



Non-Financial Services:

**The Key to Unlocking the Growth Potential of
Women-led Small and Medium Enterprises for Banks**

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About IFC

IFC—a member of the World Bank Group—is the largest global development institution focused on the private sector in emerging markets. We work in more than 100 countries, using our capital, expertise, and influence to create markets and opportunities in developing countries. In fiscal year 2020, we invested \$22 billion in private companies and financial institutions in developing countries, leveraging the power of the private sector to end extreme poverty and boost shared prosperity. For more information, visit www.ifc.org.

About FMO

FMO is the Dutch entrepreneurial development bank. As a leading impact investor, FMO supports sustainable private sector growth in developing countries and emerging markets by investing in ambitious projects and entrepreneurs. FMO believes that a strong private sector leads to economic and social development and has a 50-year proven track-record of empowering people to employ their skills and improve their quality of life. FMO focuses on three sectors that have high development impact: financial institutions, energy, and agribusiness, food & water. With a committed portfolio of EUR 9.7 billion spanning over 85 countries, FMO is one of the larger bilateral private sector developments banks globally. For more information: please visit www.fmo.nl

“As this report’s unique new dataset shows, non-financial services aren’t just a good deal for SMEs. They are also good for financial institutions that offer them.”

Entrepreneurship drives economic growth and job creation. Small and medium enterprises (SMEs) account for 90 percent of the world’s jobs and more than half of its economic growth.

FMO, the Dutch entrepreneurial development bank, and IFC, the private sector development arm of the World Bank Group, are dedicated to helping SMEs thrive in emerging markets. This study stems from our shared goal of learning how to better serve SMEs, with a special emphasis on women-owned enterprises. Women-owned enterprises are an untapped growth opportunity for financial institutions; women are half of the population and own around a

third of small businesses in developing countries. Better addressing their needs can unlock tremendous growth potential. Data show that women are good savers, responsible and loyal clients, and a gateway to household spending.

Small businesses need more than just finance. Training, mentoring, networking, and other non-financial services can give entrepreneurs a vital leg up. For women-owned enterprises, the benefits of these non-financial services can be particularly profound, helping them to overcome systemic barriers that limit their access to finance and markets. This is especially important in emerging markets.

IFC published a landmark study on non-financial services in 2012. Much has changed since then. Non-financial services have become more mainstream and far more diversified as financial institutions increasingly see the value in offering them. This report builds on that study by surveying 34 banks worldwide on their approach to and measurement of non-financial services, with a focus on their offerings to businesses owned by women. The report also features interviews and further in-depth analysis, from KCB Bank in Kenya to NatWest Group in the United Kingdom.

As this report's unique new dataset shows, non-financial services aren't just a good deal for SMEs. They are also good for financial institutions that offer them. These institutions generally see a return on their investment in one to two years, resulting from the acquisition of new clients and a deeper engagement with existing clients. When non-financial services are provided to women entrepreneurs, the returns outperform those from offering these services to men.

The results of this study are encouraging for financial institutions serving women entrepreneurs, as women frequently face constraints related to knowledge, confidence and networking. These are exactly the areas where non-financial services have a track record of success.

The study's results are particularly meaningful in uncertain times. The COVID-19 pandemic has impacted economic growth and jeopardized millions

of businesses in developing countries. By adding non-financial services to the typical suite of products for women-owned businesses, financial institutions can help solidify the economic recovery, protect the businesses in their portfolio, and improve their bottom lines. As much as \$5 trillion could be added to global economic growth if women and men participated equally as entrepreneurs. We need to tap into that economic potential now more than ever.

We are proud of the partnership between FMO and IFC's Banking on Women team. This report is an important addition to the body of evidence on the business case for non-financial services. It makes clear that offering additional services to underserved entrepreneurs is not only the "right thing" for financial institutions to do. It can be a revenue driver, a key to client relationships, and a necessary tool in economic recovery. The insights gained in these pages will help financial institutions shape the future of entrepreneurship.

Paulo de Bolle,
*Global Senior Director,
Financial Institutions Group, IFC*

Linda Broekhuizen,
*Chief Investment Officer,
FMO*



Executive Summary

Women-led small and medium enterprises (WSMEs) represent a great opportunity to banks: women own 34 percent of private businesses globally, including almost six million formal SMEs in the developing world. In emerging markets, formal SMEs create seven out of ten jobs and contribute up to 40 percent of economic growth in terms of GDP. In OECD countries the contribution to growth can be up to 60 percent.

Yet WSMEs' enormous potential remains largely untapped due to systemic barriers facing women-led enterprises globally. Constraints range from sector choice to cultural and social norms and laws, to the reality that women entrepreneurs tend to have limited business networks. Providing non-financial services (NFS) (see box: Definitions) alongside finance is an effective means for financial institutions to tap into the enormous potential of women-led enterprises.

This study examines the benefits to banks of integrating NFS that can help mitigate these barriers into a women-focused SME banking proposition. Analysis of five SME banking models, in addition to previously published case studies and other resources, found that well-integrated NFS offers for WSMEs yield positive return on investment (ROI) within one to two years. This is demonstrated through four key metrics: increased interest income; share of wallet, which includes cross-sell, deposit volume and fee income, including fees charged for NFS participation; loyalty; and reduced risk.

While increased interest income is often the largest contributor to ROI, particularly in the first one to two years, each of the four components mentioned above has been individually found to cover NFS costs. This signals an opportunity for banks to ensure their full product suite, along with communication and delivery, is tailored to WSMEs, as this can pave the way for the segment to take full advantage of the bank's offers.

The Four Drivers of ROI for NFS

Increased interest income from loans

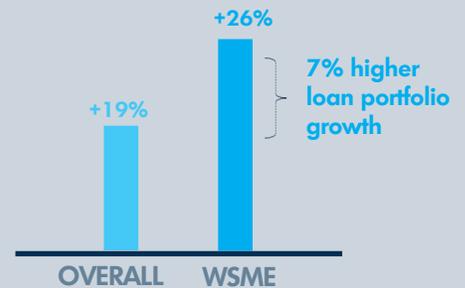
Sex-disaggregated measures:

- Number of borrowers
- Average loan size
- Loan portfolio value



From 2014-2016, Banco BHD Leon in the Dominican Republic's WSME loan portfolio grew 26 percent, vs. 19 percent overall loan portfolio growth after the launch of *Mujer Mujer*, its women's market model.

LOAN PORTFOLIO GROWTH



Increased share of wallet from cross-sell, deposit volume, and fee income

Sex-disaggregated measures:

- Average number of products per customer
- Average deposits per customer
- Fee volume from NFS participants vs. non-participants
- NFS-specific fee volume



From 2012-2015, BLC Bank Lebanon's WSME deposit growth outpaced total SME deposit growth by 45%, after the launch of their women-focused WE Initiative.

DEPOSIT GROWTH



Increased loyalty

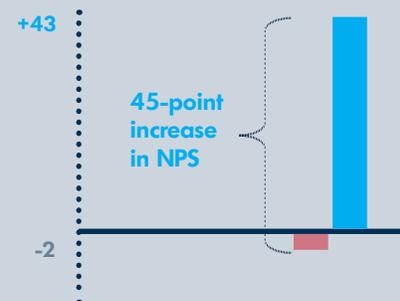
Sex-disaggregated measures:

- Net Promoter Score (NPS)
- Client retention rate
- Share of inactive accounts



KCB Bank in Kenya's NPS went from -2 to +43 over three years, after the introduction of its WSME proposition.

INCREASE IN NPS



Reduced portfolio risk

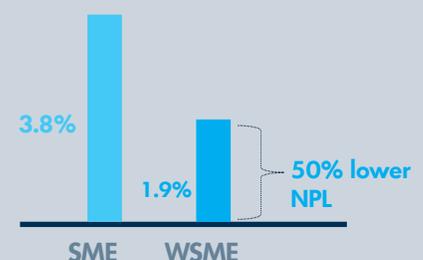
Sex-disaggregated measure:

- NPL



In 2018, WSMEs in IFC client banks with targeted Banking on Women programs had NPLs of 1.9 percent, vs. 3.8 percent for the total SME portfolio.

DIFFERENCE IN NPL



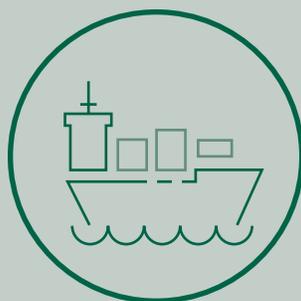
The ROI analysis in this study is in many ways a starting point, and there is room to learn more. The more that banks explicitly track the performance of women NFS participants vs. their overall WSME portfolio - the more data gathered - the stronger the case will be.

Banks are beginning to realize that NFS are an essential component of any effective WSME proposition: this study, based on a global survey of 34 banks that serve SMEs, found that NFS have become mainstream and more diversified as banks increasingly see the value in offering them.



100 percent

of surveyed banks offer SMEs both information and networking opportunities.



88 percent

provide access to new markets.



94 percent

outsource some or all of their NFS. They do so through a diverse range of partners, from training institutions to NGOs to fintechs.

As the cost of technology drops and number of service providers increases, some banks have begun to include business management technology as a core NFS offering as well. This study identifies four best practices in design and execution of WSME-focused NFS, which banks looking to capitalize on this opportunity can follow:

1. Tailor the proposition to the needs and profiles of different customer segments
2. Provide an integrated, one-stop experience for financial and non-financial services

3. Build institutional alignment to drive results
4. Integrate measurement into program design and delivery

To demonstrate the value of this approach, this study then shares examples of real world implementation through two case studies of leading banks' integrated WSME offers, providing both the "why" and the "how" for banks to take the next step in serving WSMEs.

Definitions

In this study, “**WSME**” is defined as an enterprise that is ≥ 51 percent women-owned, or women-led,¹ formally registered and has five to 300 employees. The legal form varies from sole proprietorships to partnerships to companies. It is important to note that few banks segment SMEs according to number of employees. Thus the SME and WSME models analyzed and featured in this study included enterprises defined as SME by the respective banks.

Non-financial services (NFS) are business development services offered by banks to complement their core financial offerings for SMEs. There are five main types of NFS commonly offered by banks to SMEs.



1. Information – business-related information, such as relevant updates to tax policy or market research on key sectors, delivered to SMEs via websites, publications, relationship managers and other front-line bank staff.



2. Education – business and financial education, often in the form of workshops or training delivered either in-person or digitally, designed to build the knowledge and capacity of SMEs.



3. Advice/Mentoring – direct interaction with knowledgeable sources, in-person or digitally, such as business coaches, accountants, and legal experts.



4. Networking and Markets – in-person networking events, facilitation of digital networking tools that support entrepreneurs in connecting with peers and role models, and recognition programs such as award shows that spotlight successful entrepreneurs, as well as online or in-person marketplaces, trade fairs, and exposure visits to locations where clients may wish to trade.



5. Business management technology – financial management solutions, such as cashflow management, payroll, invoicing, accounting.

1. Women-Owned Business / Women-Owned Enterprise / Women-Led Enterprise: a business or enterprise that is: (1) at least 51% by vote and value owned by a woman or women, where such woman or women direct or cause the direction of management, policy, fiscal and operational matters; or (2) at least 20% by vote and value owned by a woman or women, and: (a) has at least one woman in a senior executive role (e.g. Chief Executive Officer, Chief Operating Officer, President, Vice-President or similar senior executive management role); and (b) if it has a board of directors or other managing board or committee, at least 30% of the members of such board or committee are women; or (3) carried out, or owned and operated by, a woman (or women).

At the time of writing, the COVID-19 pandemic is sweeping across the globe, resulting in slowed economic activity and great uncertainty. Banks that support their WSME clients with a combination of tailored financial and non-financial services will not only aid economic recovery, but help protect their long-term bottom line as well. NFS that is tailored to segment needs can help banks build strong relationships with customers, differentiate themselves and build their brand as a partner for women in business. For

instance, NatWest Group in the UK has introduced webinars and digital resources to help re-engage customers and build longer term business resilience.² These are offered alongside “bounce back” loans, a UK government initiative that provides low-interest loans to businesses adversely affected by the pandemic.³ Together, the resources can help relieve the immediate financial burden of lost sales and other pandemic-related financial challenges.



Methodology

This study is supported by both secondary and primary research. Secondary research, in the form of a review of published information on the business case for serving SMEs with NFS, and specifically WSMEs, laid the groundwork for the primary research used to develop the study.

A key component of the primary research was a global survey of 34 banks that serve SMEs. The survey, conducted online, asked banks about their approach to NFS, their objectives and expected business benefits, models and types of NFS, and approach to measuring and tracking program effectiveness. The participating banks represented all seven IFC and FMO geographic regions. Their structures ranged from multi-regional groups to independent institutions.

2. NatWest Group. *Get your business moving again*. <https://coronavirus-business.natwest.com/supporting-you>, accessed August 2020
3. NatWest Group. *Helping your business through coronavirus*. <https://www.business.natwest.com/business/support-centre/ser-vice-status/coronavirus.html>, accessed August 2020

Surveyed Banks by Geographic Region, Country, and Footprint

Region	Banks	Country	Footprint
East Asia Pacific	Bank of Ayudhya PLC	Thailand	One Country
	Bred Bank	Cambodia	Multi-regional
	BTPN	Indonesia	One Country
	VPBank	Viet Nam	One Country
Europe & Central Asia	ACBA Bank	Armenia	One Country
	Hamkorbank	Uzbekistan	One Country
	TBC Bank	Georgia	One Country
Latin America & Caribbean	Banco BHD León	Dominican Republic	One Country
	Banco Nacional de Costa Rica	Costa Rica	One Country
	Banco Pichincha C.A.	Ecuador	Multi-regional
	Banregio	Mexico	One Country
	Itaú Unibanco S.A.	Brazil	Regional
	Santander	Argentina	Multi-regional
Middle East & North Africa	Al Majmoua (MFI)	Lebanon	One Country
	Bank al Etihad	Jordan	One Country
	Banque Centrale Populaire	Morocco	Multi-regional
	BLC Bank	Lebanon	One Country
	Garanti BBVA	Turkey	Multi-regional
	TEB	Turkey	Multi-regional
North America & Western Europe	BDC	Canada	One Country
	BNP Paribas	France	Multi-regional
	ING	Netherlands	Multi-regional
	NatWest Group	UK	One Country
South Asia	Bank Alfalah Limited	Pakistan	Regional
	BRAC Bank	Bangladesh	One Country
	Habib Bank Limited	Pakistan	Multi-regional
	The City Bank Limited	Bangladesh	One Country
Sub-Saharan Africa	Access Bank	Nigeria	Multi-regional
	Enat Bank	Ethiopia	One Country
	First City Monument Bank	Nigeria	One Country
	KCB Bank	Kenya	Regional
	Stanbic Bank	Uganda	Multi-regional
	Stanbic Bank Kenya Limited	Kenya	Multi-regional
	Zambia National Commercial Bank Plc	Zambia	One country



This survey built on findings from a 2012 IFC survey that formed the basis of the publication [“Why Banks in Emerging Markets are Increasingly Providing Non-Financial Services to Small and Medium Enterprises.”](#) The survey supporting this study incorporated topics asked in 2012, to identify trends in NFS and how banks offer them. While the two surveys differ in methodology, sample size, and geographic composition, this report references the 2012 findings to provide insight into the evolution of NFS for women (See Annex I for sample composition of the 2012 survey).

