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## BUILDING A STRONGER ECONOMY THROUGH WOMEN ENTREPRENEURS

Since its establishment, the Women's Finance Exchange (WFX), an ADB initiative, has been supporting financial institutions (FIs) with innovative solutions and trainings to increase their lending to women-owned and led small and medium-sized enterprises (WMSMEs). The Women Entrepreneur's Finance Initiative (We-Fi) has been a valuable partner in our journey, and we are celebrating this partnership in our eighth issue.

## USING DATA TO SHIFT FROM ONE-SIZE-FITS-ALL TO BESPOKE FINANCING FOR WOMEN ENTREPRENEURS

By Joanna Romero

Often, FIs adopt a one-size-fits-all approach to financing entrepreneurs, thereby designing financial products and services that overlook the specific needs of women. Consequently, FIs are leaving both profit and social impact on the table. While the gender gap in financial account ownership has narrowed in recent times, women continue to comprise most of the unbanked and are more reluctant to borrow.

Women prefer to engage in informal ways of saving and borrowing, particularly for their businesses, which are also more likely to be informal. For example, over 90% of WMSMEs are informal in the Pacific. A study by Boston Consulting Group of 12,000 women from diverse economic backgrounds from 21 countries found that among all industries they engage with daily, women were most dissatisfied with financial services, with up to 73% unhappy with service levels. Many believe that the disrespect and poor advice they receive are driven by their gender. A study in Indonesia reported that FIs' customer outreach initiatives often fail to consider women's needs, their staff may harbor gender biases, and women found banks to be unwelcoming and often intimidating.

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It is well-documented that the barriers to accessing finance among entrepreneurs are also more pronounced for women and are shared across emerging markets. The reasons are many. Women are less likely to own assets that are required as collateral. Due to the informal nature of their businesses, women often lack documentation required by formal FIs, such as business registration, licenses, or national identification. Additionally, women lack credit history due to their lack of experience with formal borrowing. They are also less likely to have digital literacy and financial literacy skills to understand, for example, the loan products available to them.

## Sex-Disaggregated Data for Informed Decision-Making

Collecting sex-disaggregated data highlights the challenges women face in accessing finance and offers an opportunity for better targeted solutions. For example, because of sex-disaggregated data, we know that for the first time in a decade, the gender gap in financial account ownership in developing economies narrowed to 6 percentage points from 9 percentage points in 2021, while the gender gap in fintech use is 8 percentage points. There are early signs that digital financial services help close gender gaps in financial inclusion because they address the barriers to opening an account such as accessibility and affordability. They create new pathways to serve those who have been previously excluded from the formal financial system including women.

Findings such as these provide further evidence for the need for FIs to regularly capture, analyze, and use sex-disaggregated data in their own operations to make business decisions. Combined with market research, sex-disaggregated data provide valuable insights for designing suitable products and services for women. There is a growing number of resources providing FIs guidance on sex-disaggregated data, including “[Steps for Implementing Sex-disaggregated Data at a Financial Institution](#)”, because it drives the business case for, and is essential in, targeting the women’s market, a globally recognized profitable yet untapped business segment for FIs. [Research](#) shows that FIs that track performance metrics of female and male portfolios have found women customers to be strong savers, prudent borrowers, and loyal customers.

## GREEN FINANCE MECHANISMS MUST BE ATTUNED TO THE NEEDS OF WOMEN

We spoke to Wendy Teleki, Head, We-Fi Secretariat, about issues related to women’s access to finance. Read the interview below to learn about their experience in supporting women entrepreneurs in developing countries.



### 1. What is the Women Entrepreneurs Finance Initiative (We-Fi)?

We-Fi is an innovative partnership of 14 donor governments, six multilateral development banks, and numerous public and private stakeholders around the world. We are all working together to unlock financing for and empower WMSMEs in developing countries.

We are pushing for legal reforms, easing women’s access to financial products and services, providing skills and market access, and ultimately enhancing their companies’ competitiveness in global supply chains. Since the G20 launched We-Fi in 2017, we have facilitated over \$1.2 billion in financing for WSMEs and supported more than 50,000 women entrepreneurs. We are making a real difference in women’s lives, their families, and communities.

