

Why gender matters

Financial institutions responding to the COVID-19 crisis

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Women in business are essential to local communities.

The coronavirus pandemic is posing a grave threat to small and growing businesses around the world. Women entrepreneurs make vital contributions to their local economies and are particularly vulnerable to the economic effects of the pandemic.

Women own 34 percent of private businesses globally.¹ They are more likely to employ other women;² and they are more likely to be making critical contributions to their communities during times of stress: 70 percent of women entrepreneurs enter the trade and services sector, including health, education and social services, with many of them working in systemically relevant professions.³

Women in business are attractive customers for financial institutions.

The Financial Alliance for Women has found for five consecutive years that women-led micro, small and medium enterprises pay back their loans at better rates than their male counterparts.⁴ Moreover, evidence shows that, when done well, tailoring financial and non-financial business banking services to the needs of women entrepreneurs generates financial returns for the institution.⁵ FIs that help their women business customers to stabilize now and plan for what's next can reduce portfolio risk and deepen client engagement, which can lead to longer-term loyalty as economies recover.

Financial institutions have started to respond to the crisis offering support to entrepreneurs.

In response to the COVID-19 crisis, banks and other financial institutions around the world have started to offer business customers valuable assistance in the form of loan repayment holidays, migration support to digital payments channels, and waived fees. Some institutions have complemented these steps with non-financial support tailored to help women in business navigate the crisis. Promising examples of responses from FIs and other ecosystem players are emerging.



COVID-19 affects women and men differently.

Research on entrepreneurship and gender in multiple regions has found that women business owners operate in a context shaped by underlying constraints.⁶ These constraints spring from environmental and social factors – not a lack of innate ability. They translate to non-financial needs that, when addressed, can help women entrepreneurs build resilience, plan for the future, and unlock growth.



Women-led enterprises are constrained in three ways that are particularly relevant to the current economic situation:

Even in the best of times, women entrepreneurs are more vulnerable to economic shocks; and the nature of the COVID-19 pandemic compounds the risk.

1 The potential financial impact of the current crisis makes it all the more urgent to help women entrepreneurs build resilience. Women own fewer assets and have smaller, less profitable businesses than men. Statistics also suggest that women are more likely to survive the virus than men. This means that when the pandemic is over, more women could find themselves in the role of (sole) breadwinner for the family.⁷

Moreover, the World Bank is predicting a 20 percent decline in global remittances – the sharpest in recent history.⁸ The majority of remittance receivers around the world are women. The decline in remittances during the 2009 economic crisis negatively impacted overall gender equality, household welfare, and girls' enrolment in school.⁹

2

Women entrepreneurs are less likely to have a diverse business network and less likely to have a mentor.

Networks play an important role in business growth and development: effective peer networks support both revenue growth and job creation.¹⁰ In low- and middle-income countries, greater availability and use of entrepreneurial networks are linked to smaller gender gaps in business sustainability.¹¹ Yet women entrepreneurs have smaller, less diverse networks than their male counterparts. This inhibits their ability to find timely business information; learn about relevant innovation; and connect with buyers, suppliers and peers with whom they can learn and share experiences.

Women are also less likely to have a mentor or role model who can share informed advice and guidance to help them navigate the unknown. The isolation required by the pandemic magnifies the need for women to be able to connect to knowledge and information resources.

3

Women entrepreneurs are often time-starved. The pandemic leaves them with even less time to search for answers and resources to help them stabilize and respond successfully to the crisis.

Women already disproportionately shoulder family care responsibilities – in no country in the world do men spend more time on family care than women.¹² The current crisis has required schools to close and families to isolate. In this environment, the burden of both extended childcare and care for sick family members overwhelmingly falls to women. This leaves them with even less time to devote to managing their business.

Financial institutions can help women entrepreneurs navigate the crisis by understanding their needs; connecting them to knowledge and information; providing tools to help them take action.

Women entrepreneurs need information, advice and guidance on how to assess their current situation, evaluate pathways to business survival, and plan for the future. They need this to be conveniently accessible and to come from a trusted source. Financial service providers are well positioned to help women in business navigate the crisis. In addition to helping to stabilize local economies, this can reduce portfolio risk and deepen client relationships. FIs have an opportunity to complement the supportive financial services that many have already begun to introduce, often with help of gender finance consultants.

Examples of online trainings and tools for women in business, launched in response to the crisis

Various commercial banks have started to conduct *special webinars* for women business clients on topics such as strategy and business planning during the pandemic, for example Banco BHD León in the Dominican Republic or BRAC in Bangladesh.

The Westpac Banking Corporation in Australia has rolled out an online *SME Action Planning Guide* to help businesses adapt to the COVID-19 crisis. This complements Ruby Connection, their online hub for women customers; the online hub offers *resources for emotional support* as well as timely *advice for women* on topics such as negotiation and adapting to working from home.

The African Managers Institute has developed a scalable solution for enterprise skills and capacity development. Their *COVID-19 Business Survival Toolkit* combines a 90-minute webinar with access to downloadable tools to help entrepreneurs with financial forecasting and cost management during the economic downturn.

Banco Nacional in Costa Rica launches e-commerce portal to support businesses

With NIDI platform, traders can easily display their products, manage inventory, and transact with buyers. The portal is integrated into social media to maximize its reach. Vendors on the portal receive access to online training where they can learn about online sales and marketing.