Primary research also included interviews with stakeholders in the SME and NFS space, including funders, bankers, and NFS implementers, and case studies on KCB Bank in Kenya and NatWest Bank in the UK.

To assess the business case for NFS, the study analyzed raw data from five leading commercial banks⁴ with integrated financial and non-financial offers targeted to WSMEs, and augmented this with publicly available information such as annual reports and previously published case studies. Analyzed data included capital expenditure, operating expenditures, data on NFS users, the average value per loan (split into micro- and SME segments where possible) and net interest margin earned by the bank, as well as information on non-performing loans.

For certain banks, specific sets of NFS participants were identified for whom specific data could be gathered, including product uptake with average loan volumes and non-performing loan ratios. This data provided an opportunity to calculate return of certain NFS types.

4. ACBA Bank in Armenia, BTPN Bank in Indonesia, Banco Santander in Argentina, KCB Bank in Kenya, VPBank in Vietnam

Part I.

**The Case for
WSMEs and NFS**

Women-led Enterprises: A Profitable Yet Untapped Market

Globally, small and medium enterprises (SMEs) generate one-fifth of banking revenue, which translates to approximately USD 850 billion.⁵ As of 2019, they comprise about 90 percent of businesses worldwide and are responsible for more than half of all employment.

In emerging economies, formal SMEs create seven out of ten jobs and contribute up to 40 percent of economic growth in terms of GDP.⁶ In OECD countries, the contribution to growth can be up to 60 percent.

WSMEs as a segment represent a great opportunity: women own 34 percent of private businesses globally,⁷ including almost six million formal SMEs in the developing world.⁸ Boston Consulting Group analysis found that, if women and men participated equally as entrepreneurs, this could boost global economic growth by USD 2.5-5 trillion.⁹ Additionally, when women cross over into male-dominated sectors, their businesses have been found to be as profitable as men's.¹⁰

The [Financial Alliance for Women](#) ("Alliance") is an international consortium of financial service providers focused on championing the [female economy](#). Their [2019 annual survey](#) of member institutions found that, for the fifth consecutive year, women outpace the market in customer, credit and deposit growth yet remain

underrepresented in all segments. In addition, banks that have had a women-focused program in place for three or more years have a higher share of women customers. Those customers are more loyal and have an average of 1.5x more products per customer.¹¹



For the past four consecutive years, the average non-performing loan (NPL) ratio for WSMEs in IFC portfolio banks has been substantially lower than for the overall SME portfolio. For example, in a 2018 sample of 157 IFC client banks globally, WSME portfolios had an average NPL of 3.0 percent vs. 4.9 percent for the total SME loan portfolio. In the same year, the subset of banks with targeted Banking on Women programs experienced even lower NPLs in their women's segment (1.9 percent for WSMEs vs. 3.8 percent for total SME loan portfolios).¹²

The [Women Entrepreneurs Opportunity Facility \(WEOF\)](#), a collaboration between IFC's [Banking on Women](#) business and Goldman Sachs 10,000 Women, had similar findings over the three-year period 2015-2017,¹³ and Alliance member institutions consistently report that WSMEs pay back their loans at greater rates than their male counterparts. In the most recent Alliance member survey, the reported share of NPLs among male SMEs was two-thirds to 1.4 times higher than that of WSMEs.¹⁴

5. McKinsey & Co., *Beyond Banking: How Banks Can Use Ecosystems to Win in the SME Market*, 2019

6. The World Bank, *Small and Medium Enterprises Finance*, 2019

7. The World Bank, *Enterprise Surveys*, 2019

8. IFC, *MSME Finance Gap Report*, 2017

9. BCG, *The Trillion Dollar Opportunity in Supporting Female Entrepreneurs*, 2019

10. The World Bank Gender Innovation Lab, *Policy Brief Issue 12*, 2015 (research conducted in Uganda and Ethiopia)

11. Financial Alliance for Women, *The Economics of Banking on Women*, 2019

12. IFC, *Banking on Women Business Case Update #2: Lower NPLs for Women-Led SMEs*, 2019

13. IFC & Goldman Sachs 10,000 Women, *Investing in Women's Business Growth, Progress Report 2019*

14. Small: Men 4.5% vs. women 2.7%. Medium: Men 3.3% vs. women 1.4%

Given this, there is ample room for banks to tap the growing WSME business banking opportunity through not only deposits but also lending: 68 percent of WSMEs in developing economies don't have adequate access to credit, representing a USD 1.5 trillion finance gap.¹⁵

Universal Constraints: Factors Restricting WSME Growth Potential

Despite the evidence pointing to their potential, women-led enterprises face certain systemic barriers to success, including:

- **Sector choice:** 70 percent of women-led enterprises are in the wholesale/retail trade and service sectors, including government, health, education and social services.¹⁶ These sectors are less capital-intensive and generally less profitable than those dominated by men, such as manufacturing, mining and IT services.
- **Gendered barriers:** Women are often time-constrained due to household responsibilities. They are also limited by social and cultural norms and [laws](#)¹⁷ that discourage economic independence. They may have less confidence in their ability to start and grow a business and are also less likely to have networks and mentors to support them on their journey.

The UK offers an example of how underlying constraints affect women entrepreneurs on multiple levels, in developed markets as well as developing economies. The [Rose Review](#), a study commissioned by the British government to analyze women's entrepreneurship in the UK, a market considered particularly favorable to women's entrepreneurship, found that women are half as likely as men to start a business. Those who do are equally as successful as male entrepreneurs at sustaining a business, but only 13 percent reach GBP 1 million in annual turnover vs. 29 percent of men.¹⁸

That study also found that women entrepreneurs are affected by a range of factors,¹⁹ including social norms, time constraints, limited access to networks and mentors and lower STEM (science, technology, engineering, mathematics) education, which correlates to business ownership in highly productive sectors.



These gaps affect women entrepreneurs around the world. They are not a reflection of WSMEs' capability or potential. They are the result of non-financial needs that, when met, can foster enterprise growth.

15. IFC, *MSME Finance Gap Report*, 2017

16. *Global Entrepreneurship Monitor 2018/2019 Women's Report*, 2019

17. *The World Bank, Women, Business and the Law*, 2020

18. *HM Treasury, The Alison Rose Review of Female Entrepreneurship*, 2019

19. *HM Treasury, The Allison Rose Review of Female Entrepreneurship*, 2019

How NFS Can Address Entrepreneurial Constraints

WSMEs' barrier-driven non-financial needs center around business and financial knowledge, self-confidence in entrepreneurial skill, and networks. Well-designed NFS can meet these needs and enable WSMEs to flourish.

Barriers to WSMEs growth:

More likely to choose non-capital-intensive sectors, like trade, education social services



Less likely to seek external finance to grow their business



Less confident in their capability to start or succeed in business



Less likely to have a mentor or role model



Network-constrained, with smaller, less diverse networks



Influenced by social and cultural norms which can result in lower financial and digital literacy and other normative constraints



Time-constrained, balancing household responsibilities with those of her business



Opportunities to address through NFS:

Education about opportunities and paths to entry in highly profitable sectors

Education on how to prepare for and estimate financing needs

Education on how to develop soft skills, such as leadership and negotiation

Information about starting or managing her business, or trying a new financial product

Networking opportunities where she can learn and share experiences

Mentors such as other women in business who share advice and guidance

Visible role models, such as those highlighted in awards programs/communications

Networking opportunities that introduce her to potential buyers, suppliers, mentors and innovation

Education to improve financial and digital literacy such as checklists, tools and templates in addition to in-person support

One-stop banking experience that removes the burden of “shopping around” for answers or services

Digital, self-service solutions that allow her to learn or transact flexibly

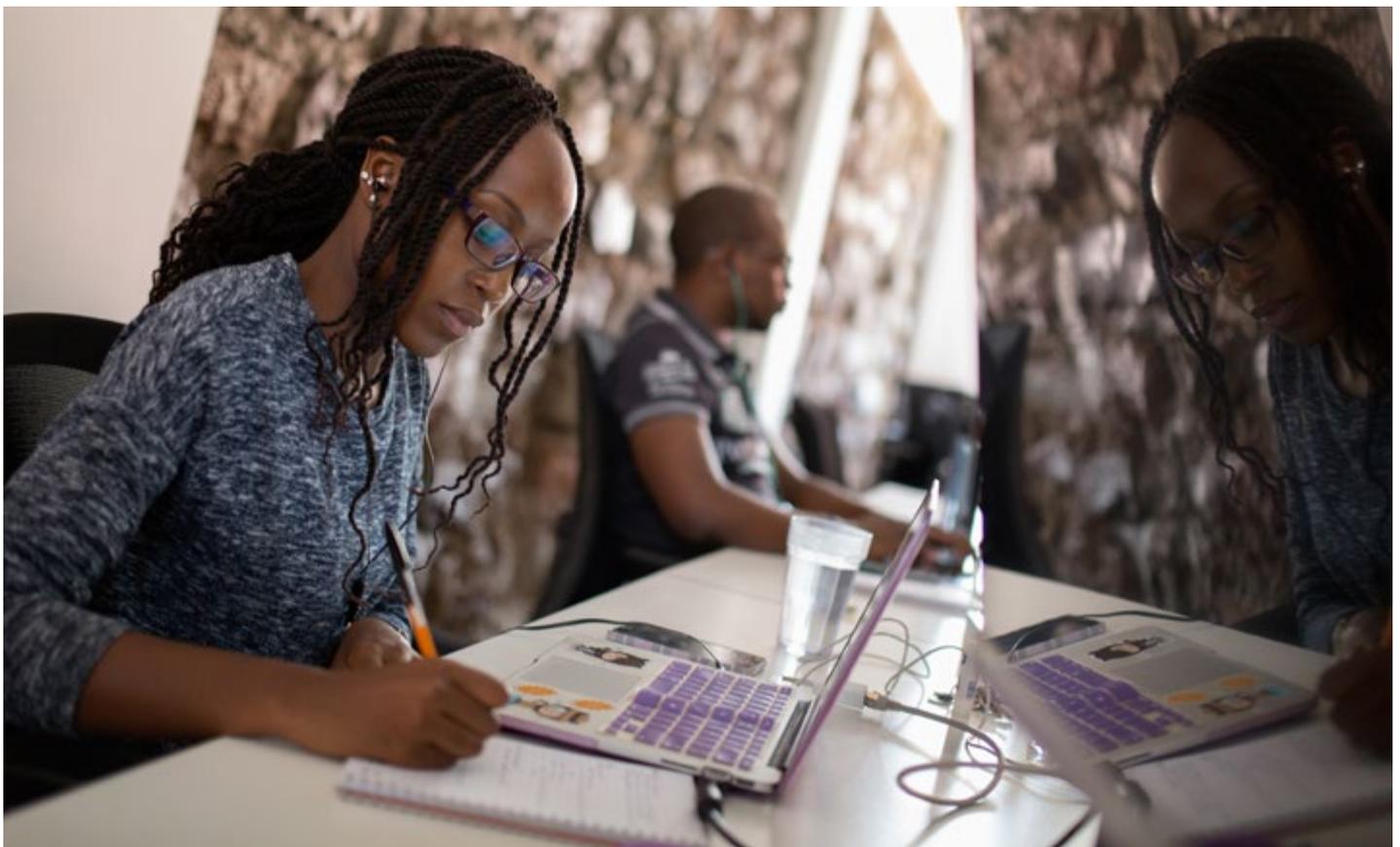
In Part II, this study provides guidance on how banks can successfully implement these NFS solutions for women and generate returns on their investment in women clients.

The Undeniable ROI: Integrating NFS for WSMEs Yields Positive Returns

Financial offers integrated with NFS programs that address client needs can generate positive returns in one to two years.²⁰

A simple example of this would be a credit offering designed around the needs and constraints of women borrowers, offered alongside education on how to access financing, manage cash flow, and strengthen negotiation skills. The benefits from increased loan volume alone can often achieve a positive ROI for the bank, even with resulting loan uptake among participants in the single digits. Returns can be further enhanced substantially through increased share of wallet, increased loyalty, and decreased non-performing loans (NPL). Each of these components has been individually found to cover costs for NFS participants.

The business case is driven not only by existing but also new clients, which is an indicator of increased brand awareness and differentiation in connection with NFS.



²⁰ Based on analysis of the SME models of five banks: ACBA Bank, BTPN Bank in Indonesia, Banco Santander in Argentina, KCB Bank in Kenya and VPBank in Vietnam, plus Women's World Banking, *Global Best Practices in Banking Women-led SMEs*, 2014.



Four Drivers of the Business Case for Women-Focused NFS

1. Increased Interest Income from Loans

Increased interest revenue from loans to new and existing clients is often the biggest contributor to ROI, particularly in the first one to two years.

Analysis found that income from increased loan revenue can more than cover the cost of associated NFS for both an overall SME portfolio and WSME segment specifically. WSMEs that have participated in NFS have been found to drive loan portfolio growth in multiple analyzed

banks.²¹ This can occur through increases in the number of WSME borrowers and increased average loan size and/or overall loan portfolio value of WSMEs vs. overall SMEs. For example, average loan size of WSME NFS participants has been measured at up to 18 percent greater than that of male SME NFS participants within the same portfolio.²² In addition, the number of BLC Bank Lebanon’s WSME borrowers grew by 82 percent, vs. 46 percent for total SME borrowers in the three years following the launch of its women-focused WE Initiative. During the same period their WSME outstanding loan portfolio increased by 121 percent vs. 71 percent for the overall SME portfolio.²³ From 2014-2016, Banco BHD Leon in the Dominican Republic’s WSME loan portfolio grew 26 percent vs. 19 percent overall loan portfolio growth after the launch of its Mujer Mujer women’s market mode, which integrates tailored non-financial and financial services into one proposition.²⁴

Increased interest income from loans

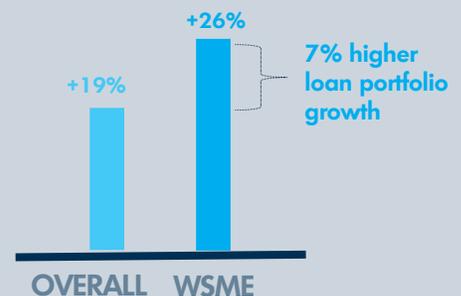
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From 2014-2016, Banco BHD Leon in the Dominican Republic’s WSME loan portfolio grew 26 percent, vs. 19 percent SME loan portfolio growth after the launch of Mujer Mujer, its women’s market model.

LOAN PORTFOLIO GROWTH



For an overview of indicative costs per participant and required conversion rates on loans to achieve break-even, please see Annex III.

21. ACBA Bank, KCB, VPBank Analysis

22. ACBA Bank, KCB, VPBank Analysis

23. IFC, BLC Bank – Lebanon: Leading in Banking on Women – A Study, 2016

24. Financial Alliance for Women, Banco BHD Leon: Gender Intelligent Business Model Propels Strong Women’s Market Growth, 2017

2. Increased Share of Wallet from Cross Sell, Deposit Volume, and Fee Income

NFS can contribute in multiple ways to increasing the bank's share of wallet per customer, in part because it is a client engagement tool. Client engagement can be difficult for banks to maintain, as customers tend to reach out only when they need something specific. While some banks have protocols in place for relationship managers to actively engage them, that may only reach a small slice of a given segment. To take full

advantage of the engagement potential of NFS, banks must ensure their full product suite, as well as communication and delivery, is tailored to its target segment(s). This in turn will open the gates for SMEs—and WSMEs in particular—to access the full financial and non-financial benefits offered.

