The Partnership For Financial Inclusion

Women Make the Best DFS Agents

How financial sector alternative delivery channels create business opportunities for women in emerging markets.

FIELD NOTES #5

New business opportunities are being created for micro entrepreneurs by digital financial services and agent banking in Sub-Saharan Africa. The agents who deliver these financial services are mostly small-scale retailers or service providers, such as beauty parlors, tailors or convenience stores. Although women entrepreneurs generally find it more difficult to start, run and grow their businesses due to a discriminatory environment[1], this study in the Democratic Republic of Congo reveals that the microfinance institution FINCA has attracted a high number of female-run businesses as agents and these businesses outperform their male counterparts in both number and value of transactions[2].

Female owned businesses account for 24 percent of small and medium-sized enterprises in Sub-Saharan Africa, but the average credit gap is 29 percent higher than for men-owned enterprises.

1 A married woman must have her husband's permission to open a bank account, accept a job, obtain a commercial license, or rent or sell real estate. Article 45 of the civil code specifies that the husband has rights to his wife's goods, even if their marriage contract states that each spouse separately owns his or her own goods. Women have to get the approval of their husband before getting any sort of job offer.
2 In this study, we define agent performance as the number and value of transactions, rather than revenues generated. They are of course linked but account usage is a more relevant indicator of financial inclusion. For the core (non-agent) part of the businesses studied, we use net income as measure of performance

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Background

It is widely recognized that any economy can best achieve its potential via the full and non-discriminatory participation of all its citizens, regardless of gender. Failure to fully support women's economic potential represents a major missed opportunity, with significant consequences for individuals, families, and economies. Gender discrimination is estimated by a recent McKinsey study[3] to mean that the world's economy is functioning at only 75 percent of its potential. The study calculates that by improving gender equality at a faster pace, the world economy could add as much as $12 trillion, or 11 percent, in 2015 GDP. In a scenario in which women play equal roles in labor markets to that of men, as much as $28 trillion, or 26 percent, could be added to global annual GDP by 2025.

Female owned businesses account for 24 percent of small and medium-sized enterprises in Sub-Saharan Africa, but the average credit gap for a women-owned small or medium enterprise is 29 percent higher than for men-owned enterprises. Partly because of credit restrictions as well as education and skills' gaps, women tend to start businesses in sectors that require smaller upfront investments and less specialized skills, such as retail, wholesale and services[4].

Women entrepreneurs in the DRC: development potential yet to be realized

While women represent over 50 percent of the 67 million population of the Democratic Republic of Congo, they struggle to achieve parity with the male population in the bid to develop the country. Married women require spousal permission to take up employment, sign a contract, initiate any type of legal proceedings, or to open a bank account (articles 450,451 - Family Code[6]). Married women cannot legally be head of household, and do not have equal control over marital property.

Nevertheless, about 25 percent of Congolese households are de facto headed by women due in part to the impact of the recent civil war and the fact that many men are migrant workers. A recent study[7] estimates that the DRC could add up to 17 percent to annual GDP by 2025 if it managed to match the rate of improvements in gender equality of the fastest improving country in Sub-Saharan Africa, because as research[8] shows, poverty is falling faster in female headed households in Sub-Saharan Africa than in male headed ones.

DRC has one of the lowest rates of financial access in Africa, with a banking penetration rate of just below 11 percent[9]. Women in the DRC are at best a marginal part of the financial system, whether measured by account usage, loans outstanding, or use of mobile money services. The World Bank's 2013 Enterprise

