy Corps and Women Thrive Worldwide. Pax World Investments sees gender equality as an investment concept, as numerous studies have shown that companies that empower women tend to be more profitable. Therefore, it integrates the Women's Empowerment Principles into its gender analysis of the Global Women's Equality Fund. Examples of the gender criteria include representation of women in top executives and management, career development program for women employees, and the use of women-owned companies as vendors/service providers. Pax World also launched a corporate engagement campaign through which it urges companies help by its funds to endorse and embrace the Women's Empowerment Principles.

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34	Asia	Asia	Women's Empowerment Program	Standard Chartered	2008	Private Sector Initiative	Commercial Bank	<p>SCB's As part of its Clinton Global Initiative Commitment to educate 5,000 women and girls on financial literacy, Standard Chartered held the Standard Chartered Women in Business Summit which provided an opportunity for 120 female business leaders to participate in workshops, panel discussions and network. They also developed the Women in Business Resource Centre, a website available in nine languages which includes modules and exercises on business planning, leadership skills and finances. It also highlights inspirational video case studies of role models from Bangladesh, Singapore, Nigeria and Hong Kong in order to provide examples of successful entrepreneurship. Standard Chartered also offers Orjon, a business installment loan specifically designed for women in Bangladesh and a similar product in Malaysia. The Support a Woman Entrepreneur Program in Zambia was launched with the support of the International Labour Organization and supports and mentors ten female entrepreneurs as they grow their businesses. The bank also sponsored the Women Can and Do media campaign in partnership with Vital Voices, which highlights both established and newly emerging women leaders and featured female customers in Pakistan and Zambia. The Bank also operates all-women staffed branches in India, Sri Lanka and the UAE and offers the Diva Account and Club in multiple markets which offers customized products and services for women.</p>

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35	EAP	China	Financial Service Center for Women in Deyang City	Bank of Deyang	2009	Private Sector Initiative	Commercial Bank	Bank of Deyang is a joint-stock city commercial bank serving mainly SMEs in China conducting different activities in the women's market. As an internal program to benefit women, the bank has established the Staff Council for Women to facilitate the development of its female staff. In 2009, Bank of Deyang built the First Financial Center for Women in Deyang City offering women-oriented banking services targeting retail clients. The center customizes services in wealth management, business development, travel, and housing to meet the needs of women. The products offered include: gold trading, retail foreign exchange, auto loans, and bank overdrafts. In addition, the "Platinum Beauty Card" was launched to meet female consumer needs, and a secured pilot micro loan program for women in both at the micro and SME level, and has created more than 1,000 jobs in Shifang City. Due to its success, this program will now be extended to all branches of the bank and new dimension like more types of collateral options, training and coaching will be offered for women entrepreneurs.
36	World	United States	10000 Women Initiative	Goldman Sachs	2008	Private Sector Initiative	Commercial Bank	10,000 Women is a five-year initiative to provide a business and management education to underserved female entrepreneurs in developing and emerging markets. The program is designed to drive greater shared economic growth, leading to stronger healthcare, education and greater prosperity in the communities where it operates. 10,000 Women operates through a network of more than 75 academic and nonprofit institutions in more than 20 countries. 10,000 Women helps to facilitate access to capital for women SME owners through a variety of unique partnerships and initiatives. For example, in Peru, Goldman Sachs works with Mibanco, one of the leading microfinance institutions in Latin America and the IDB to connect business and management education with the opportunity to access capital.

Code	Region	Country	Name of the Program	Implementing Organization	Starting Year	Type	Sub-type	Project Summary
37	World	United States	Global Banking Alliance for Women	Global Banking Alliance for Women	2000	Private Sector Initiative	commercial bank	<p>The Global Banking Alliance for Women is the leading organization of private sector financial institutions driving women's wealth creation worldwide. Through a uniquely collaborative network, its current 35 members accelerate the growth of women in business and women's wealth creation.</p> <p>The Global Banking Alliance for Women links banks that have developed best practices to those who are aspiring to them – on the web, in face to face meetings, or at its annual International Summit. The result is that the Global Banking Alliance for Women elevates the quality of its members' programs and services, and the potential for success among the women's businesses enterprises receiving them. By providing vital access to capital, markets, education and training, our members catalyze sustainable success among women's businesses. The GBA also connects people, information and resources – including government agencies, NFPs, NGOs, university, research groups and the media. The impact of this success is an economic multiplier that is especially profound in developing or underperforming economies.</p>

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INTERNATIONAL FINANCE CORPORATION
2121 PENNSYLVANIA AVENUE, NW
WASHINGTON, DC 20433 USA
WWW.IFC.ORG

