



BANKING ON WOMEN IN EGYPT

“Innovations in the Banking Industry”
Workshop Report

IN PARTNERSHIP WITH:





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IT IS ESTIMATED THAT
**870 MILLION
WOMEN**
WILL PARTICIPATE IN THE
GLOBAL ECONOMY FOR
THE FIRST TIME IN 2020.

INTRODUCTION

The women's banking market has tremendous economic potential in Egypt, with an estimated credit demand of **\$283 million** among women-owned SMEs.¹ However, financial institutions in the country have yet to develop strategies to address this market gap, which represents a missed opportunity and constrains private sector development. To explore this business opportunity, IFC hosted the first in a series of roundtables on the potential of the women's banking market in the Middle East and North Africa (MENA) in Cairo on October 29, 2015.

This report summarizes the discussions, which focused on the women's market opportunity and recommendations at the bank and ecosystem level to target this emerging profitable segment. It also includes a case study from BLC Bank in Lebanon on its successful women's market program.

“The future and growth of Egypt will not happen if we don't look at the growth within, the untapped market within the country.”

*May Abulnaga, Regulation Department Head
Banking Supervision, Central Bank of Egypt*

THE MARKET OPPORTUNITY

Evidence from IFC client banks indicates that women are the next frontier market and a potentially profitable market segment for financial institutions in Egypt. The financial sector forms a substantial part of the country's economy, accounting for 3.25 percent of GDP in 2014.²

Key trends at the global, regional and national level indicating the potential of the women's market include:

INCREASED ECONOMIC PARTICIPATION OF WOMEN

Women's participation in the labor force is increasing fast. It is estimated that 870 million women will participate in the global economy for the first time in 2020.³ Economically active women require financial services, both as individuals and as entrepreneurs. In emerging markets, an estimated 31-38 percent (8 to 10 million) of formal (registered) SMEs are fully or partially owned by women, and this number is predicted to rise.⁴ Given that the MENA region has the lowest representation of female-owned formal SMEs - at 12-15 percent - there is room for further growth of this segment, and, in turn, the demand for financial services.⁵ In Egypt, women own 30 percent of businesses.⁶ This means that as women's economic participation grows, women's entrepreneurship can, and will, fuel future economic growth and job creation in the country and region.

¹ IFC SLIDES (CHECK SOURCE) ² MINISTRY OF PLANNING ³ IFC SLIDES (CHECK SOURCE) ⁴ GPFI & IFC 2011 ⁵ GPFI & IFC 2011 ⁶ INSERT SOURCE IFC PRESENTATION CAIRO

RISING EDUCATION LEVELS OF WOMEN

Globally, women are better educated than ever before, with women's participation in tertiary education surpassing male participation in almost all developed countries and half of developing countries.⁷ Notably, in Egypt, while levels of female and male enrollment in tertiary education are similar, there is a higher percentage of female students enrolled in Science, Technology, Engineering and Maths (STEM) studies compared to men, according to the World Economic Forum.⁸

WOMEN'S DECISION MAKING AND SPENDING POTENTIAL

An estimated 85 percent of households identify women as the main decision makers and globally, women control about \$20 trillion of global consumer spending.⁹ As women's economic participation grows, so too will their consumer power.

UNMET DEMAND FOR FINANCIAL SERVICES

Banking women can satisfy unmet demand for financial services and help banks in diversifying and growing their portfolios. At a global level, women have an unmet financing need of \$4.2 billion credit per year and a deposit potential of nearly \$2.9 billion. In emerging markets alone, there is an estimated credit demand per year by women-owned SMEs of \$260-320 billion.¹⁰ Within MENA, 55 percent of women-owned SMEs do not have access to credit. The credit demand for women-owned SMEs is \$50 billion per year, or \$72 billion per year including micro enterprises.¹¹

Similarly, there is an unmet demand in the insurance market segment. A study by AXA, Accenture and IFC found the annual premium value from women customers will hit \$1.7 trillion globally by 2030, which represents twice the size of the 2013 market. In emerging markets, this is predicted to reach up to nine times the size, at \$874 billion.¹²

ROOM FOR GROWTH IN LEVELS OF FINANCIAL PENETRATION

Financial penetration is low in Egypt. World Bank 2014 Findex data indicates that only 14.1 percent of adults have a bank account and only 9.3 percent of women are banked.¹³ As such, there is considerable room for growth in the banking market overall. Meanwhile, emerging evidence suggests that financial inclusion contributes to economic stability, so promoting financial inclusion and targeting the women's market is a prerequisite for a solid and stable financial system. Therefore, increasing financial penetration levels in the Egyptian market can help contribute to financial stability and an improved operating context for banks, which will be good for business.