Figure 4: Business Life Cycle Analysis – Constraints faced by women-owned SMEs

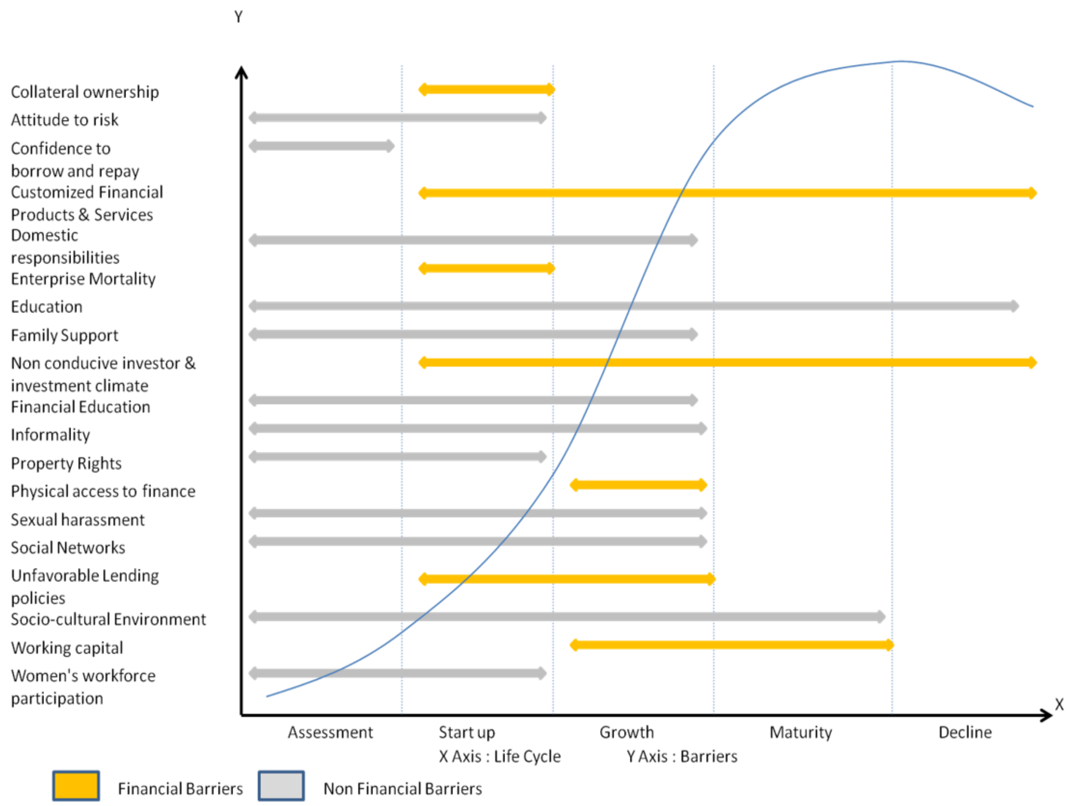


Figure 1: Business Life Cycle Analysis: Constraints faced by women-owned SMEs[5]

3 McKinsey Global Institute (MGI) report, The power of parity: How advancing women's equality can add $12 trillion to global growth
4 IFC, Women-Owned SMEs: A Business Opportunity for Financial Institutions, 2014.
5 Idem
6 http://www.leganet.cd/Legislation/Code%20de%20la%20famille/LIVRE%20III%20DE%20LA%20FAMILLE.htm#TICV last consulted on 3 February 2016
7 McKinsey Global Institute
8 Milazzo, Annamaria and Dominique van de Walle (2015) "Women Left Behind? Poverty and Headship in Africa" Policy Research Working Paper 7331, World Bank, Washington, DC.
9 Findex/World Bank, 2014
10 IFC, Women-Owned SMEs: A Business Opportunity for Financial Institutions, 2014.

Access to services in DRC	Female (percent aged 15+)	Male (percent aged 15+)
Mobile account	7.43	11.00
Mobile account used to pay bills	0.15	0.99
Mobile account used to send money	0.99	2.93
Used an account to receive wages	1.41	5.98
Used internet to pay bills or make purchases	2.10	3.27
Used an account to make transactions via a mobile phone	0.90	2.89
Debit card in own name	2.09	4.55
Source: Gender Stats Database, WDI		

Survey showed that female-managed businesses were three times less likely than male-managed ones to have a bank loan or line of credit. An IFC's study[10] on the role of women entrepreneurs in the economy also found that women-owned businesses are more likely than their male counterparts to cite access to finance as a major or severe constraint on their business operations. However, women entrepreneurs are not systematically more risky as borrowers than their male counterparts, because they generally show very good repayment behavior. This means that despite challenges women entrepreneurs face, they are attractive clients for banks while being an important, not yet fully utilized force to propel national development forward.