Cross-sell: Business clients who participate in NFS have been shown to have more than one additional product per customer on average vs. the overall SME segment within a bank.²⁵ WSME NFS participants have been found to have up to two additional products on average vs. the broader portfolio.²⁶

Increased share of wallet from cross-sell

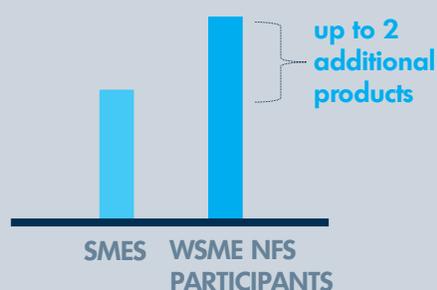
Sex-disaggregated measure:

- Average number of products per customer



WSME NFS participants have up to two additional products on average vs. total SME portfolio.

PRODUCTS PER CUSTOMER



Deposit volume: SMEs that have participated in NFS have been found to hold higher average deposits vs. the total SME segment. NFS participants comprise less than one percent of KCB's MSME portfolio, yet held 10 percent of segment deposits in 2019. WSMEs that have participated in NFS have been found to outperform their male counterparts on deposit growth in multiple banks. From 2012-

2015, WSME deposit growth outpaced total SME deposit growth by 45 percent at BLC Bank, after the launch of their aforementioned WE Initiative. Banco BHD Leon has experienced similar results. Moreover, in the case of KCB, WSME NFS participants had 14 percent higher average deposits than their male SME NFS participants in 2019.²⁷

Increased share of wallet from deposit volume

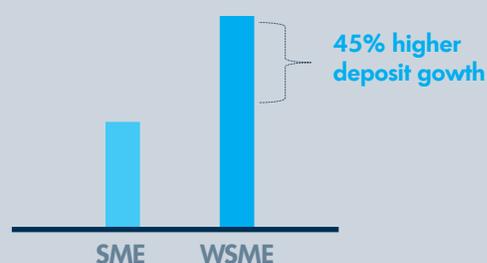
Sex-disaggregated measures:

- Average deposits per customer



From 2012-2015, BLC Bank Lebanon's WSME deposit growth outpaced total SME deposit growth by 45%, after the launch of their women-focused WE Initiative.

DEPOSIT GROWTH



25. Analysis of ACBA Bank's portfolio found that its NFS users averaged four products per customer, vs. less than three for the overall SME portfolio. Additional supports: OTP Bank Hungary, Sperbank Russia, TBC Bank Georgia, as presented at EFMA conference, 2019.

26. Banco Santander Argentina and ACBA Bank analysis, plus Financial Alliance for Women, The Economics of Banking on Women, 2019

27. KCB's WSME Biashara Club members had 14 percent higher average deposits than male Club members. Additional support: IFC, BLC Bank - Lebanon: Leading in Banking on Women - A Study, 2016, and Financial Alliance for Women, Banco BHD Leon: Gender Intelligent Business Model Propels Strong Women's Market Growth, 2017.

Fee income, including fees charged for NFS participation: As share of wallet increases, fee income often follows as customers take more products and transact more frequently, in potentially higher amounts.²⁸ TBC Bank in Georgia improved its fee income-based profitability by 74 percent across its MSME portfolio after shifting to a subscription model that bundles business banking accounts with cards, business education, networking events,

marketing support and a service marketplace for MSMEs. Banks that opt to charge for NFS can also realize additional revenue from this source.²⁹

Sex-disaggregated data for fee income as an ROI driver is not yet available; this will hopefully change as banks begin to more systematically track ROI drivers.

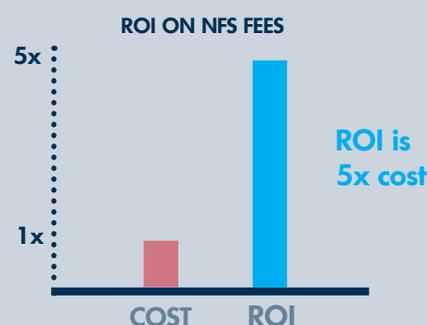
Increased share of wallet from fee income

Sex-disaggregated measures:

- Total fee volume from NFS participants vs. non-participants
- NFS fees



The ROI on annual membership fees for KCB's Biashara (Business) Club is 5x NFS cost.



3. Increased Loyalty

NFS participants, WSMEs in particular, have been shown to be more loyal.³⁰ Several surveyed banks volunteered that they attribute increased Net Promoter Scores (NPS) to their NFS efforts targeted to WSMEs.

KCB, for example, saw their NPS move from -2 to +43 within three years. They attribute the improvement to their integrated financial

and NFS offer for WSMEs.

NPS is an indicator of customer advocacy that can help gauge both brand perception and loyalty, which translates to increased customer lifetime value and lower churn of existing clients.

NFS clients are also more likely to remain active, and the likelihood is greater among WSMEs who participate in NFS.³¹

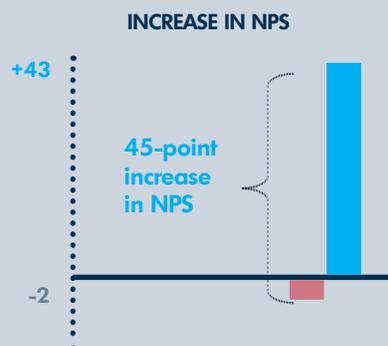
Increased loyalty

Sex-disaggregated measures:

- Net Promoter Score (NPS)
- Client retention rate
- Share of inactive accounts



KCB Bank in Kenya's NPS went from -2 to +43 over three years, after the introduction of its WSME proposition.



28. OTP Bank Hungary, Sperbank Russia and TBC Bank Georgia, as presented at EFMA conference, 2019

29. KCB analysis, plus Sperbank Russia and TBC Bank Georgia, as presented at EFMA conference, 2019

30. ACBA Bank analysis, KCB analysis, plus Women's World Banking, Global Best Practices in Banking Women-led SMEs, 2014; IFC, Garanti Bank Romania: Striving to Lead - A Study on Women in Banking, 2016

31. KCB and ACBA Bank analysis; Women's World Banking, Global Best Practices in Banking Women-led SMEs, 2014



4. Reduced Portfolio Risk

NFS participation is also correlated with lower non-performing loans (NPL), probably due in part to a combination of deeper engagement with the bank and the benefits of capacity building.

WSMEs who participate in NFS can be particular drivers of improved NPL.³² As mentioned earlier, IFC Banking on Women clients have consistently lower NPLs than their male counterparts. WSMEs receiving KCB's cash-flow based appraisal credit methodology under its WSME-focused proposition generated 0 percent NPLs, vs. 12 percent for the overall SME portfolio.

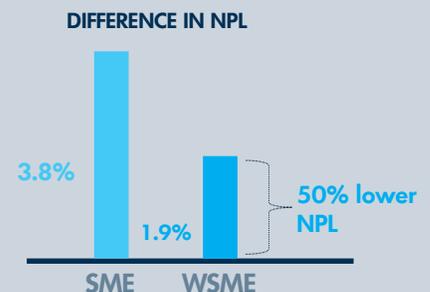
Reduced portfolio risk

Sex-disaggregated measure:

- NPL



In 2018, WSMEs in IFC client banks with targeted Banking on Women programs had NPLs of 1.9 percent, vs. 3.8 percent for the total SME portfolio.



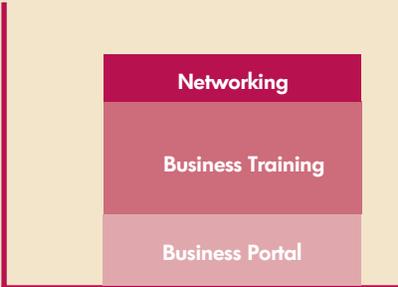
32. KCB and VPBank analysis; Women's World Banking, *Global Best Practices in Banking Women-led SMEs*, 2014

Example:

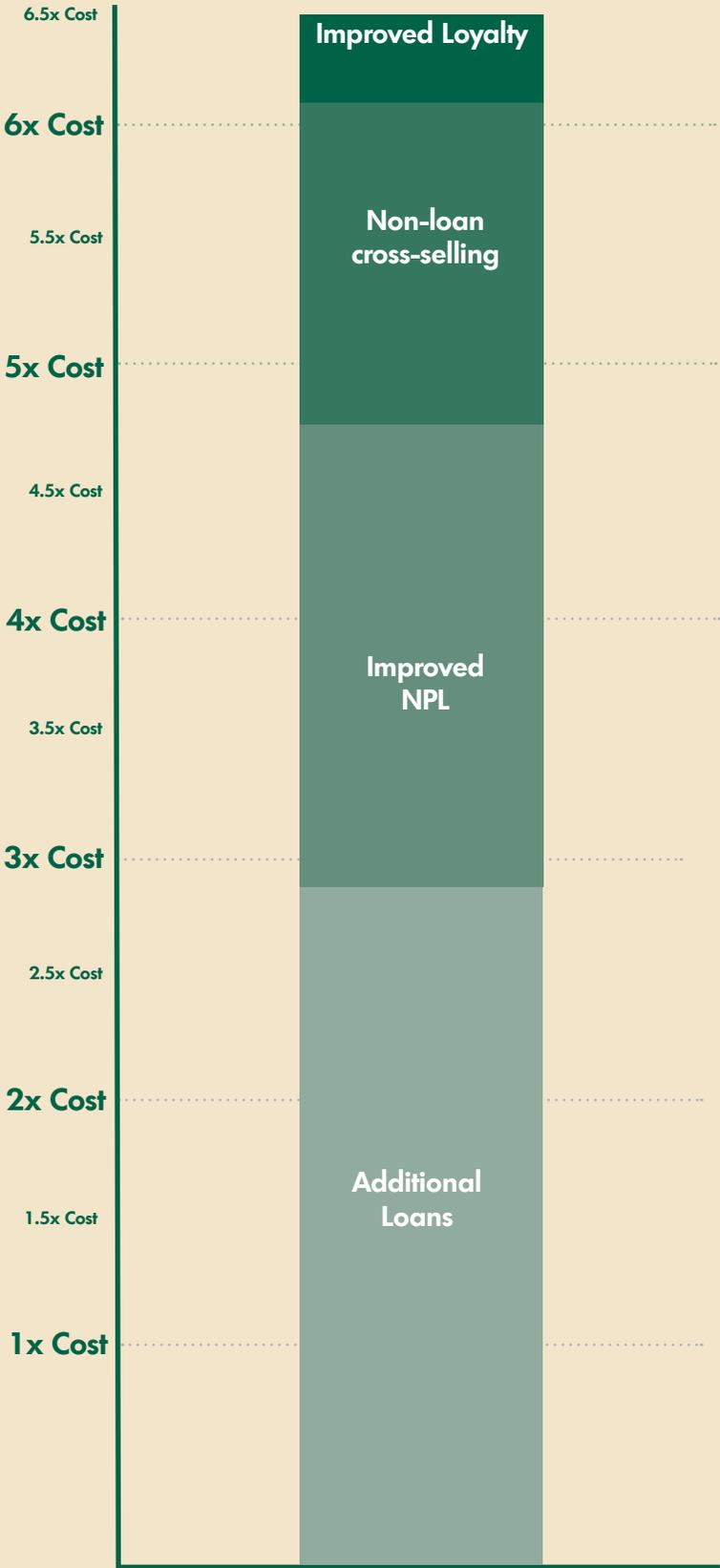
ACBA Bank

ROI of 6.5x costs on three core NFS components 2016-2018

ACBA Bank in Armenia’s comprehensive NFS program —with business training, networking and a business portal that contains articles, instructional videos, and tools such as a profitability calculator— offers an example of how NFS can generate positive ROI. During the analyzed period (2016-2018), the three core components achieved annual cost coverage of more than 6.5x, with additional upside from reduced NPL among NFS clients and 16 percent higher annual client growth vs. retail banking.



NFS Costs



NFS-Attributed Revenue

For **business training**, ACBA Bank's costliest NFS element, benefits from increased loan revenue and improved loyalty are each significant enough to achieve breakeven. Cost per participant is covered 2.5x in one year when compared to baseline revenue generated by non-NFS participants.



Loan conversion: Four percent of SME participants, or eight percent of WSME participants, given their lower average loan size at the bank, would need to take a three-year loan for the program to break even at current average loan size. Actual conversion rates are about twice as high.



Improved loan cross-sell: In addition to taking out loans shortly after participating in business training, participants were more likely to take additional loans in the years following the training. In 2018 and 2019, eight percent of new SME loans were generated by previous business training participants.



Number of products per customer: NFS users averaged four products per customer vs. less than three for the overall SME portfolio.



Improved loyalty: NFS participants were 17 percent more likely to remain active over three years. This alone covers the cost of business training.³³



Reduced portfolio risk: Loans taken out by ACBA Bank's NFS participants since 2015 showed zero NPL, compared to five percent NPL for the bank overall.

Reaping returns from NFS for women: ACBA Bank launched a Women in Business initiative in 2018 that integrates non-financial services with financial offers tailored to WSMEs. Analysis of 2019 WSME participants found noticeable changes in performance vs. previous year:



Loan conversion: the difference in likelihood between WSME and male-led SME NFS participants to take a loan declined from low double-digits to less than two percent.

Loan size: Average loan size among 2019 WSME NFS participants as a proportion of average loan size of male SMEs more than tripled.

Return on investment: The Women in Business program is on track to break even in less than one year as a result of increased interest income from loans taken by 2019 Women in Business participants.

33. Retaining the additional 17% of clients at average after-risk cost net interest income and fee & commission income of an ACBA Bank SME client for year 3 and 4 after the training as observed covers the cost per participant.

The breakeven timeframe for NFS depends on the level of cost inputs and types of benefits expected.

Networking and training sessions, for example, can yield interest income via increased loan revenue within months, while loyalty and risk benefits may take longer to appear in key performance indicators (KPIs).

NatWest has found that NFS investments in its Women in Business initiative take six months to two years to pay back, for several reasons.³⁴ As the client base grows, portfolio growth and new account openings need time to come to fruition. Loan uptake is linked to WSME business needs and occasions that trigger them, which may not fully align with the timing of NFS participation. Additionally, the bank may have a learning curve as offers roll out, and the market may take time to become aware of a new program.