KEY FACTS:

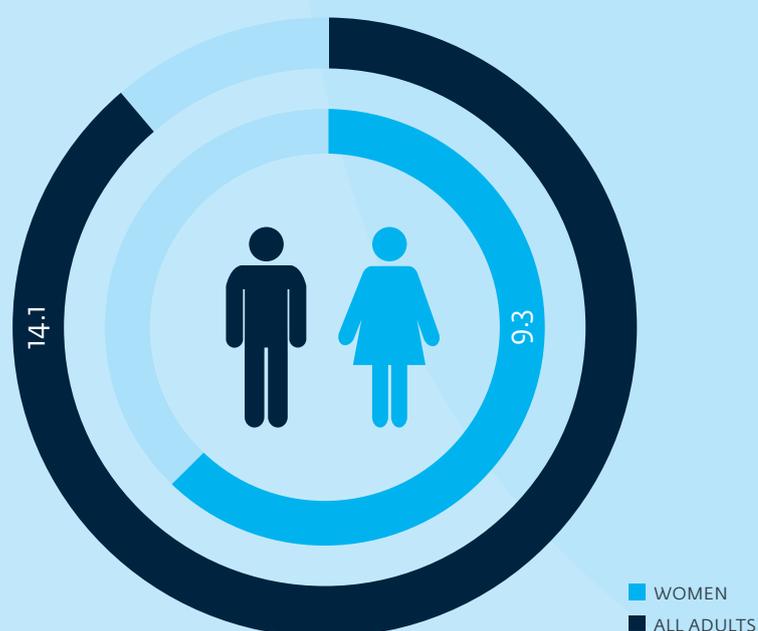
Market Demand in Egypt

SMEs contribute 38 percent of total employment, and 33 percent of Egypt's GDP. Of the estimated 6.4 million MSMEs in Egypt, only 406,000 SMEs operate in the formal sector. Women-owned SMEs (excluding agri-businesses) make up 40,000 of these enterprises and are concentrated primarily in the manufacturing and tourism sectors. It is estimated that women-owned SMEs in the formal sector have a credit demand of **\$283 million** and **\$246 million** of potential deposits.

Source: IFC

⁷ UN, 2015 ⁸ WEF, 2014 ⁹ HARVARD BUSINESS REVIEW, 2009 ¹⁰ IFC AND MCKINSEY ENTERPRISE FINANCE GAP DATABASE ¹¹ IFC PRESENTATION CAIRO ¹² AXA, ACCENTURE AND IFC, 2015 ¹³ WORLD BANK, 2015

Account Penetration by Gender in Egypt (% aged 15+)



Source: World Bank, Global Findex 2014

KEY FACTS: Financial Inclusion Statistics – Egypt

Data point	2014
Accounts – all adults (% 15+)	14.1
Accounts – women (% 15+)	9.3
Borrowed from a financial institution (% 15+)	6.3
Borrowed from a financial institution – women (% 15+)	4.9
Borrowed from family and friends	21.5
Borrowed from family and friends – women	26.5
Credit card	1.9
Credit card – women	0.7
Credit card used in past year	1.4
Credit card used in past year – women	0.4
Debit card	9.6
Debit card – women	5.6
Debit card own name	8.3
Debit card own name - women	4.9
Mobile account (15%+)	1.1
Savings in a financial institution in the last year	4.1%
Savings in a financial institution in the last year – women	3.9%

Source: World Bank, Global Findex 2014

A PROFITABLE MARKET SEGMENT

Female entrepreneurs perform very similarly and have comparable rates of borrowing to men, when the environment is conducive to business.¹⁴ IFC has successfully tested the proposition that women customers are profitable for banks and found the following factors contribute to the business case for the women’s banking market:

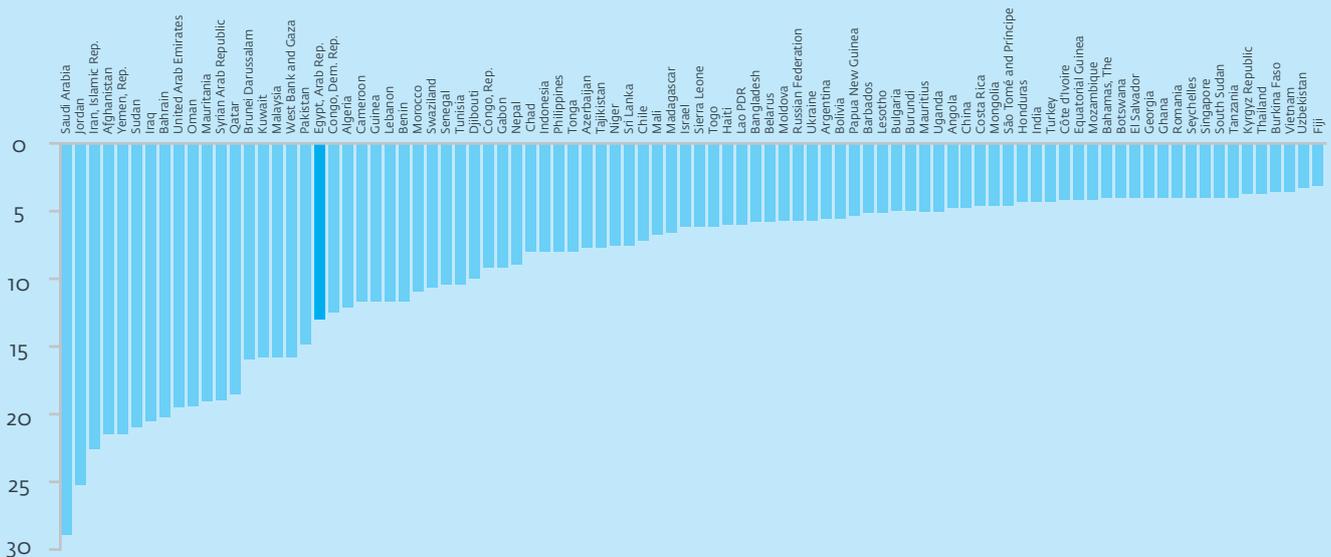
WOMEN CAN PROPEL ECONOMIC GROWTH BY SIMPLY ENCOURAGING MORE WOMEN TO WORK.



■ WITH GENDER EQUALITY
■ WITHOUT GENDER EQUALITY

- **Market share growth:** Targeting the women’s market provides a source of market differentiation in competitive SME markets.
- **Higher cross-sell and loyalty:** Women stay with their bank of choice if it is serving them well. There are higher cross-sell ratios (between 1 and 2 times) for women, and they have higher footings per relationships and higher fee generation.
- **Strong savings propensity:** Women customers save more than men as both retail and business customers, and their deposits grow at a higher rate.
- **Positive risk behavior:** Women are more risk-aware. Women-led SMEs outperform those led by men, and women are either the same or better than their male counterparts in terms of default rates and non-performing loan rates.
- **Linkage to the family wallet:** Women clients refer more customers to a bank than men and can create a strong conversion rate for the husband and other family members’ business.¹⁵

KEY FACTS: Egypt has a large number of legal gender differences compared to other economies globally



¹⁴ IFC & MCKINSEY, 2011 ¹⁵ IFC ANALYSIS

KEY FACTS: Financial Inclusion Statistics – Egypt

	Married	Unmarried
Can a woman apply for a passport in the same way as a man?	No	Yes
Can a woman apply for a national ID in the same way as a man?	No	Yes
Can a woman travel outside her home in the same way as a man?	No	Yes
	Marital status	Gender
Is discrimination in access to credit prohibited based on:	No	No
Can women and men do the same jobs?	No	

Source: World Bank (2015 a)

CURRENT CONSTRAINTS TO LEVERAGING THE MARKET POTENTIAL OF BANKING WOMEN IN EGYPT

The workshop participants identified a number of constraints regarding tapping into the women’s market including:

AWARENESS OF THE BUSINESS CASE

A lack of awareness on the business case for targeting the women’s market in Egypt is preventing the targeting of this potentially profitable market segment. Awareness-building initiatives will help address this as the data on the case for banking women is compelling.

SUPPLY AND DEMAND SIDE MARKET DATA AVAILABILITY

Another key challenge is data availability to gain greater clarity and understanding of the demand and supply-side constraints to women’s access to finance in Egypt. On the demand side, is financial exclusion of both women and men voluntary or involuntary and, if the latter, what are the constraints that urgently require addressing? On the supply side, to what extent are banks already serving the women’s market segment?

LACK OF MUTUAL TRUST AND UNDERSTANDING BETWEEN BANKS AND CUSTOMERS

There are issues of trust and understanding on both the sides of the banks and the women’s consumer market. Women customers are often perceived as risky by banks and vice versa. Women (and men) often choose not to primarily bank with formal financial institutions and borrow from family and friends instead.