FINCA and financial access in DRC

To provide access to financial services in the uniquely challenging context of DRC, IFC has been working over the past three years with Congolese microfinance institution FINCA as part of the Partnership for Financial Inclusion joint initiative with The MasterCard Foundation to expand microfinance and advance digital financial services in Sub-Saharan Africa.

In this collaboration, agent banking has been a powerful tool to increase outreach given the high cost of establishing branch infrastructure in a post-conflict environment with limited infrastructure. In general, agents are small business owners who offer FINCA banking services in addition to an already established retail business. At an agent, a FINCA client can send money to other FINCA accounts, withdraw cash including FINCA loans, make deposits, and repay loans. Many customers prefer the convenience of using agents, even though some services' fees are higher than at traditional FINCA branches. The agents themselves receive a monthly subsistence stipend of around $100 for the first three months, and are compensated in relation to the number and value of transactions they facilitate.

By October 2015, three years since launch, the FINCA agent network had grown to more than 550 agents, over four times their initial targets, and about 60 percent of all FINCA's transactions are now done at agent outlets. However, so far the growth has been mainly concentrated in Kinshasa. To support further expansion into more remote areas, the agent business case has been researched as part of the partnership program to determine the characteristics – personal, business or location related - that typify a successful FINCA agent.

FINCA Agents' Personal and Business characteristics

The IFC research set out to test whether there were compelling differences between male and female agents in terms of business age, employees, profits, etc. (see table below), and what kind of impact, if any, gender might have on an agent's performance. FINCA has been relatively successful in attracting female business owners as agents. Of the existing FINCA agents in Kinshasa, approximately one third are female (27 percent), whereas only 8 percent of firms in the country in general have female ownership.

The personal characteristics of FINCA agents overall were fairly similar: the average agent was 43 years old with at least a high school degree. When the sample was broken down by gender, the women were on average about one year older than the men and the youngest female agent was five years older than the youngest male agent. However, there was no significant difference in education levels between male and female agents.

Looking at data from FINCA's network of agents we found that male agents tended to have been in business for longer periods of time and have more employees. Even quite small differences in these dimensions had a significant impact on an agent's activity.

Financial data on daily, non-agent business activity indicated that male agents have, on average, 47 percent higher value sales than female agents, suggesting that men are selling more expensive goods. Account balances of men are almost 20 percent higher, meaning that

Business measure	Female	Male	Δ (using female values as base value)
Business Age (years)	7.52	8.03	6.78%
Number of employees	3.72	4.52	21.50%
Net Weekly Profit ($)	1664.48	1434.84	-13.80%
Account balance ($)	898.89	1077.83	19.90%
Daily sales ($)	1096.57	1618.33	47.58%
Estimated stock value (thousands $)	25.95	18.28	-29.55%

men save more money with official financial institutions. However, the net weekly profit of female businesses that are agents is 16 percent higher than that of their male counterparts, and the value of their business inventory is 42 percent higher. In other words, women-run businesses make more profit on average than those run by men; this trend continues when they become agents and women also tend to make more money as agents. Since women sell lower value goods, achieving higher revenue is assumed to be because women are more in a volume business where they generate a higher number of (low value) sales in general, boosting their revenues through quantity of sales (though we did not obtain figures about the number of items sold). At the same time, women seem to be more entrepreneurial since they put more money back into their business inventory rather than keeping it on a bank account which yields little interest.

Looking at what kind of core-businesses they have, 35 percent of female agents operate in the service sector compared to just 19 percent of male agents. This is important because our results indicate that agents whose main business falls under services rather than commerce[11] tend to generate, on average, more revenue for FINCA. More data is needed to help understand why service businesses are more successful, but one hypothesis is that service providers are accustomed to being paid for doing something, whether it is hairdressing, mending, or providing agent services, whereas retailers simply accept money in exchange for goods. Thus the service provider business structure is better aligned to the needs of DFS providers since their original business model is closer to what is required as an agent.