### 2. Why should FIs finance women? What is in it for them?

Women represent a huge untapped market for FIs. They typically are a better risk for banks and have stronger customer loyalty and cross-sell potential. IFC data show that for most FIs, non-performing loans (NPLs) among SMEs led by women are consistently and significantly lower than those led by men. Our calculations show that if women everywhere were empowered with the same business opportunities as men, an additional net value of \$5-\$6 trillion could be generated worldwide. In short, parity for women means more growth and greater opportunities for all, including FIs and their bottom lines.

### 3. Based on your experience in supporting women entrepreneurs in developing countries, what approaches have been the most effective in making a positive impact?

When it comes to women’s empowerment, there’s no one-size-fits-all solution. We-Fi takes an “ecosystem” approach because we understand that the challenges faced by women entrepreneurs are complex and systemic, and so we tailor our efforts to each specific economy and cultural context.

Most of We-Fi’s support can be categorized as Access to Finance. However, providing capital, risk mitigation, etc. to FIs only goes so far unless we are also building capacity for women entrepreneurs to improve their business practices. Promoting WSME’s access to markets, to skills and networks (A2Skills), and to an enabling environment free from gender biases are growing aspects of the We-Fi portfolio.

We are also very aware of the accountability gap in financing women entrepreneurs and are working to seed the initial pilots of the Women Entrepreneurs Finance Code (WE Finance Code) in approximately a dozen countries in the next few years.

### 4. What is the WE Finance Code?

The Women Entrepreneurs Finance Code (WE Finance Code) aims to improve how women-led businesses are perceived and supported across the world, while also building a network of champions among regulators, investors, FIs, technical partners and more. Code signatories will work together to improve financial sector focus, collect sex-disaggregated data, and take concrete actions to help women entrepreneurs grow. More than an agreement, the WE Finance Code is a movement for accountability and concrete action to support women entrepreneurs and unlock their true potential.

### 5. Can you explain how gender intersects with green finance?

Women and girls are disproportionately affected by the climate crisis due to their social and economic roles, which is why green finance mechanisms must be attuned to the needs of women. In the meantime, climate innovations pioneered by women entrepreneurs tend to benefit other women. Increasing women’s participation and decision-making in mitigation actions such as green finance would help ensure gender equity in a just transition to low-carbon economies.

Gender-smart green finance presents the opportunity to accelerate gender parity and sustainable growth. We-Fi ensures not only advanced women entrepreneurs’ access to finance but also supports early-stage WSMEs to adapt and protect their businesses from climate disruption. Gender-informed climate interventions are more efficient and effective, and that logic continues for green financing as well.

## ADB-WeFi PARTNERSHIP

ADB has partnered with We-Fi in implementing two programs dedicated to creating enabling entrepreneurship eco-systems for WSMES in Sri Lanka, Viet Nam and the Pacific. The Enabling an Empowering Business Environment for Women Entrepreneurs program in Sri Lanka and the Women Accelerating Vibrant Enterprises in Southeast Asia and the Pacific (WAVES) are targeted towards improving WSMES' access to finance, supporting gender-responsive SME policies, and strengthening WSME skills and capacity.

In Sri Lanka, the We-Fi funding complements ADB's SME Line of Credit Project and has so far financially supported more than 90 WSMES since August 2018. The program also supported three government agencies in strengthening the gender-responsiveness of their policies and approaches to WSMES and trained their staff on dealing with women clients.

In the Pacific, ADB launched two initiatives in August 2021 to enhance FIs' capabilities to provide services to WSMES. These include a hackathon to identify solutions for collection and analysis of business data for WSMES, and support for FIs to make gender-responsive lending decisions. Furthermore, in the Pacific islands, WFX trained 350 women SMEs on digital financial literacy, business planning and debt management, and e-commerce across Fiji, Papua New Guinea, Solomon Islands and Vanuatu. The programs in Viet Nam are expected to incentivize the partner banks to reach more women entrepreneurs. A randomized control trial has been linked to one of these programs to assess the impact of lending practices to women entrepreneurs. The capacity development programs in Viet Nam and the Pacific have reached almost a 1000 WSMES.