“The problem is banks will not fund any enterprises that do not have a history.”

Reem Fawzy, Founder of Pink Taxi

“Not so many women know how to deal with the banks. They may take money from their relatives or from any other way instead of dealing with the banks. The banks are not so close to ordinary people in Cairo... There are many difficulties. Any woman at the beginning of her career they require many things from her they require that she have a guarantor, require that she put up a lot of her own money. Banks might only fund 50 percent of what you need. And they charge high interest, and they ask for a guarantor. Usually a husband”

Noura Halim, Managing Director of Sparkle Printing Solutions

INFORMAL BUSINESS ENVIRONMENT

There are persistent levels of informality within businesses in Egypt. Tax revenues from these businesses are needed to boost the economy and bring savings into the formal financial system, which can help enhance financial stability and contribute to a more prosperous society.

LEGAL AND CULTURAL BARRIERS

Interwoven legal and cultural constraints currently limit women's entrepreneurship prospects and access to finance, such as access to national identity documents without the consent of a husband. Furthermore, the current criminalization of bankruptcy impedes entrepreneurship and innovation among both women and men. Regulatory reforms to stimulate the SME ecosystem and address access to finance barriers for women, both as individuals and SME owners, will help unlock this potential.

RECOMMENDATIONS FOR ACTION

While the commercial case for targeting the women's market may be clear, various obstacles need to be overcome for banks and the country to profit from this significant untapped opportunity. To address these challenges, create an enabling environment, and get the buy-in to establish and operate a successful women's market program, participants at this discussion suggested a series of recommendations. By embracing these actions at the financial ecosystem and bank level, through national and global collaborative partnerships, Egyptian financial institutions can help stimulate the women's market to boost bank profitability, women, and ultimately the Egyptian economy.

FINANCIAL ECOSYSTEM LEVEL RECOMMENDATIONS

- Identify and address legal and regulatory barriers to access to finance.
- Conduct a national demand-side study on financial services' access and usage.
- Create a national financial inclusion strategy based on multi-stakeholder collaboration, including gender-disaggregated measurable targets and an action plan for implementation with a monitoring and oversight mechanism.
- Promote initiatives to support consumer financial education, including differential strategies for women and men, and the educated and illiterate.
- Establish initiatives to promote consumer protection recognizing the diverse needs of women and men.
- Strengthen the payment system infrastructure including credit bureaus and credit guarantee schemes to address specific barriers to access to finance for women, including their lack of collateral.



"I think they have to promote a little bit more the system for special funds for women entrepreneurs."

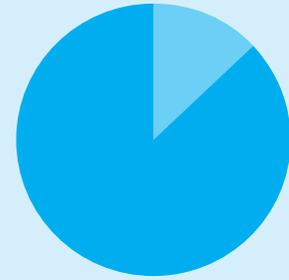
Hoda Kamal, Founder and Managing Partner, The Art Café

"I would say to the banks - don't be afraid, women are more responsible in paying their loans off."

Reem Fawzy, Founder of Pink Taxi

BANK LEVEL RECOMMENDATIONS

- Establish a baseline of existing women customers in the individual and SME segments to be able to measure progress.
- Adapt existing bank systems and processes to generate gender-disaggregated data on customers.
- Learn from applicable international experience, which can be tailored to the Egyptian context through partnerships with IFC and peer learning platforms.
- Conduct market research to learn more about the women's market segment and understand its needs.
- Build awareness of existing products and new banking products and services targeting women.
- Simplify requirements and processes for existing and new women customers.
- Leverage technology by providing Internet banking to enhance access to financial services for women.
- Provide training and networking opportunities for existing and potential new women customers.
- Improve the risk profile of women by creating credit guarantee schemes.
- Raise awareness internally on women banking and train frontline staff
- Improve the internal representation and inclusivity of women in banks as an enabler to launch or target a women's market program.



14 PERCENT OF ALL BUSINESSES IN MENA ARE OWNED BY WOMEN



"If we encourage more women to work and do their own business, they will help their families and they will help the economy to rise up. They are half the power of society."