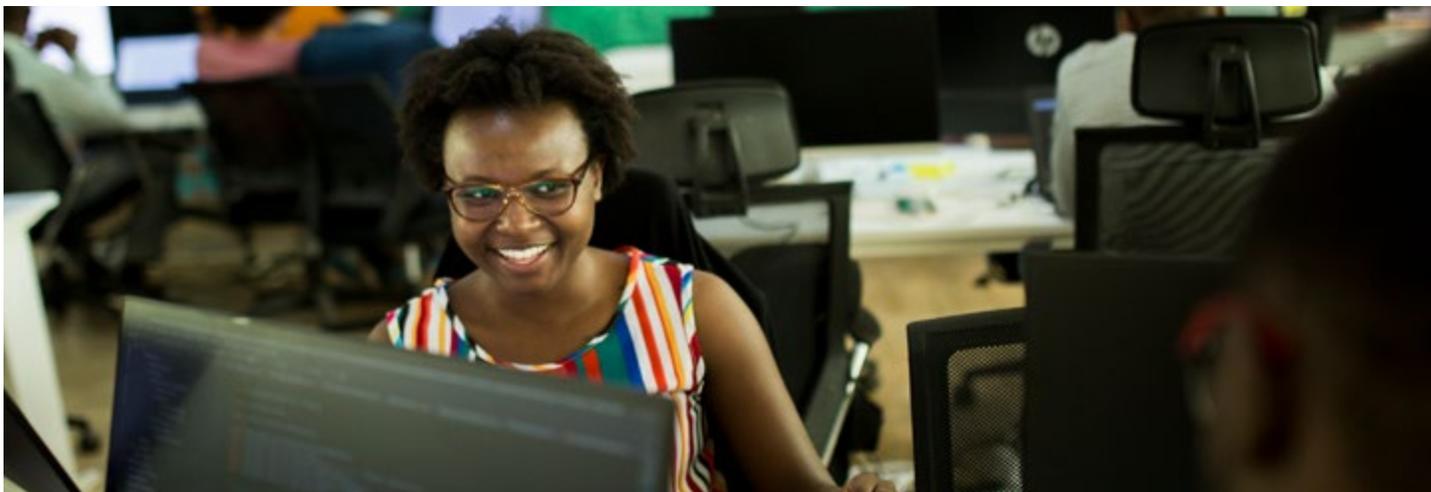
The following section outlines key design features of successful women-focused NFS programs that were examined for this study.



³⁴ Yvonne Greeves, Director of Women in Business, NatWest Group, Interview, 2020

Part II

**Design for Success:
Developing a
profitable NFS
proposition for
women**

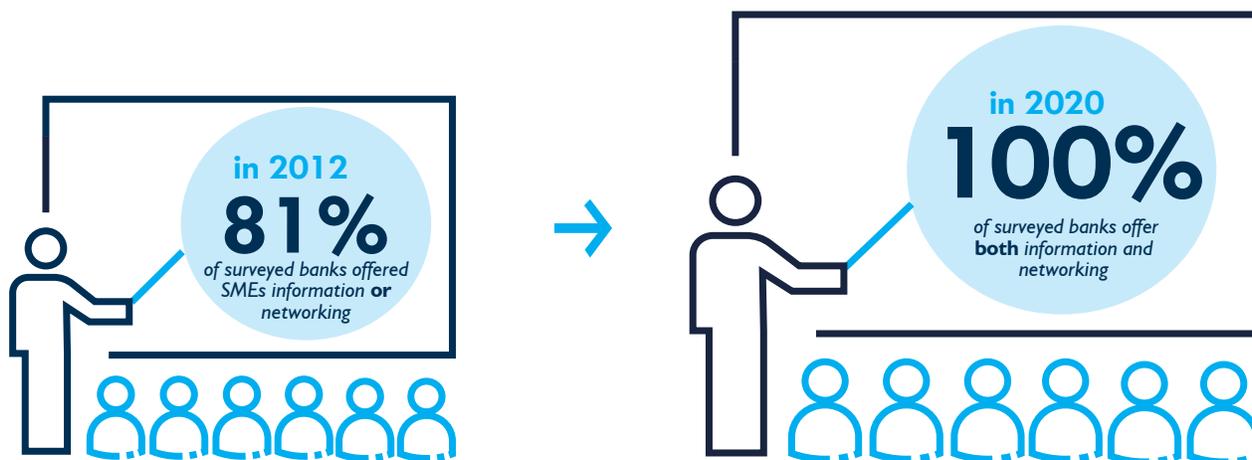


Developing a Profitable NFS Proposition for Women

As demonstrated throughout this study, beyond the potential of a more engaged and profitable SME clientele overall, there is an untapped opportunity in the WSME market that SME bankers can unlock by integrating tailored NFS offers into their WSME banking propositions.

When designing NFS offers, it is important to be clear about the value they are expected to deliver to the bank's bottom line. Among the banks surveyed for this study, 100 percent cited client growth through branding and differentiation as an expected outcome of their NFS initiative, 74 percent cited increased revenue, 50 percent cited improved customer retention and loyalty, and 50 percent cited reduced portfolio risk. These align with the revenue drivers identified in this study.

Good design is a differentiator, as NFS for SMEs have become mainstream: 100 percent of surveyed banks offer SMEs both information and networking. This is an increase from 81 percent of banks who offered one or the other, but not both, in the IFC's 2012 survey. Additionally, 94 percent of banks outsource some or all of their NFS, up from 79 percent.



Common NFS Offers and How Banks Deliver Them



Information provides business-related knowledge through a variety of means

100 percent offer information



Delivery mechanisms:

- 79 percent: front-line staff
- 62 percent: online blogs, articles and links to information and resources
- 38 percent: periodic newsletters or other printed publications



Education builds knowledge and capacity

97 percent offer at least one type of training and 79 percent offer two or more types of training



Delivery mechanisms:

- 68 percent: single-session classes on topics such as leadership or operations
- 62 percent: multi-session, in-person programs to build business skill capacity
- 38 percent: sector-specific training sessions such as hospitality or education
- 35 percent: training through online video
- 21 percent: blended learning programs with in-person and online sessions



Networking and Markets connects entrepreneurs to buyers, suppliers, mentors and innovation

Almost every surveyed bank offers general networking events



Delivery mechanisms:

- 65 percent: networking events tailored to women business clients
- 24 percent: award or recognition programs to showcase successful women in business
- 88 percent: access to markets through trade fairs (67 percent) and exposure visits to markets in which their customers would like to do business (39 percent)



Business Management Technology drives operational efficiency and productivity

44 percent either offer, are piloting or actively planning digital solutions for accounting/bookkeeping, invoicing, payroll, cash flow, tax management and other activities



Delivery mechanisms:

- 29 percent: online tools such as business plan or cash flow planning tools
- 18 percent are outsourcing to fintechs
- While most are offering solutions through partnerships, some established providers have opted to build their own platforms



This study identified four best practices banks should adopt when designing or optimizing a revenue-generating NFS strategy for WSMEs:

1. Tailor the proposition to the needs and profiles of different segments.³⁵ SME needs differ by segment, and WSMEs have additional unique needs that can be met through tailored offers. Programs designed without women’s constraints in mind risk reducing their effectiveness and cost efficiency.³⁶
2. Provide an integrated, one-stop financial and non-financial experience. The less shopping around for business tools and training that WSMEs have to do, the happier they’ll be, which can translate to deeper engagement and loyalty.
3. Build institutional alignment to drive results. Centralize NFS program development and coordination within the business banking team and support them with senior-level champions who consistently communicate the importance of the program both internally and externally. Mobilize front-line staff to

promote and drive NFS offers to firmly secure the proposition within the bank’s operations.

4. Integrate measurement into program design and delivery. Programs that can show positive impact on KPIs are more easily justified to senior management. KCB and NatWest’s experience show that data is what has allowed them to not only continue their programs but expand them. Consider adapting IT to automated reporting, which facilitates continuous tracking and performance analysis for effective decision-making and program optimization.

In some markets, depending on market practice and culture, banks have opted to charge fees for NFS as a means to enhance participant engagement. A nominal fee can act as a selection tool and support stronger participant engagement, however the decision to charge must be weighed against brand and program objectives.

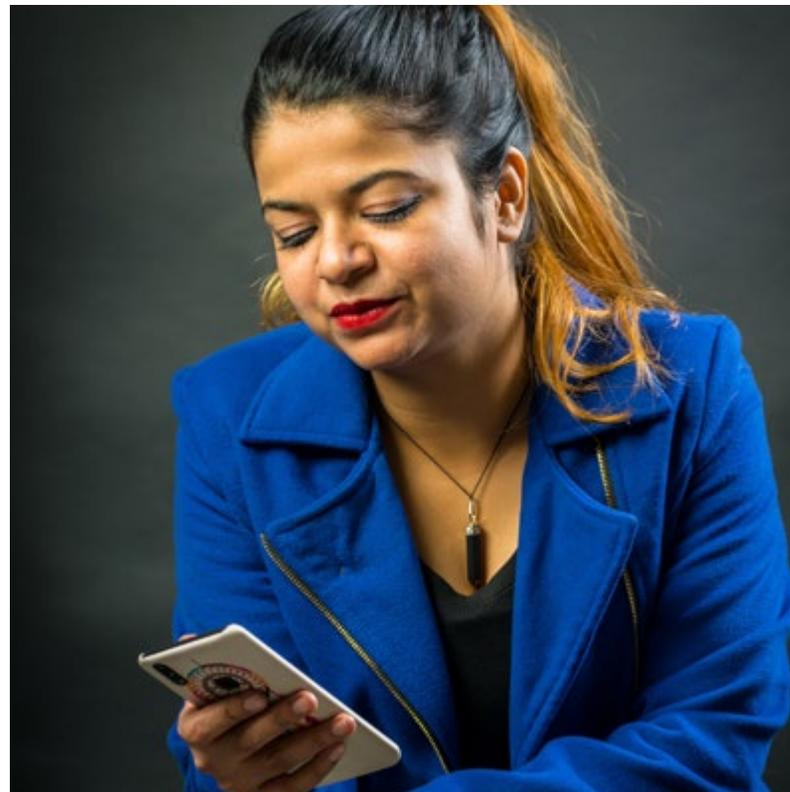
35. Analysis, plus: Argidius Foundation; interview with FUNDES; IFC, DBS Singapore Business Class Case Study, 2018

36. Buvinic, M., Furst-Nichols, R., *Promoting Women’s Economic Empowerment: What Works?*, Oxford University Press, 2014

1. Tailor the Proposition to the Needs and Profiles of Different Customer Segments

Historically, many banks have viewed their SME customers as a homogenous segment. This led them to serve all SMEs in their portfolio with a single set of financial and non-financial products, and one relationship management approach. This is changing: 48 percent of surveyed banks report at least two segments within their SME portfolio, not including micro customers, with customized banking models and NFS to meet the needs of each segment.

One key driver of the change is customer research: 91 percent of surveyed banks conducted research prior to designing their NFS offer, to better understand the needs and wants of their SME clients. 65 percent also track sex-disaggregated data on their SME portfolios (see box: Sub-segmentation by Sex). Such research allows banks to see differences in needs and behavior within their portfolio, and to begin to develop tailored offers accordingly.



The most common approach to SME segmentation is tiering. Tier 1 customers are a smaller group with comparatively high annual business turnover, while Tier 2 customers comprise the majority of SME clients and have lower annual turnovers. The actual range in turnover is determined by each bank and varies by market. For example, KCB Bank's Tier 1 customers have about USD 500,000 to 10 million in annual turnover while their Tier 2 have USD 50,000 to 500,000.

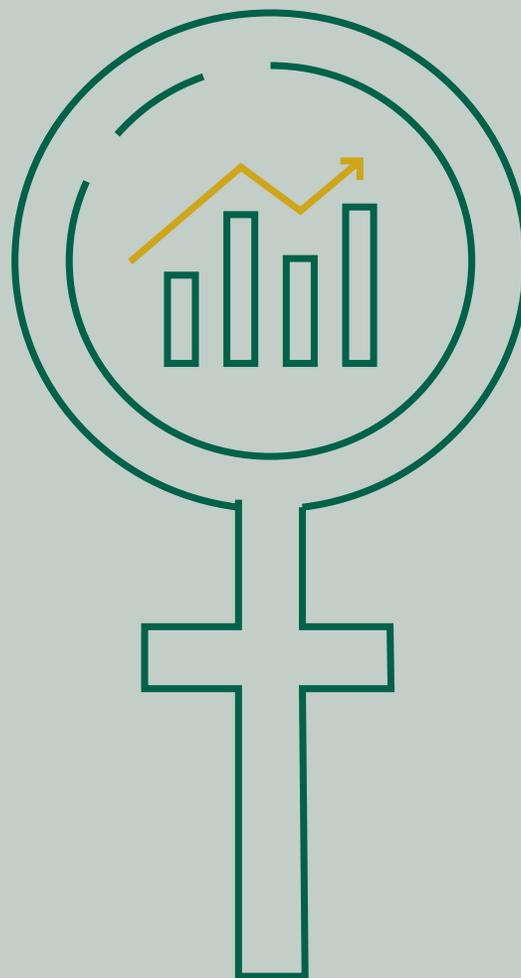
While annual business turnover is the main criterion that surveyed banks use for segmentation, the differences between the tiers extend to legal structure, business focus, staff size, organization of work, banking relationships and other key areas (see table: Common Differences Between Tier 1 and Tier 2 SMEs).

WSMEs comprise a considerably smaller percentage of Tier 1 clients (5 to 20 percent) than Tier 2 (20 to 30 percent). Analysis of sex-disaggregated data by tier, coupled with a better understanding of WSMEs, can provide banks with the tools needed to optimize their offers for WSME clients in each tier.

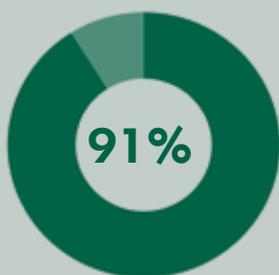
Sub-Segmentation by Sex

65 percent of surveyed banks analyze SME portfolio data on a sex-disaggregated basis. Many are using that analysis to identify women's unique needs and tailor their offers to them: 82 percent of surveyed institutions tailor some of their SME offers to women-led enterprises, up from 31 percent in 2012.

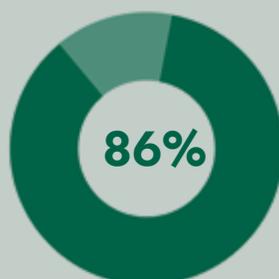
Survey findings suggest that the action of looking at the data according to sex is linked to changes in the offering: 95 percent of banks that sex-disaggregate data tailor their offer to WSMEs, vs. 58 percent of those who don't sex-disaggregate data. This suggests that banks that analyze sex-disaggregated data see gender-related differences in behavior and needs.