FINCA's female agents are located predominately in disadvantaged areas - less urbanized, lower income, less commercially and financially developed areas. We find that female agents are 12 percent more likely to be present in low income areas and that 46 percent of female agents, compared to just 30 percent of male agents, are located in municipalities described as being commercially underdeveloped[12].

When it comes to financial alternatives, data on FINCA agents show that male agents are clustered in municipalities with many financial access points and where the main financial alternative is traditional banks. By contrast, 45 percent of female agents are located in municipalities where there are few banks and where at least half of the financial access points are represented by microfinance institutions and mobile money services.

How do men and women perform as agents for FINCA?

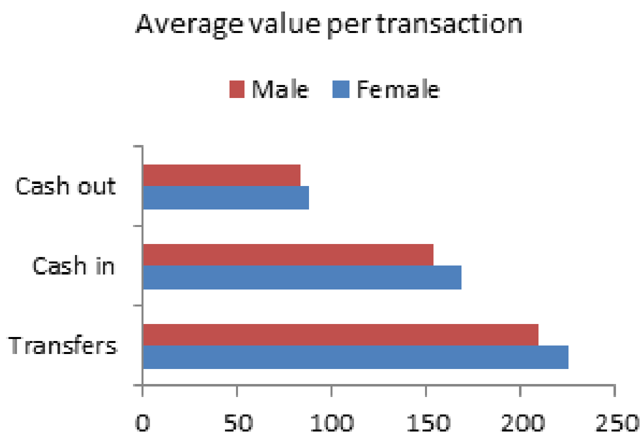
The key finding of the study is (when controlling for external factors in our regression analysis) that – as agents - women do a better, more efficient job compared to men. Not only do female agents transfer higher volumes per FINCA transaction, they also, on average, report 12 percent more FINCA transactions per month than male agents.

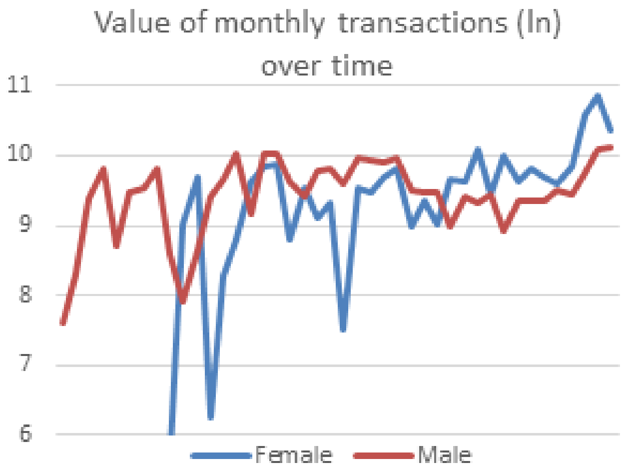
While both male and female agents were open for an average 13 hours per day, female agents were 10 percent less likely to be open on Sundays. Whether by choice or necessity, this difference is probably a function of the competing demands on a woman's time compared to that of a man. Analysis found that, for an agent, being open on Sundays is associated with 90 additional FINCA transactions per month on average. Considering that the average number of monthly transactions for an agent in our sample was 335, this is substantial additional business. Given this finding, it is even more impressive that women manage to achieve more transactions per month than men.

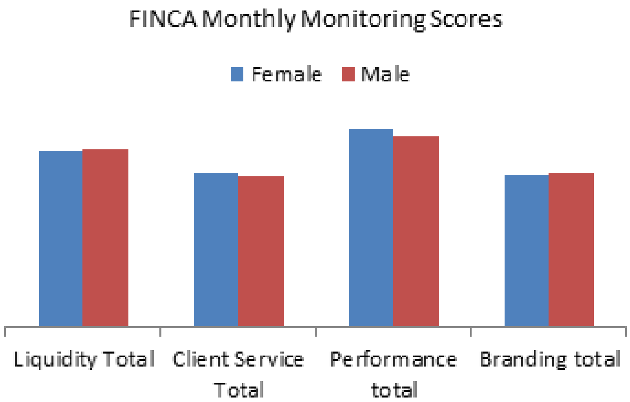
Women registered a higher total number and value of transactions per month (cash deposited, withdrawn and transferred), than men, and on average, the medium male agent did not perform as well as the medium female agent. However, the activity for women agents was more volatile, whereas men had on average more consistent volumes of transactions. While more consistent, male agents reached their maximum trading volume quite early after becoming an agent and after that did not seem to increase their FINCA trade much. Women tended to see big drops and increases in the early months as agents, but once they became established they record consistently higher volumes.