Noura Halim, Managing Director of Sparkle Printing Solutions in Cairo

ANNEX 1: CASE STUDY:

BLC Lebanon's Journey to Championing Women Banking

Despite differences in Lebanon and Egypt's market size and legal and cultural contexts, BLC Bank in Lebanon's experiences provide valuable insights to Egyptian banks seeking to reap the rewards of tapping into the women's market segment. The bank recognized the potential of the women's banking market in 2010, both as a growth market and as a competitive differentiator. Data highlighted that women make up more than half of the population of Lebanon, are better educated, save more, exhibit less risky financial behavior and are more loyal to banks than men. They also buy more banking products, and refer more new customers.

For example, 58 percent of women as opposed to 46 percent of men budget for the future in Lebanon, while 57 percent of women compared to 51 percent of men try to save for the future. What's more, 40 percent of women compared to 37 percent of men plan their spending at least one week ahead. This evidence informed a clear business case for targeting this market.

To explore launching BLC Bank's value proposition for women, the bank took the following steps:

- Engaged IFC in a consultancy agreement.
- Became a member of the Global Banking Alliance for Women (GBA).
- Attended the 2010 GBA Annual Summit hosted by IFC and the subsequent 2011 Annual Summit and study tour hosted by West Pac in Australia.
- Undertook a feasibility study for establishing a women's market program.
- Conducted focus groups with women to design the program.

Learning from potential women customers, peers and technical experts, and on the basis of critical partnerships with IFC and GBA, BLC Bank was able to swiftly respond to the promising women's banking market opportunity.

INTERNAL CHALLENGES	EXTERNAL CHALLENGES	SUCCESS FACTORS
<ul style="list-style-type: none"> • Adapting MIS system: <ul style="list-style-type: none"> ▪ Setting the right definition of women in Business ▪ Tagging exiting accounts ▪ Defining the Baseline • Resistance to change <ul style="list-style-type: none"> ▪ Establishing KPIs to drive sales team behavior (scoring system with higher weight to the women's portfolio) ▪ Employees buy-in by engaging them in trainings and selecting ambassadors, NPS • Lack of Data • Where to situate We in relation to the SME? 	<ul style="list-style-type: none"> • Alienation of male • Irritate people with certain culture and religious belief • Not be taken seriously by women transforming them into detractors • Not to be able to deliver our promise 	<ul style="list-style-type: none"> • To Obtain Top Management Support and Commitment • To carefully pick the Project Management Team • To give proper weight to internal training • To focus on the business case • To adapt IT system to allow monitoring • To set clear and achievable targets • To measure performance • To communicate

In 2012, the bank launched its women's market program called the We Initiative, which addressed several key needs for women. Firstly, as women are legally unable to open bank accounts for their children in Lebanon, the bank adopted a legal turnaround that enabled women to do so. Secondly, the bank designed a collateral-free loan to enhance access to finance for women small business owners.

The program's success has resulted in financial, reputational and brand benefits for BLC Bank. The women's market currently represents more than 18 percent of the bank's profits, with double-digit growth projected for the next three years.

This success has not come without challenges. The bank had not previously gender disaggregated its customer data and needed to establish a baseline of its women customers. To do this, BLC needed to establish a new definition of women-owned business and adapt its management information system (MIS) to consistently capture this information. To achieve operational alignment to its strategy and overcome any reluctance in targeting women, the bank also encouraged its salesforce by updating monthly performance scorecards to give women's market incentives a higher weight.

BLC Bank's experience shows that success factors include:

- Starting with top management to leverage and promote the program.
- Carefully picking the project management team and including men in the core team.
- Engaging the beneficiaries of the program as early as possible in its development.
- Emphasizing internal training on the business case for targeting the women's market.
- Adapting IT systems and processes to capture adequate gender disaggregated data on women customers, both as individuals and SME owners.
- Establishing a baseline, setting clear and achievable targets, and measuring progress against them.
- Establishing global partnerships, for example with IFC and GBA, to access training, networks, technical expertise and mentors, and learn about best practice.
- Forming local partnerships with business associations to support on-the-ground delivery of non-financial services.

ANNEX 2:

IFC Providing Innovative Banking Solutions: HOW TO BANK WOMEN?

Women's needs and behaviors in using financial services differ to men, as do the constraints in their access to financial services. More than a third of women-owned businesses globally report barriers to accessing financing. Financial constraints include institutional discrimination and access to collateral. For example, in MENA, all individual loans and up to 95 percent of SME loans granted in the region by financial institutions require some type of collateral, which is a major challenge for women in particular.

Non-financial barriers also limit financial access, for example, legal restrictions, financial literacy, access to networks and business skills, among others. To overcome some of these non-financial barriers, women customers need non-financial support such as training to complement the financial services.