TBC Bank in Georgia helps business customers migrate their shops online

The bank has launched a package that helps traders quickly set up an online store or place their products on a local marketplace platform. The tools include an online-shop building tool, photographer services, payment system integration and delivery support.

Recommendations on the next page are based on the needs of women entrepreneurs, but can benefit the broader MSME universe.

What financial institutions can do?

- **Understand the needs of women entrepreneurs:** Analyze portfolio data on a gender-disaggregated basis to identify gender differences in business sector and financial behavior. Then conduct rapid surveys to identify main pain points and needs. Include women in solution development - ask women entrepreneurs what they need and tailor responses accordingly.¹³
- **Leverage the position of trust to deliver reliable knowledge and information:** Use all available channels to deliver not only updates on financial products and lending policies, but also relevant sector information, regulatory developments, and tools to help customers work through business survival strategies. If digital channels are possible, include links to resources like online mentoring or business skills capacity building. Take a multi-channel approach, as appropriate for each context: loan officers can be leveraged to disseminate information, as can the FI's website and social media.
- **Tailor content to support survival strategies:** Leading banks with robust women's market programming are incorporating digital modules on business survival strategies, cashflow management, pivoting the business, and digital literacy.
- **Embrace digital tools that drive engagement while building knowledge and capacity:** Effective responses deal with the entrepreneur as well as the business. Digital tools that encourage participants to engage with each other, share experiences, and feel connected can be incredibly valuable.
- **Support migration to e-commerce:** Women are twenty percent more likely than men to be in the trade sector.¹⁴ Large online marketplace platforms typically provide skill-building to sellers that applies beyond use of the platform, for example FIs may consider offering digital payments solutions for online sellers, and linking customers to information on the support offered by local marketplace platforms. In locations without a major marketplace platform, FIs may help customers develop their own e-commerce sites, or develop an e-commerce portal where MSMEs can sell their goods.
- **Prepare to provide more tailored financial support to their customers:** Many credit institutions around the world are offering business clients temporary financial support such as loan restructuring, repayment holidays or interest rate cuts. As the crisis unfolds, however, it is becoming apparent that many MSMEs will need more tailored, longer-term support to survive. To ensure this, financial institutions should strengthen their internal capacities to individually analyze the financial situation and prospects of their customers, allowing them to develop tailor-made, sustainable solutions that ultimately represent a win-win situation for the lender and the borrower.

Clearly, gender does matter for financial institutions!

Financial institutions have a unique opportunity to support women entrepreneurs to help them survive the impact of the COVID-19 pandemic and plan for the future. Doing so can help stabilize local economies and mitigate portfolio risk in the financial sector. It can also deepen client engagement and loyalty towards financial institutions, which will pay back over the long-term.

For banks and other financial institutions, supporting women in weathering the current crisis is not only a necessary step towards more gender equality, it is also good business.



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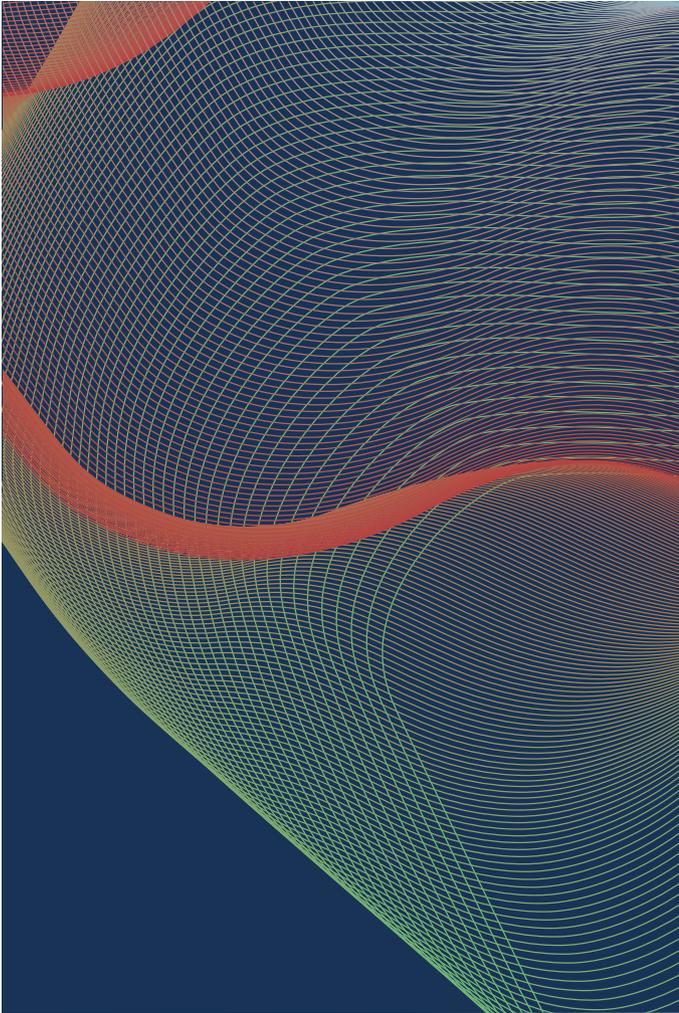
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