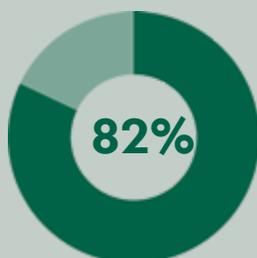
Surveyed Banks Sex-Disaggregate Data Along the Following Indicators:



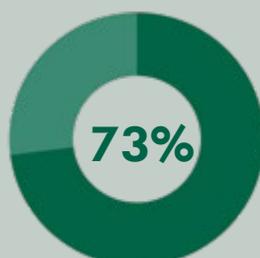
Number of SME customers



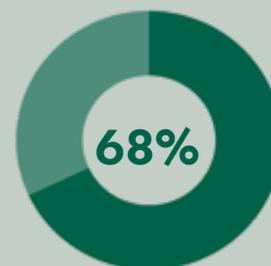
Number of SME loan customers



SME loan size



SME deposit balances



SME non-performing loans

Common Differences Between Tier 1 and Tier 2 SMEs

	Tier 1	Tier 2
Gender	Proportionately fewer women: WSMEs are typically <5-20 percent	Proportionately more women: WSMEs are typically 20-30 percent
Legal Structure	More likely to be companies	More likely to be family- owned, sole proprietorships or partnerships
Sectors	More likely to be in higher-profitability sectors like manufacturing, mining, ICT	More likely to be retail trade, services (ex: health and beauty, tourism, other services), education
Focus	One sector, may operate across multiple points in a value chain	Multiple side businesses
Business linkages	More likely to have links to local and international corporates and to purchase from and distribute to Tier 2	Unlikely to have corporate connections beyond a vendor relationship with a Tier 1 company
Organization of Work	More formal structures and processes: accountant on staff, divisions of roles for core functions such as HR, bookkeeping, sales	Higher level of informality: use outside accountant once/month, sole proprietor or partners handle core functions and learn as they go
Banking Relationships	Multi-banked with both business and personal accounts	Banked but may be using personal accounts for business
Digital vs. cash	Financial transactions shifting to digital	May have a point-of-sale machine, but majority of financial transactions are in cash , including purchases from suppliers and sales
Number of employees	20 to 300	<20
Examples	Major consumer products brand distributor Construction company with government /public sector contracts	Local retailer in a shopping mall Local salon chain, with a design business on the side Owner of a fleet of taxis or Ubers, with a shop on the side

Segmentation within an SME portfolio allows banks to tailor NFS to sub-segments, including WSMEs.

The most common types of tailored offers for WSMEs are **networking** designed to help them meet other businesswomen with whom they can connect, view as role models, and learn from; and **education** to support soft skills such as leadership and negotiation, core business skills, and how to prepare to access finance.



tailor **networking** offers



tailor **education** offers



tailor **business skills** offers



tailor **preparing to access finance** offers

Tier 1: Full-Service Relationship Banking

Tier 1 SME customers are typically served with a relationship banking model that features a dedicated relationship manager. This one-on-one model allows the relationship manager to assess the needs of each enterprise individually, and offer customers the right mix of financial and non-financial products in one integrated package.

Tier 1 Typical NFS Offerings

Tier 1 companies typically have more formal internal structures and processes, such as staff accountants, and dedicated roles for human resources, operations management, business development and other key functions. Their NFS needs may be specific to a particular area of growth, such as exporting. NFS that benefit Tier 1 businesses therefore include tailored advisory such as business coaching, mentoring, and growth-specific support in the form of information, networking, and access to markets.

Tier 1 WSME Needs

WSMEs in Tier 1 are a small minority in this elite pool. Evidence shows they are unlikely to know a diverse group of other successful businesswomen with whom they can relate. In addition to the NFS described above, which allows them to network and learn from male business leaders, this group can benefit from education and networking opportunities that allow them to meet, share experiences and learn from other women as mentors and role models.

Access Bank in Nigeria's highly sought-after Womenpreneur Pitchathon is a blended learning program tailored to Tier 1 WSMEs who are looking to grow their businesses. Blended learning, defined in detail in the next section, is a capacity-building approach that combines in-person sessions with business management technology to build skills that improve entrepreneurs' business performance. Access Bank's three-month program, designed in partnership with IFC and modeled as a mini-MBA, features a rigorous selection process: for the most recent class, 50 participants were selected from an initial pool of 36,000 applicants. The program begins with one week of in-person capacity building, followed by six weeks of independent work that combines business management technology with individualized tele-coaching from trained Access Bank staff. The final week of the program is in-person, with participants working in groups to develop and present business pitches. At the end of the program, a select number of

participants have the chance to win a grant to further develop their business. Access Bank credits the combination of rigorous selection process, value-added capacity building, and the chance to win funding as key program success factors.

Tier 2: Direct Banking

Tier 2 customers are increasingly served with a direct banking model where customers transact mainly through digital, self-service channels. Relationship management is deployed through a centralized customer service call center instead of a dedicated relationship manager.

Tier 2 SMEs must navigate a fragmented landscape of providers to find the right services to meet their financial and non-financial needs. A Tier 2 SME may work with three or more providers in addition to a bank: a microfinance institution, a lending fintech, and an outside accountant or financial management software solution are some examples.

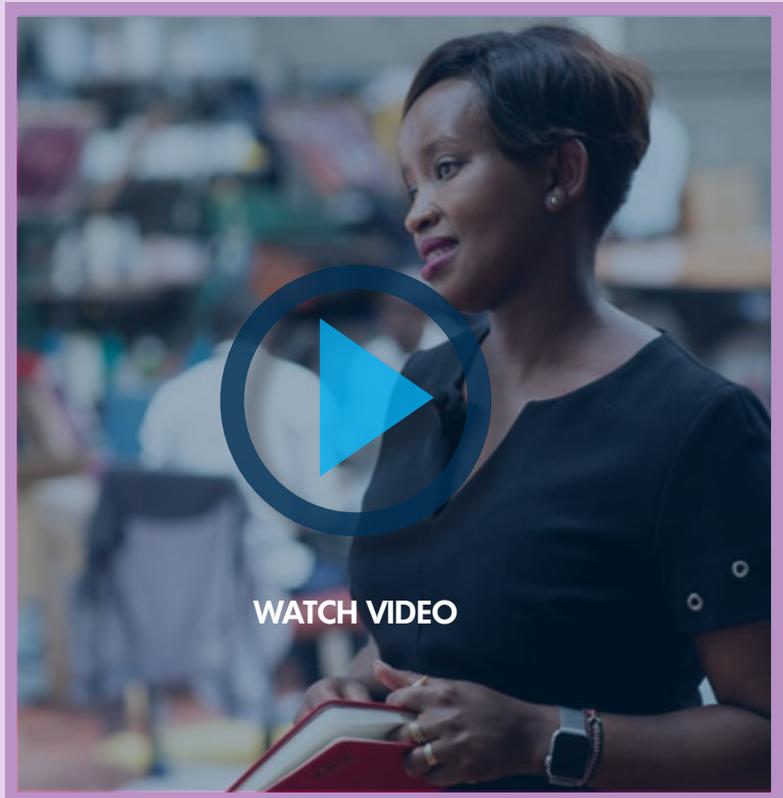
Tier 2 Typical NFS Offerings

NFS that benefit Tier 2 businesses include information and education, which can be delivered through in-person or digital means, and business financial management software that relieves administrative pain points while providing banks with additional data and insights into their business dynamics.



Little Africa is a promotional item and gift manufacturer owned by Patricia Mwangi in Nairobi.

Little Africa fills bulk orders for corporate customers such as commercial banks and local distributors of international consumer brands. Tools such as business financial management software will help streamline her operations and networking events can connect her to additional clients and leverage economies of scale.



Networking events tailored by sector or value chain and facilitation of access to markets—ranging from local trade fairs to cross-border exposure visits—can also be valuable to Tier 2 businesses, as can downloadable tools, templates and/or checklists that support business planning and other activities.

Tier 2 WSME Needs

In addition to the NFS mentioned above, Tier 2 WSMEs can benefit from education offers that focus on confidence building and development of soft skills, such as leadership and negotiation. They also benefit from access to mentors and networking offers that allow them to share experiences and learn from other women, and financial literacy support, such as information on how to prepare for a business loan application.

NFS delivery through digital channels can be effective for WSMEs if these tools do more than simply support transactions. KCB and

NatWest find that their women business banking clients value a strong relationship with their bank. Notably, NatWest finds that women business banking clients are more likely to borrow when a one-to-one relationship is in place. With this in mind, it is essential to ensure that digital channels support and encourage client engagement. This does not have to be in person: technology today supports a range of voice, video, and text experiences that can help banks connect with clients and deepen relationships.

In Lebanon, BLC Bank's Business Power Sessions offer a robust business education program designed to help women clients build their skills to start and grow a business and to build their banking knowledge. The curriculum includes business and banking fundamentals as well as networking opportunities. To accommodate mobility constraints, BLC works with partners to bring the program to women entrepreneurs in remote rural areas.³⁷

37. Financial Alliance for Women, BLC Bank: Strategic Differentiation in Women's Market Yields Significant Profits, 2015

2. Provide an Integrated, One-Stop Experience for Financial and Non-Financial Services

Entrepreneurial success is higher when businesses are part of dense, highly connected networks,³⁸ and effective peer networks support both revenue growth and job creation.³⁹

These networks are part of an essential ecosystem required for SME success, alongside capacity building and training resources, technology solutions that help businesses run more efficiently, sources of financing or investment, and other players that can support the health and growth of a business.

Given the diverse landscape of potential partners today, banks are moving towards an ecosystem approach, where they become the hub for clients to connect the most valuable services through one integrated experience. This results in value for clients and cost savings for the bank as they streamline and outsource services.

Tap into the SME Ecosystem

Open banking is a practice that puts the customer in control of her data. With open banking, the customer chooses to grant access to specific “slices” of her financial data to third-party providers (TPPs) via application programming interfaces that link to banks’ systems. This access allows the TPPs to use

customer data to develop and recommend tailored financial and non-financial products.

Common examples of open banking in practice include business cloud accounting fintechs that use a WSME’s relevant banking data to help her manage cash flow, invoicing and accounts payable in real time, or lending fintechs that offer a top-up working capital loan with fast turn-around and no paperwork, because the client provides them open access to relevant banking history. When the customer’s main bank is the “hub” of her open banking experience, it presents an additional benefit for that bank: it can potentially access the additional data streams created as a result, and then use that data to further tailor its products and services to customer needs. BBVA Group was one of the first major banks to embrace open banking. Their Open Innovation Team actively builds partnerships with fintechs to bring new products and services to both BBVA and its customers. “Consumers wish to easily access a range of customized services, seamlessly, and in real time. Against this new backdrop, BBVA’s Open Banking aims to reach other platforms where its clients are already operating,” says Carlos Lopez Moctezuma, Global Head of Open Banking.⁴⁰

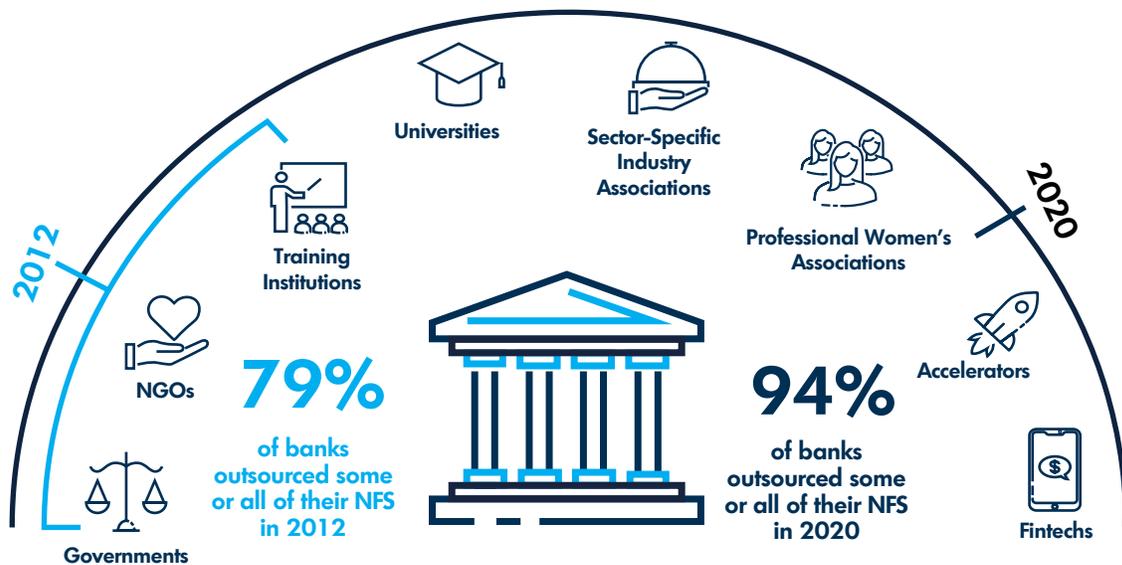
What an Ecosystem Approach Means for Women Entrepreneurs

While ecosystems are important to all SMEs, WSMEs in particular can benefit from the integration of ecosystem players. Given the disproportionate time constraints that WSMEs tend to face and the more limited resources of Tier 2 enterprises compared to Tier 1, an ecosystem approach to NFS that relieves the burden of their having to search for multiple, single use-case providers can be particularly valuable to this segment. A selection of partners that deliver value-added NFS as part of a bank’s overall offer can benefit Tier 2 WSMEs because they are less likely to be able to conveniently find a breadth of individual resources on their own.

38. Kaufmann Foundation, *Kauffman Thoughtbook 2015, 2015*

39. Argidius Foundation, *Networking Works: Peer-to-Peer Business Networks Help Small and Growing Businesses Grow Revenues and Create Jobs, 2019*

40. BBVA, *BBVA Recognized as a World Leader in Open Banking*, accessed August 2020



As banks often don't have the skills in-house that are needed to deliver effective NFS, cost efficiency and complementary capability push banks to use partnerships to deliver NFS. A diversity of partnerships both broadens access to NFS for SMEs and allows banks and clients to benefit from innovation happening outside of the banking sector. Surveyed banks are leveraging eight different types of partners: universities (59 percent), training institutions (53 percent), sector-specific industry associations (47 percent), professional women's associations (44 percent), governments (38 percent), accelerators (26 percent), non-governmental organizations (NGOs, 26 percent), and fintechs (18 percent). In the IFC's 2012 study, banks overwhelmingly worked with just three types of partners to deliver NFS: governments, NGOs, and training institutions.

Leverage Tools and Experience from Outside the Banking Sector

Banks are applying innovative business support solutions developed in non-bank sectors. These models leverage technology, are positioned for scale, and are relevant to banks looking to broaden their offerings with

value-added services, especially for WSME clients.

Business Management Technology

Banks are increasingly offering automated tools to business customers to relieve administrative pain points. While initially developed by software companies and fintechs and sold directly to business customers, banks are recognizing the value add for customers in directly linking these tools with their bank accounts. Moreover, the tools provide additional data streams to banks that can help them better understand the business dynamics within their SME portfolios and develop more tailored solutions.

First City Monument Bank (FCMB) in Nigeria partnered with SystemSpecs, a leading local payroll solution company, to develop a proprietary solution called FCMB Payroll. The service removes pain points around payroll processing and record keeping that are common to Nigerian SMEs. It also includes direct deposit options for both bank accounts and mobile wallets. FCMB Payroll provides the bank with a richer view of business transactions, which in turn allows them to offer customers faster, smoother access to credit with streamlined terms and requirements.

What Automated Tools Mean for Women Entrepreneurs

WSMEs are time constrained, and a greater proportion of them fall into Tier 2, where businesses are less likely to have full-time bookkeeping staff or formalized accounting processes. Financial management can be a significant burden, and automation can help WSMEs operate more efficiently and put them on the path to accessing finance as the tools make it easy to capture and organize cash flows, transaction activity and other relevant data. These tools can also afford WSMEs more time to focus on the core drivers of business, like generating sales.