It is clear therefore that banks need to develop creative and tailored value propositions to support women and recognize their diverse needs within the market segment.

¹⁶ CHECK SOURCE. IFC PRESENTATION CAIRO ¹⁷ GPFI & IFC, 2011

IFC'S BANKING ON WOMEN PROGRAM



25 PERCENT OF WOMEN

IN MENA WORK OUTSIDE THE HOME, HALF THE GLOBAL AVERAGE

IFC's Banking on Women program is playing a catalysing role for partners and financial institutions to help them serve women-owned businesses profitably and sustainably. With a goal that 25 percent of its loans provided to SMEs through financial intermediaries go to women-owned SMEs, IFC is currently working with 29 banks worldwide on the investment side and 19 advisory projects with a total committed portfolio

of \$808 million. This includes five banks in the MENA region.

Other modes of IFC engagement include corporate partnerships to provide support to women-owned businesses in the value chain, and the IFC & Goldman Sachs 10,000 Women program, an entrepreneurship facility that aims to raise and invest \$600 million in financial institutions financing women-owned SMEs.

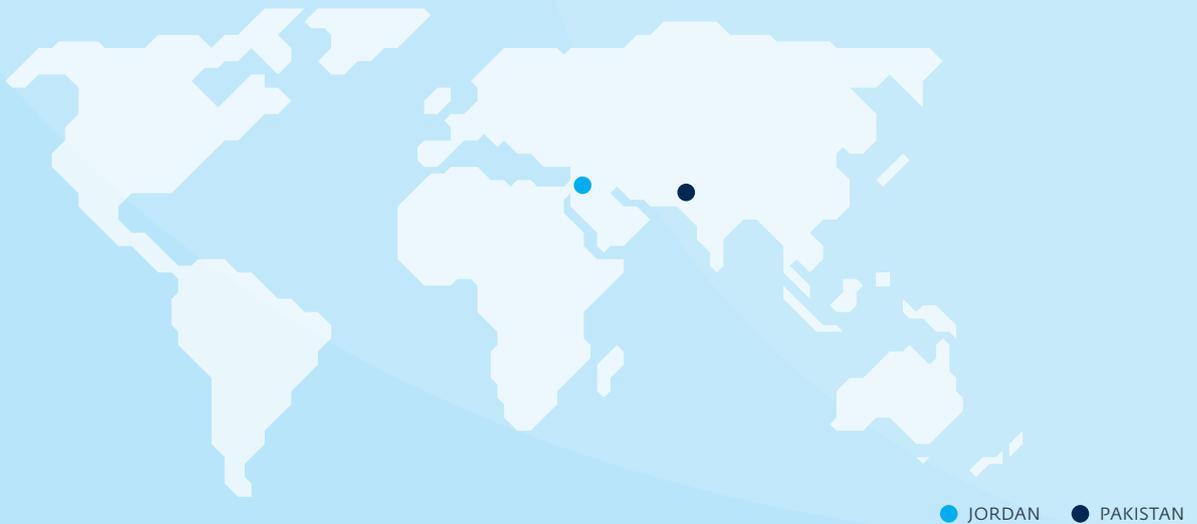
Examples of IFC MENA Client Banks with Women's Programs

BANK AL ETIHAD, JORDAN

The bank launched a new customer value proposition with a distinct brand 'Shorouq' for the women's market and four new financial products, as well as a digital platform to provide non financial services to women: www.shorouq.bankaletihad.com. Other initiatives included establishing a Bank of Etihad SME Awards program to give women business owners recognition for their success, and training frontline staff to leverage its sales and services platform to become more gender-inclusive.

HBL BANK, PAKISTAN

The bank focused on organizational alignment to improve the gender diversity of the workforce internally, launched a sub brand "Nisa" for its women's market program 'HBL Women,' provided training to women customers, and provided incentives to staff to open women's accounts. HBL has since experienced a 63 percent increase in the number of women SME loans since 2013 and has approximately 1.9 million deposit accounts held by women.



IFC advisory services can support a bank's strategic planning, market positioning/segmentation, product repositioning and staff training, as well as helping to build its capacity across six areas to serve diverse women's segments.

Key components of women's banking programs



Specifically, IFC uses its investment capital to help financial institutions profitably expand their portfolios and deepen their ability to reach women-owned businesses. By working in

partnership with IFC, banks can drive new revenues and boost access to finance for women entrepreneurs.

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"I don't actually understand the banking system, so I was a bit afraid to approach any funds from a bank."

Hoda Kamal, Founder and Managing Partner, The Art Café

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