## WMSME MARKET IN FIJI

An [assessment](#) by WFX notes a \$111 million credit gap for the WMSMEs in Fiji. This gap in credit supply comprises the unmet demand for formal credit of \$75 million and the potential demand of \$36 million from the informal sector. This assessment shares insight on how FIs in Fiji can benefit from this substantial, yet largely untapped market.

## CASE FOR INVESTING IN WOMEN

A [We-Fi report](#) shows that investing in women entrepreneurs fosters women's empowerment. Entrepreneurship enables women to accumulate earnings, assets, and economic power that would be otherwise unavailable, thus reducing economic inequality between men and women. In addition, women-led businesses play an essential role in creating jobs, raising standards of living, and boosting inclusive growth as women are more likely to invest their earnings in their children's health and education, employ more women, and design their innovations to target and benefit women, who are often poorly served by solutions designed by and for men.

## Links to Resources

Women's Economic Empowerment in the Pacific Region a Comprehensive Analysis of Existing Research and Data (<https://www.adb.org/sites/default/files/publication/884486/women-economic-empowerment-pacific-region.pdf>)

Women Want More (in Financial Services) (<https://www.findegateway.org/paper/2009/10/women-want-more-financial-services>)

Innovative Financial Products and Services for Women In Asia and the Pacific (<https://www.adb.org/sites/default/files/publication/576086/sdwp-67-financial-products-services-women-asia-pacific.pdf>)

BIS Working Papers No 931 The fintech gender gap (<https://www.bis.org/publ/work931.pdf>)

Using Digital Solutions to Address Barriers to Female Entrepreneurship (<https://digitalforwomen.worldbank.org/barriers-themes-and-constraints>)

Ensuring Access to Finance for Women Entrepreneurs (<https://www.orfonline.org/research/ensuring-access-to-finance-for-women-entrepreneurs/>)

Financial Instruments to Strengthen Women's Economic Resilience to Climate Change and Disaster Risks (<https://www.adb.org/sites/default/files/publication/813981/financial-instruments-women-economic-resilience.pdf>)

## WOMEN'S ECONOMIC EMPOWERMENT IN THE PACIFIC REGION

An [ADB report](#) released in May 2023 shows improvements in Pacific women's economic empowerment but underscores the need for closing the gender gap for fostering long-term inclusive and sustainable economic growth. It urges immediate action to address the gender aspects of climate change that will impact the industries where women are employed. The We-Fi funded report drew on more than 200 published papers and studies, as well as, eleven datasets.

Key findings of the report include:

- there has been an increase in women's labor force participation since 1999, but it remains low compared to men;
- COVID-19 pandemic had a significant impact on women's employment and WSMES;
- women are disproportionately engaged in the informal economy and bear the burden of unpaid care work, which increases the likelihood of them living in poverty;
- legal and policy barriers to women's economic participation persist;
- equal pay laws and the workplace sexual harassment legislation have been enacted only in a third of countries; and
- women have less access to digital technology and mobile banking than men.

## WHAT'S HAPPENING AT WFX

### WEBINAR ON CLIMATE RISKS MANAGEMENT IN FIs

WFX organized a webinar on 19 September for our FI partner network to discuss the drivers and approaches related to the integration of climate risks in FIs. Discussion focused on how regulators and central banks address climate change to maintain financial sector stability and how FIs apply existing frameworks and standards, such as the recommendations of the Task Force on Climate-related Financial Disclosures to manage climate risks.

### ADB GENDER FORUM WFX KNOWLEDGE EVENTS

Keep an eye on this space for WFX's upcoming event to be held during ADB's 2023 Gender Forum in November. The Gender Forum is a space for sharing and promoting best practices on gender mainstreaming and inspiring innovation for gender equality among ADB staff, developing member countries, government executing and implementing agencies, development partners, the private sector, academia, civil society and women's organizations. Details on how to join the webinar will be published on ADB's website.

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