Online Marketplace Platforms

Online marketplace platforms such as Amazon globally, Flipkart in India, Jumia in Kenya, and others are upskilling sellers on their platforms, beyond lessons on how to better use the platform's tools. The newly acquired skills are transformational to entrepreneurs in that they are portable⁴¹ – participants can apply them to other environments and even other sectors. The upskilling has potential to deepen the relationship between platforms and sellers, and position the platforms as important players in the entrepreneurial ecosystems in the markets in which they operate. The relevance of this trend is particularly high at the time of writing, as many entrepreneurs adopt or deepen their presence in e-commerce channels as a result of the COVID-19 pandemic.

For banks, a partnership with an online marketplace platform offers access to new customers, additional revenue streams, and in some cases visibility to streams of customer transaction data that can then be used for things like credit evaluation and new product development. Banks partnering with major platforms that provide upskilling could also

potentially partner on NFS by offering a holistic financial and non-financial services bundle to vendors on the platform. If the platform provides certain types of skill-building, for example, the bank could offer tailored financial literacy or networking programs bundled with its financial [offer](#).

Platforms similarly seek partnerships with banks to support their core business. A partnership that brings working capital financing and payments solutions to vendors can reduce barriers to growth for merchants and boost transaction volumes by increasing merchant productivity. It can also deepen the relationship with merchants, so they remain likely to continue selling and growing with the platform.

Flipkart, the largest online marketplace platform in India, provides training across each stage in the seller journey, from new seller onboarding to established “big sellers.” The majority of support is delivered remotely via phone calls, online training, webinars and text. Types of support include financial literacy, soft skills development, and guidance on products and pricing. Flipkart also tracks sellers' digital behaviors and proactively identifies points in the process where additional individual support is needed.

Flipkart developed “Growth Capital,” a lending program that provides access to credit for SME sellers through its network of bank partners, which include State Bank of India, Bank of Baroda and Axis Bank. Sellers receive preferential terms such as minimal documentation requirements, fast turnaround and collateral-free options. Bank partners are able to offer these terms because of the existing relationship SMEs have with Flipkart and the platform's ability to see their daily transaction data.

41. Caribou Digital, *Platform-Led Transformational Upskilling Report: How Marketplace Platforms Can Transform Emerging Markets by Investing in Skills Development*, 2020

What Marketplace Platforms Mean for Women Entrepreneurs

Women are 20 percent more likely than men to be in the trade sector.⁴² Online marketplace platforms offer a ready market—and now education—that time or mobility-constrained WSMEs can access from home. Further integration of financial services has the potential to be transformational for her ability to operate and grow her business.

Blended Learning

Blended learning is a model that combines online tools and resources with a limited number of in-person workshops at strategic points in the course to reach larger numbers of participants at a lower cost than traditional training models. The online component offers flexibility to time-starved entrepreneurs. The time between in-person sessions allows entrepreneurs to apply what they've learned before re-convening with an experienced facilitator and other entrepreneurs facing similar challenges, to share experiences and learn from each other.

Banks can benefit from partnerships with blended learning providers that focus on the adoption of positive business practices. The digital component allows topics to be tailored to enterprise needs, and the model can be deployed at scale for significantly lower cost than in-person training on a similar curriculum.

KCB Bank in Kenya (KCB) partnered with the African Management Institute (AMI), a leading provider in Africa of scalable solutions for skills and enterprise development, to deliver “Grow Your Business,” a blended learning program focused on three key curriculum areas: core (self- and people management), functional (project, finance and customer and market

management), and specialized trainings (business development, and onboarding).

Because participant selection is important to the success of capacity building programs, KCB and AMI worked with the NFS team and customer relationship managers to encourage high potential candidates to apply. After an initial self-diagnostic of their needs, each participant received a tailored experience that included modules on three business practices specific to their needs and enterprise, in addition to capacity building in the five core areas that form the basis of the curriculum. The curriculum included modules on soft skills, like leadership and negotiation, that AMI developed in response to the needs of women entrepreneurs.

In 2018, participants in the Grow Your Business program reported a more positive outlook toward KCB as a partner in their growth and development. Over 90 percent of participants also reported adoption of better business practices, improvements in management and leadership skills, and tangible performance improvements in staff. A majority reported increased revenue (75 percent) and job creation (50 percent).

What Blended Learning Means for Women Entrepreneurs

Women often juggle multiple responsibilities, and the flexibility offered by blended learning's digital components, combined with the opportunity to learn, share and ask questions in an interactive environment can meet several needs: access to supportive networks and mentor figures, access to financial literacy support, and access to time-saving business management technology.

42. *Global Entrepreneurship Monitor 2018/2019 Women's Report, 2019*



NFS in the COVID-19 Context

As time and mobility constraints have increased due to the COVID-19 pandemic, NFS implementers and banks have responded by quickly developing digital training solutions to support enterprises across markets. These solutions and approaches can help enterprises become more agile and resilient in the face of future uncertainty.

AMI rolled out all-digital offerings designed to support entrepreneurs in navigating the related economic uncertainty while meeting public health requirements for physical distancing. Their [Survive to Thrive](#) program combines a webinar with business management technology and is designed to help African businesses navigate the unexpected challenges brought about by COVID-19, like reduced revenue and cash flow, supply chain disruptions, remote staff, and shifting business strategies.

One important lesson that has emerged in the increasingly digital environment: how content is delivered is as important as the content itself. AMI and other implementers find that for capacity-building offers, tailored and effective delivery results in higher levels of engagement among clients. A successful program goes beyond basic knowledge transfer to help participants adopt positive business practices. To support this, AMI ensures strong facilitation skills on the part of class leaders while deploying a digital platform that supports interactive webinars, discussion, and networking among participants. Rigorous recruitment and ongoing training aids in continuous development of trainers' and facilitators' experience and skills.

Banks are also mobilizing support services during the COVID-19 crisis to help SMEs migrate their businesses online. TBC Bank in Georgia worked with partners to quickly launch a package that helps existing and potential SME customers easily and quickly set up an online store. The tools include an online shop-building tool, photographer services, integration of a payment system, and a delivery service. TBC charges customers a monthly fee to cover website maintenance. In addition, TBC plans to support SMEs with digital marketing webinars to help them learn to promote their products online.

3. Build Institutional Alignment to Drive Results

A majority of surveyed banks manage NFS through a team that develops programming and coordinates with front-line staff to communicate and implement the offering. More than a third of banks appoint senior-level program champions, such as C-level or business line heads, to visibly support the NFS team and help ensure cooperation throughout the organization.

In addition, most surveyed banks train staff on the value and delivery of NFS, and on how to serve women customers. This can include gender-sensitivity trainings, particularly for front-line teams who regularly interface with clients. Also important is visible program support by senior management through public discussion, communicating the program and its performance during staff meetings, and reiterating that the program is a strategic priority for the bank.

Banks also report communicating the potential benefits to staff in terms of incentives or strengthened customer relationships and tying performance objectives to NFS targets. To do so, banks must implement a consistent measurement and evaluation system driven by stated NFS objectives to accurately report on program outcomes. A more detailed discussion of NFS measurement can be found later in this study.

When designing an NFS model, the decision of whether or not to charge for access requires consideration of the market

context and bank's position, the strategic role of NFS for the bank, and availability of similar services in the market.

In some markets, customers do not expect to pay for value added services from a bank, and a well-communicated NFS program can help build a bank's brand positioning as the partner of choice for WSMEs. In such cases it may make strategic sense for a bank to offer its NFS programming free of charge, with the expectation that the model will deliver returns as described above in this section. The majority of banks in the survey—97 percent—take this approach and offer some or all of their NFS free of charge. Funding is most commonly allocated from the marketing budget.

Evidence is emerging that a nominal fee can enhance participant commitment and engagement in NFS programs.⁴³ Analysis of a substantial pool of enterprises that received business development services, independent of banks, through Argidius Foundation programs found this to be the case. The experience of KCB Bank seems to support this finding. Membership in KCB's Biashara Club, its NFS delivery arm, carries an annual fee of USD 100. In return, members receive access to a robust calendar of NFS events. The fee appears to act as a screening mechanism, as only those members with an active interest in NFS will pay. Members report that they appreciate the ability to access a range of resources through KCB, rather than having to track them down on their own. Analysis of the model found Biashara Club members bring the bank significantly more revenue on average vs. the overall business banking portfolio. While membership fees alone result in an average annual return of 5x costs at the current level of around 10,000 members, they are not needed to sustain the program (see KCB case study for more detail).

⁴³ Argidius Foundation 2018 Annual Report



4. Integrate Measurement into Program Design and Delivery

Measurement is crucial because it enables the NFS and business banking teams to define and demonstrate the business case to senior management, while revealing opportunities for improvement.

To build a sustainable NFS offer, banks must specify what they want to achieve, then determine the relevant KPIs and how to measure them.

94 percent of banks in the survey say they track at least one NFS-related KPI, and 68 percent track four or more KPIs, examples of which are discussed below. This is a significant change from the 2012 survey, in which most banks did not try to quantify the impact of NFS on bank or client profitability.

Banks are able to measure the effectiveness of their NFS offering and its impact on the bottom line using a benefit-cost framework.

A Framework for Program Measurement

As mentioned previously, surveyed banks expect client growth through branding and differentiation (100 percent of banks), increased revenue (74 percent of banks), improved customer retention and loyalty (50 percent of banks), and lower portfolio risk (50 percent of banks).

NFS Benefits

Sample KPIs (sex-disaggregated)



Improved client growth

Sample KPIs:

- Brand awareness and perception scores
- Number of clients acquired through NFS events or digital platform
- Change in client acquisition vs. pre-NFS baseline and/or rest of the bank



Increased interest and non-interest income

Sample KPIs:

- number of products per customer
- deposit account turnover or average balance
- changes to loan revenue
- average loan ticket size
- interest income through increased lending
- non-interest income
- net banking income (NBI)



Improved customer retention and loyalty

Sample KPIs:

- client retention rate
- cross-sell ratio
- churn rate
- share of inactive accounts
- number of products per customer
- customer satisfaction scores and Net Promoter Score (NPS)
- Lower portfolio risk



Lower Portfolio Risk

Sample KPIs

- Non-performing loans (NPL)

Program Costs

Capital Expenditures

Operating Expenditures

Costs

Costs can be capital expenditures (CapEx) or operating expenditures (OpEx). NFS programs generally require a mix of the two and the split depends on the types of offers in the program.

Offers that mainly require CapEx include proprietary digital tools, such as those developed in-house or with a partner, as well as development and execution of staff trainings on gender and integration of NFS into the sales model.

Offers that mainly require OpEx include networking events, on-going trainings, and digital tools offered to the bank as white label products, such as automated financial management solutions. Digital platforms designed to keep users engaged with regularly updated content will have a mix of CapEx, for platform development or user acquisition, and OpEx, for on-going execution and maintenance.

Partnerships with third parties that have aligned interest such as government, NGOs dedicated to (female) entrepreneurship, academia, and professional services firms such as accounting, law, or coaching firms can help reduce the cost for a bank while contributing valuable expertise.

Mitigating Measurement Challenges

While most business banking teams can track overall customer acquisition, retention, revenue, and portfolio risk, linking those KPIs to NFS may not be straightforward.



A main challenge lies in whether the bank's systems are able to identify NFS participants and split out their performance vs. that of the overall WSME portfolio. Among the banks analyzed and surveyed in connection with this study, most were able to track NFS KPIs around the benefits of branding and awareness and increased revenue. Fewer were able to track NPLs and client retention/loyalty in connection with NFS.

In some banks, customer data may sit in multiple places. For example, there might be one database for credit, and another for savings and other products. A Customer Relationship Management (CRM) system can link disparate customer data and organize it into a 360-degree view for relationship managers, but that can require substantial investment.

Sex-disaggregation of data can also be a challenge if there is no process in place for capturing the sex of SME account holders. This is because SMEs may have multiple signatories, or be registered under the business name vs. that of the owner(s).

Surveyed Banks' Solutions to These Challenges Included One or More of the Following Steps:

1. Identify the two to three KPIs that will best be able to show whether the NFS program is meeting business objectives and focus on tracking those, even if it needs to be manual.

BLC Bank in Lebanon, which launched its women-focused NFS program WE Initiative in 2012, sets targets around NFS execution (number of events) and engagement (event evaluation ratings, number of award applications, number of website views). The bank also has business targets that include loans disbursed to women, number of new women clients, and women's deposit balances. The bank tracks both sets of KPIs and is comfortable correlating robust NFS efforts with performance against its financial KPIs.⁴⁴

2. Implement a process for capturing the sex of SMEs. Once a bank determines how to define WSMEs, the criteria can be incorporated into all account-opening conversations and forms for capture. For example, a bank may define woman-led SMEs as enterprises that are more than 50 percent woman-owned, or at least 20 percent woman-owned with at least one woman in a C-level or Director position. The important thing is that the definition is practical and can be realistically captured by account opening staff and the bank's IT system.

3. Determine what level is realistic to track based on capacity and existing IT infrastructure. For example, if tracking performance at the individual customer level is not possible, consider the tradeoffs of tracking at the segment level (e.g. aggregate SME and WSME results) among NFS participants vs. non-participants. NFS programs with wide reach should materially impact performance at the segment or business unit level. If possible and relevant, make investments in improving the system to facilitate tracking.
4. Establish a baseline from which to measure outcomes. Setting a clear starting point for all KPIs helps teams track progress and understand fluctuations based on season, programming, and other factors.
5. Implement on-going performance monitoring for front-line staff. When Banco BHD Leon in the Dominican Republic rolled out its Mujer Mujer women-focused NFS initiative, it re-worked the bank's sales approach to better align with women's preferences. The new approach moved away from a "product push" approach, and instead encouraged front-line staff to listen to customers and provide advice on specific solutions that would best fit their needs.⁴⁵ This approach required both focused internal communications and training for front-line staff. To ensure staff embraced the new approach, the bank introduced cross-sell incentives that encourage salespeople to promote segment-specific products that best fit the needs of women business banking clients, and measured their uptake.

⁴⁴. Financial Alliance for Women, *BLC Bank Lebanon Case Study, 2016*

⁴⁵. Financial Alliance for Women, *BHD Leon Case Study, 2018*

Conclusion

This study demonstrates that an integrated financial and non-financial offer can unlock WSME segment growth for banks. Banks evaluating this opportunity should take into account three considerations.

First, developing an effective NFS offer for WSMEs takes effort, potentially multiple iterations and regular program optimization in order for the components to start working together seamlessly and deliver returns. For such offers to work, an institution cannot simply pluck a model from the market and insert it into its operations. It must design with the unique and specific needs of its institutional model, context, and clients in mind. The two case studies that follow provide a lens into each of the featured bank's journeys.

Second, this study documented the current state of NFS and how it can successfully be leveraged to foster enterprise growth for WSMEs and drive returns for the institutions that serve them. It is also true that conditions evolve. Banks that go down this path must commit to staying abreast of market, technological, and social changes and have the agility to evolve along with the market and their clients.