It should be noted, however, that the top 25 percent of male agents outperformed their female counterparts by 30-60

11 Commerce includes SIC codes 50-59 (Wholesale and Retail trade), while Services (e.g. hotels, business services, repairs) encompasses SIC codes 70-89. Standard Industrial Classification (SIC) codes are numerical codes assigned by the U.S. government since 1937 to business establishments to identify their primary industry sector. The full list can be found at: http://siccode.com/en/pages/what-is-a-sic-code
12 When measuring agent performance, we controlled for exogenous factors such as being located in disadvantaged areas.







percent when it comes to growth in value of transactions, even when there are no significant differences in the growth of number of transactions. The data indicates that men are thus both the top and the bottom performers, while women are more successful on average.

One final point worth noting is that even though female and male agents are doing business in different areas and have different business models, as agents, they perform very similarly on FINCA's quality assessment scorecards. To monitor Agent Quality Management (AQM), FINCA channel officers visit the agents two or more times per month to score their performance on four dimensions: i) management of liquidity; ii) client service (including the state of the store and POS operator availability); iii) total performance (bookkeeping and maintaining the POS terminal); and iv) usage of FINCA branding. High AQM scores have shown a strong correlation with agents' performance, but our research shows that other factors, such as gender and location also play an important role in explaining agents overall achievements.

Conclusion

This study is the first in the research series that examines the difference in performance between male and female agents. As owners of small-scale businesses, men and women in the DRC begin their agent roles from a base of different business models. Female owned-businesses are often based in commercially more difficult locations, and they generate revenue by selling more but cheaper products and they put more resources into a presumably more diverse inventory of low cost products. Men, on the other hand, do higher value sales in locations close to other businesses and banks, while not reinvesting as much into their businesses, as indicated by higher bank account balances. Despite this, women agents are commercially more successful with 16 percent higher net profit on their overall businesses.

It was also apparent from the research that service providers (e.g. hairdressers, tailors) are generally more successful agents than agents that are retailers, perhaps because agent activities are almost by definition, a provision of services. Women agents are more prevalent in the service sector, and this adds to the attractiveness of recruiting female run businesses as agents.

Further, despite sometimes inferior locations and somewhat more restrictive weekly opening hours, women agents generate more volume and value of transactions on average than male agents. In a country like DRC, where women face significant barriers to financial inclusion and in doing business, the case of FINCA shows that when given the opportunity, female agents can make a big impact for customers and for financial institutions, whilst generating significant additional income for their core businesses. When selecting agents, financial institutions and mobile network operators are well advised to keep this lesson in mind.

So far we know this to be true at least for FINCA agents in the DRC. It would be enlightening to do comparative studies with MFIs and MNOs offering agent opportunities in other countries to see if gender is an overall determinant of agent success, and also to look more closely at what it might be that makes women such successful agents.

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The Partnership for Financial Inclusion aims to expand commercial microfinance and advance digital financial services to bring financial services to 5.3 million previously unbanked people in Sub-Saharan Africa by 2017. It is a $37.4 million initiative of The MasterCard Foundation and IFC that brings together the intellectual and financial capital of the Foundation with IFC's market knowledge, expertise and client base. The partnership is also joined by The Development Bank of Austria, OeEB, and collaborates with knowledge partners such as the World Bank and CGAP. An important objective of the partnership is to contribute to the global community of practice on financial inclusion, and to share research and lessons learned. This publication is part of a series of reports published by the program.

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