Third, NFS provides an opportunity for banks to deepen their relationships with customers, differentiate themselves and build their brand as a full-service partner for women in business, both in strong economies and times of crisis. The outcome of this is measurable: banks that serve WSMEs with an integrated financial and non-financial services approach realize benefits in the form

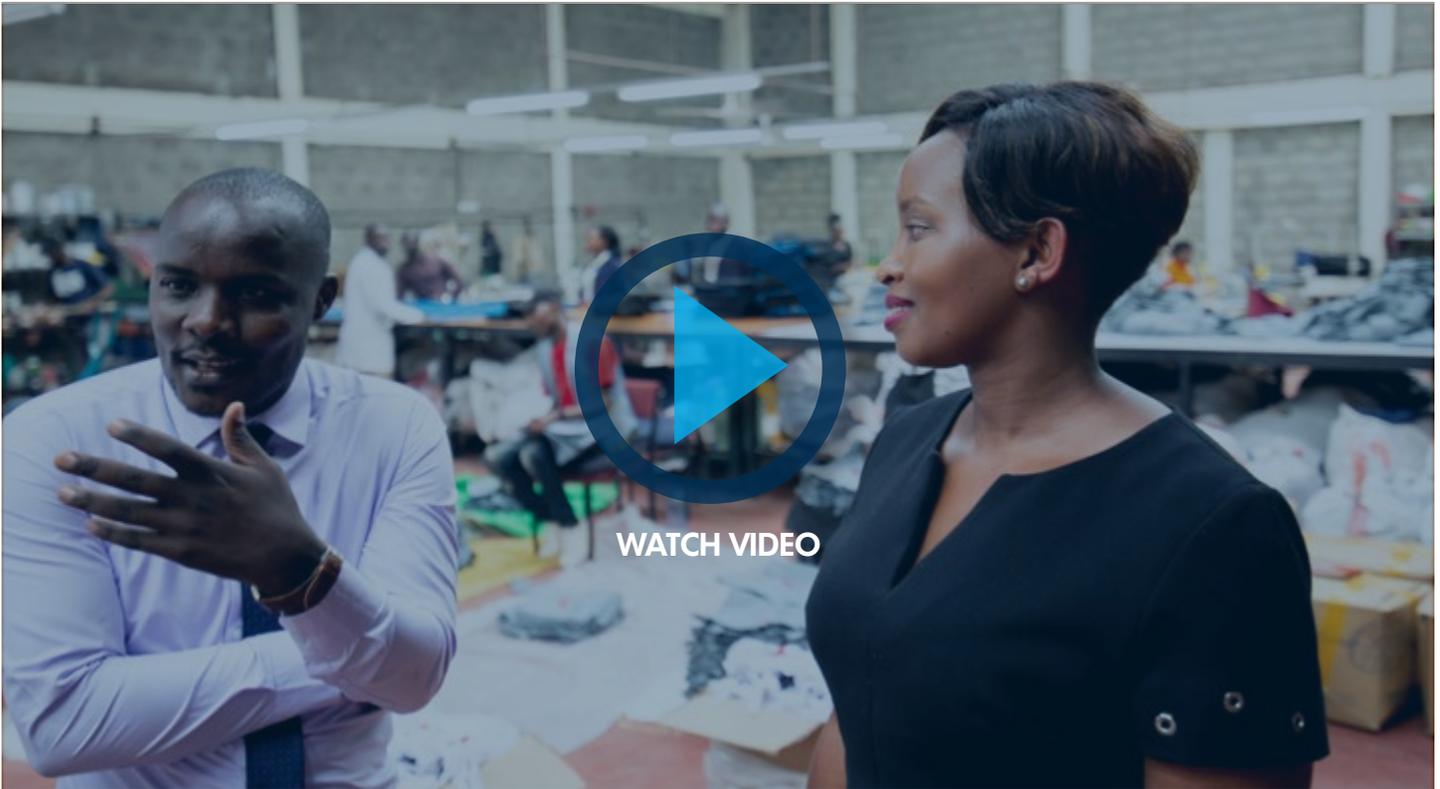
of increased interest income, increased share of wallet, increased loyalty, and reduced portfolio risk.

To succeed, banks must be able to make ongoing research and data analytics part of their core business practices to effectively and continually reap the returns of their investment in serving WSMEs.



The ROI analysis in this study is in many ways a starting point. There is room to learn more. The more banks explicitly track the performance of NFS participants vs. their overall SME or WSME portfolio, the more additional, rich insights can be identified, to further hone our understanding of the drivers of ROI across various types of NFS. In short, the more data gathered to measure the returns to banks of investing in WSMEs, the stronger the case will be.

Examples in Action:
Case Studies



KCB Bank: Driving Returns Through Deeper Engagement with WSMEs

How the leading SME bank in Kenya transformed from “desktop” banking to relationship banking

KCB Bank Kenya (KCB) is the flagship bank of KCB Group, which serves 21 million customers throughout East Africa. KCB is the largest bank in Kenya both overall and for

small and medium enterprise (SME) customers. It serves approximately 1 million customers with registered businesses, about 440,000 of which are SMEs.

KCB served business clients for more than two decades utilizing a traditional “desktop” banking model with bankers primarily behind a computer using data to present clients with one-size-fits-all products. In 2016, the bank turned its attention to an untapped market opportunity with enormous potential: women-led SMEs (WSMEs). In tailoring a suite of financial and non-financial solutions to the needs of WSMEs, KCB opened the gates for all SMEs to more effectively access their full range of offerings. With a new customer-centric relationship banking model, KCB is reaping the return.

Tailoring the Program to the Needs and Profiles of the WSME Segment in Kenya

KCB began by analyzing their SME portfolio by gender and saw that 40 percent of their business customers were women-led enterprises.

However only a small percentage of them were borrowing from KCB. This presented an opportunity to better serve an attractive yet under-tapped segment that was already within their client rolls.

Research

KCB embarked on the first essential step to serving women clients: research to understand their unique financial and non-financial needs and preferences. Qualitative research among current and potential WSME clients revealed underlying constraints limiting their business success. Many of these barriers are universal to women around the world. In Kenya, social norms shape the perception that business and banking are men's domain, and the reality that women are much less likely to own assets that can be used as collateral for bank credit/loans. Women entrepreneurs in Kenya are also less likely to have wide business networks, mentors, or strong confidence in their ability to manage and grow a business.

KCB's research revealed that overall, WSMEs want a stronger relationship with their bank, including:

- The same level of attention and respect as given to male business customers (“Treat me like the boss I am!”)
- Transparency on product fees, terms,

conditions, and pricing so they can better make informed decisions

- Effort to understand their businesses, their viability, and ability to support financing
- A single point of contact at the bank to recommend products tailored to their businesses
- Privacy and confidentiality
- NFS that can help them build knowledge, confidence and networks

Integrating Financial and Non-Financial Services

With a solid understanding of how WSMEs in Kenya want to be served from both a financial and non-financial perspective, KCB realized that while NFS would address many of their needs, the bank would also need to adjust their credit offer to ensure WSMEs with viable businesses who did not own traditional collateral could access appropriate credit. They would also need to re-think their approach to how front-line staff served WSMEs. The transformation included three components:

- Develop tailored NFS offers that meet specific non-financial needs of WSMEs
- Implement a cash-flow based credit process and methodology that drives deeper understanding of client businesses and allows the bank to offer more flexible collateral requirements to meet the needs of WSMEs who lack collateral
- Deliver business, non-financial, and personal offers through a relationship banker who serves as a single point of contact for the bank

KCB engaged outside experts to collaborate on the development of the women-focused proposition and found this essential for success. The bank worked with global nonprofit Women's World Banking from the beginning of the process. Their technical assistance team partnered with KCB to design the new elements of the program, define its value proposition, and develop performance management processes.

Established in 2008, the Biashara Club is the NFS arm of KCB's business banking division. In exchange for an annual membership of KSh 10,100 (USD 100), the Biashara Club offers members a range of networking events, capacity building, and trainings on management fundamentals like financial management, human resources, inventory and other topics, and exposure trips to countries with potential trading opportunities.

By hearing directly from women entrepreneurs, KCB realized the need to introduce tailored offerings to respond to WSME needs. For example:

“Women told us they needed networking events and training. We said – we already have that. What precisely do you need?”

– **Annastacia Kimtai,**
Director of Retail Banking
at KCB Bank



The Need:

Opportunities to network not only with men, but with other businesswomen like them, to share ideas, advice and information.

The New Offering:

A series of women's networking events, ranging from general networking to sector-specific, where women can share best practices with each other. In response to the COVID-19 crisis, the Club launched a series of webinars tailored to help WSMEs navigate the dynamics of remote working and how to access finance during a crisis.



The Need:

Space to build their business skills and confidence in a collaborative environment where they can ask questions confidently and without judgement.

The New Offering:

Specific skill-based trainings targeted to women, held in partnership with local experts and featuring keynotes from high-profile local business women who can act as role models.

With a complete redesign of the SME service approach, KCB moved away from the one-size-fits-all model to an integrated customer-centric model.

Building Institutional Alignment

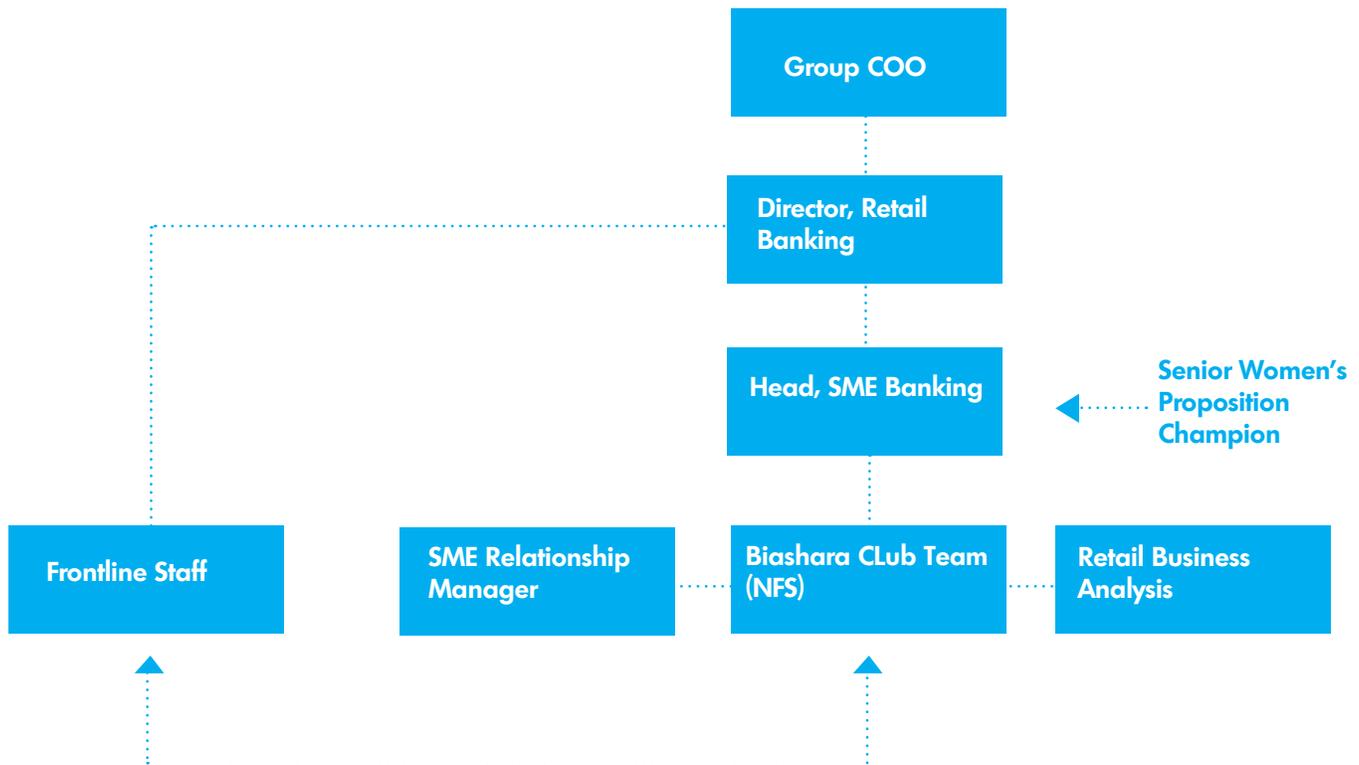
Ongoing change management at all levels of KCB was critical to serving WSMEs well. KCB began by using a top-down approach to communicate and educate staff on the business value of this new concept.

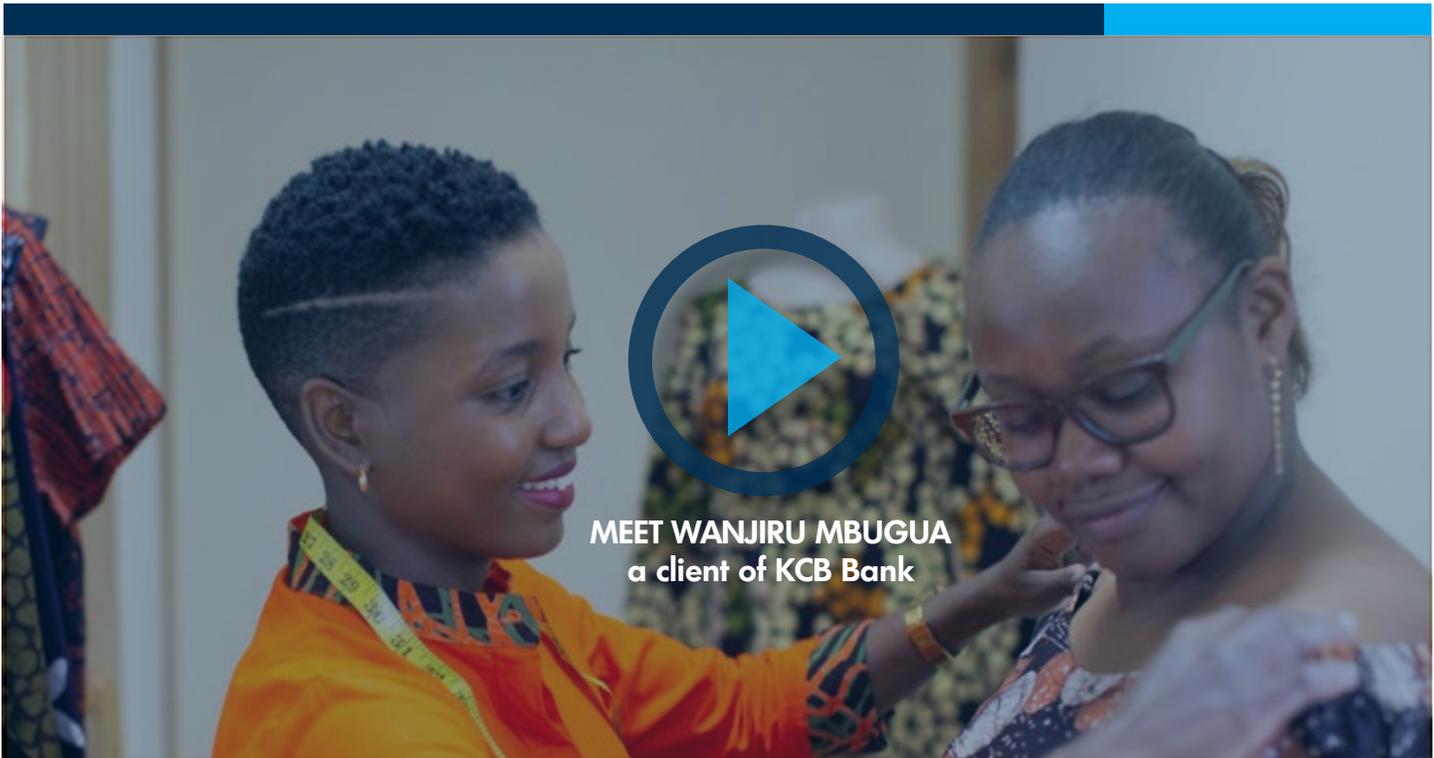
This helped encourage buy-in from relationship managers, the credit department, the marketing department, and the learning and development teams to optimize service for women business clients. KCB now requires ongoing training across all staff levels—continually moving the bank’s culture to focus on serving women and executing the relationship model.

The Biashara Club team, which runs NFS, has a strategic position within the bank’s business banking team which allowed them to reach across various areas of the bank to help drive this change. They report to the Head of SME Banking, and work closely with the SME Relationship Manager, who is the Head Office liaison to the SME branch staff. They have also formed relationships with SME front-line staff in branches around the country, and provide NFS programming, information and support materials to SME Relationship Managers.

“It’s a cultural shift for the bank to appreciate women as business people and as customers who can bring value. It required a lot of gender intelligence, a lot of relationship management, a lot of product knowledge for all the teams that would be supporting the women.”

- Naomi Ndele,
Head of SME Banking at KCB Bank





MEET WANJIRU MBUGUA
a client of KCB Bank

Results

“We’ve seen our NPS (Net Promoter Score) improve, from -2 to +43, because of that extra mile that we have gone with the women customers and it has also increased customer service satisfaction levels to double digit growth.”

- Naomi Ndele,
Head of SME Banking at KCB Bank

Four years into the journey to better serve WSMEs, KCB and its women clients are reaping the rewards. This is evidenced by the return on investment (ROI), which KCB attributes both to their optimized model for serving WSMEs and the wider effect the new approach has had on how the bank serves all SMEs.

Analysis of KCB’s model found that their integrated financial and non-financial offer generates returns that stem from both client

engagement with NFS and the optimized credit offer. This is evidenced by:

Interest Income:

Biashara Club members generate more than enough incremental loan revenue to cover NFS costs. While SME members comprise less than two percent of the segment, they are responsible for 23 percent of SME loan volume.

Share of Wallet

Deposit volume: Biashara Club members are responsible for nine percent of deposits.

Fee income: Biashara Club membership fees result in an average annual return of 5x costs at the current level of around 10,000 members. The fee may also act as a screening tool that drives higher engagement because only those clients who see value in having access to NFS will pay.

Reduced Portfolio Risk

KCB Bank reports improved non-performing loans (NPL) of zero percent among WSMEs receiving cash-flow based lending vs. 12 percent for the broader MSME portfolio.

Biashara Club Members are More Engaged and Loyal, Particularly WSMEs.



KCB Bank's average loan volume among those who had been members of the Biashara Club for two or more years was 3.2x the MSME average and average deposit volume was 17x the MSME average.



Women responded particularly well: those who remained active members since 2017 had 18 percent higher average loan size and 14 percent higher average deposits than their male counterparts at the end of 2019.



Women Biashara Club members were more loyal: they were three percentage points less likely to become inactive after two years than male Club members.

Keys to Success

KCB identified four factors that drove the redesigned Biashara Club's ongoing success, which align with best practices identified by the study.

Tailor the Proposition to the Needs and Profiles of Different Customer Segments

- Understand your women customers. Conduct research on the unique needs and preferences of women customers. Having served women entrepreneurs for decades, KCB truly understood their financial and non-financial requirements for the first time.

Provide an Integrated, One-Stop Experience for Financial and Non-Financial Services

- Tailor both non-financial and financial solutions to WSMEs. Evaluate all components of the bank's offer, from products to delivery. KCB's integrated model—a relationship-driven approach that offered accessible credit supported by NFS that directly responded to client

needs—resulted in dramatically improved performance of WSME clients and higher returns for the bank.

Build Institutional Alignment to Drive Results

- Start small and build toward a cultural shift. Use the pilot phase to take time to learn the process, make adjustments, and see results. Using a pilot method, KCB first demonstrated results within a select number of branches. This in turn showed the value of the initiative both to senior management and front-line staff, and helped smooth the onboarding process for the wider branch network.
- Commit to change management that champions the women's agenda. A top-down approach to change will ensure that the initiative cascades down with adequate resources and enthusiasm. KCB's leadership directly addressed skepticism within the organization and remained committed to educating staff on the business benefits of serving women. Regular trainings at every level keep objectives and skills fresh across the institution.

The Way Forward

The customer-centric WSME proposition is leading the way for additional changes within the bank that are demonstrating significant benefits to the institution.

The WSME initiative was the first time the bank looked deeply at the needs of their customers, beyond segment-level, to gender. The value of that experience has led them to explore needs by additional sub-segments and identify opportunities to develop additional scalable solutions locally. With validation of the model and its benefits, KCB has begun expanding the offer to other markets within their East Africa portfolio. They have rolled out the WSME proposition to their Rwanda subsidiary and are in the process of expanding to Uganda and beyond as well.





NatWest's Women in Business: Serving Women at Each Point in the Entrepreneurship Journey

How one of the largest banks in the UK leverages external partnerships and internal resources to support female entrepreneurs in starting, growing and scaling businesses.

This case study builds on the [2017 NatWest Women in Business case study](#) developed by the Financial Alliance for Women (Alliance).

A Focus on Women

NatWest Bank (NatWest) is the UK flagship brand of NatWest Group, one of the largest financial services groups in the world. NatWest serves over 8 million clients in the UK and is one of the largest banks in the UK

serving small and medium enterprises (SMEs).

NatWest launched the Women in Business Initiative (WiB) in 2003 to support more women to start, grow and scale their businesses through access to funding and networks. The main goals today are to help close the UK entrepreneurship gender gap and position NatWest as the #1 bank supporting female entrepreneurs in the UK.

The Women in Business Initiative

Supporting women at each stage of the entrepreneurship journey.

WiB focuses on female entrepreneurs in the UK with up to GBP 2 million in annual turnover. 97-98 percent of female sole proprietorships in the country fall into this range.

The initiative aims to build a pipeline of women-owned businesses in the UK through non-financial services (NFS) that support them throughout their entrepreneurial journey and position them to access the financing they need to grow.

WiB's NFS programs are designed to address core needs reported by women entrepreneurs, specifically networking, access to finance, and business skills development. WiB offers a selection of dedicated programs and also integrates tailored elements into broader NatWest NFS initiatives:

Information

- [Self-Made Entrepreneurs Hub](#) – WiB partners with Everywoman's online platform to offer inspiring success stories, information, and education on how to access finance.
- [NatWest Business Hub](#) – NatWest offers an online source for all SMEs that offers information, articles and practical toolkits. WiB integrates some content into the Hub, including information on upcoming Women in Business events.

Education

- [NatWest Entrepreneur Accelerator](#) – WiB plays an important role in driving the participation of women entrepreneurs in NatWest's accelerator network, thereby helping to close the gender gap in high-growth businesses in the UK. WiB builds visibility for and encourages women to participate in the bank's pre-accelerator and accelerator programs for growth-oriented businesses. As of 2019, 40 percent of participants in the Accelerator were women, significantly higher than the norm for accelerators.

Networking and Markets

- Women in Business networking events – WiB hosts events across the UK help entrepreneurs increase both their business knowledge and networks, and deepen engagement with the bank.
- [BackHerBusiness](#) – High-potential women-led start-ups compete on the online platform Crowdfunder for visibility and the chance for a share of a GBP 1 million annual funding allocation from NatWest to further grow their

business. The program fosters women's entrepreneurship at the local level – funding is divided among the seven NatWest regions within the UK, and local banking teams select strong BackHerBusiness contenders within their geography to support.



- [NatWest Everywoman Awards](#) – In partnership with Everywoman, WiB hosts this annual award ceremony that recognizes successful women entrepreneurs and presents role models for each point in the entrepreneurial growth journey. The initiative not only celebrates the winners but also connects nominees with advisors, peers and potential investors, to further build and strengthen the community of women entrepreneurs in the UK.
- Case Studies – As part of the effort to showcase female role models at every stage of the entrepreneurship journey, the WiB team develops case studies of successful women start-up, growth, and established businesses. The case studies are communicated through WiB and marketing channels.

Institutional Capacity Building: Staff Training

NatWest also invested in institutional capacity building to support their NFS programs through the [Women in Business Specialists Accreditation Program](#) for frontline staff in partnership with Everywoman.

NatWest is the only UK bank with an externally accredited training program that equips frontline staff with the knowledge and tools to support female customers. As of December 2019, NatWest has 600 WIB Specialists. In response to COVID-19 the training has moved to a digital format and the bank is on track to train more than 350 staff in 2020. NatWest is also in the process of creating WiB Bitesize, which will be available to all staff on a learning platform. Staff who wish to participate will have access to a 1.5 hour webinar on the WIB Strategy and programs. WiB Bitesize is a chance to upskill staff that may not be eligible to join the full WIB Specialists training program, thus broadening the reach of the program internally to accelerate its growth.

Serving Her Needs Across the Entrepreneurial Journey

	Start-up	Growth (potential VC or angel investment)	Established	Exits into Wealth (Coutts)
Back Her Business	✓	✓		
Accelerator Hubs	✓	✓		
Everywoman Awards		✓	✓	✓
NW Business Hub	✓	✓	✓	
Self-made Entrepreneurs Hub	✓	✓	✓	
WIB Networking Events	✓	✓	✓	✓
Case studies	✓	✓	✓	✓



Institutional Alignment Drives Results

A three-person WiB core team drives programming across the organization. The team sits in Business Banking.

Their placement communicates that the initiative is seen not as a corporate social responsibility effort but a revenue driver. WiB outcomes are measured by KPIs to which the team is held accountable by senior leadership and used to justify the continued business case (see next section).

The WiB team leverages internal and external partnerships to implement its programs. The team employs a mix of strategic influencing, consistent communication with internal partners, and rigorous relationship management with external partners.

External Partnerships

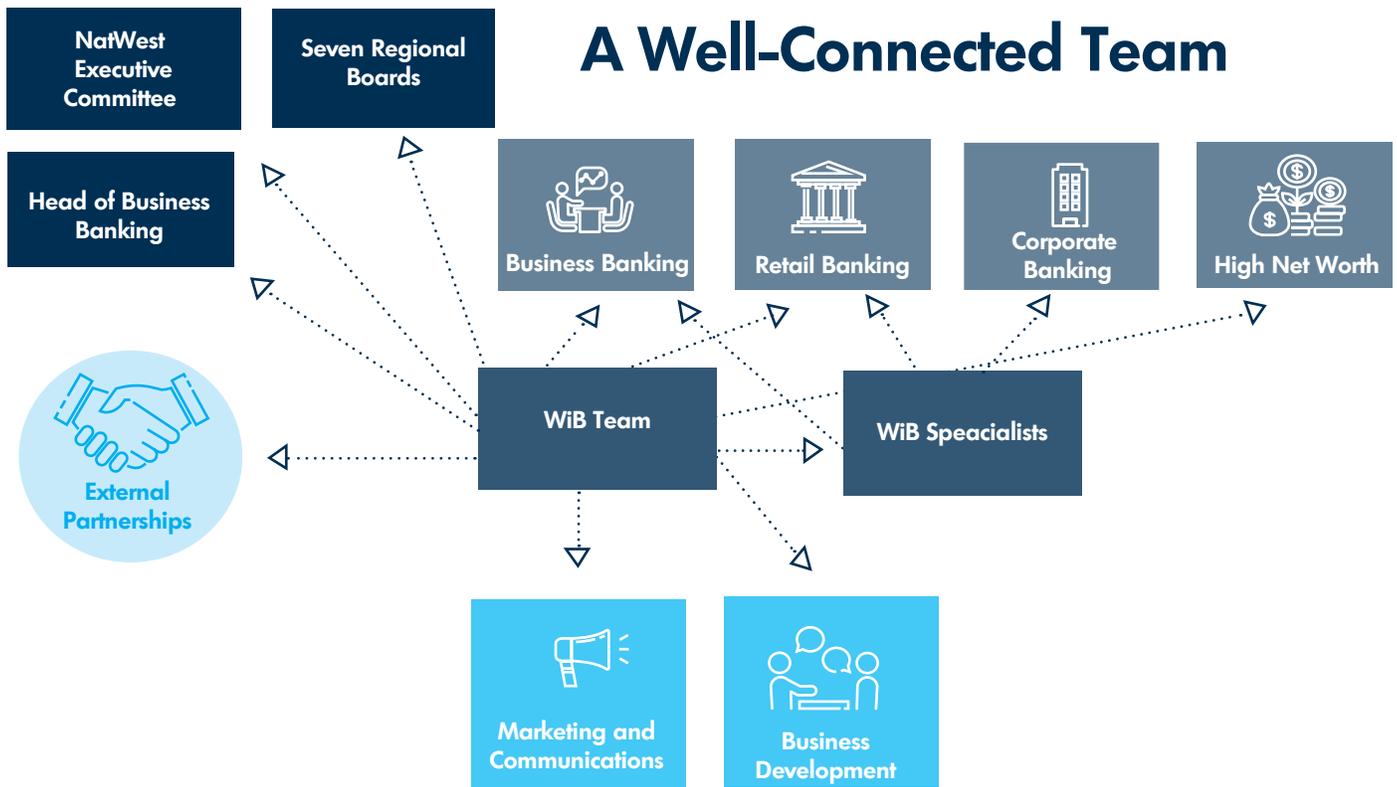
To achieve its objectives, NatWest has built long-term relationships with a few strategic key partners.

Everywoman is a leading independent organization focused on advancing women in business. NatWest has partnered with Everywoman since 2003, deepening and expanding their strategic collaboration over time. The partnership began with the development of the co-branded NatWest Everywoman Awards. Later, Everywoman developed the WiB Accreditation program and launched the Everywoman Network for NatWest employees (see Alliance case study). More recently, NatWest has brought the Everywoman Self-Made Entrepreneurs Hub described above into the suite of WiB client offerings.

Internal Partnerships

WiB programs are executed by WiB specialists, Business Growth Enablers (BGEs), and WiB Champions, all of whom are front-line staff with the motivation to grow the business (see Alliance case study for a detailed discussion of these roles). The WiB team measures success by tracking KPIs that align with front-line performance goals. This connection forms a crucial link between program implementation and performance management.

Another critical component for success is the network of the WiB team's internal partnerships across various teams, at multiple levels of the organization.



Marketing and Communications also supports WiB in developing and amplifying brand messaging about the bank’s focus on female entrepreneurs, using tactics such as podcasts and women-focused marketing campaigns.

The team also deploys a multi-channel approach to communicating new programs to drive internal support, enthusiasm, and momentum through regular newsletters, periodic web calls with the WiB specialists, and a company intranet page with 900 members.

The WiB core team presents to the NatWest Executive Committee regularly to share program results and upcoming initiatives. They also communicate closely with regional boards to advocate for WiB support and focus. For instance, bank-designated WiB “months” of March and November were secured by the core team through strategic advocacy with internal influencers.

“What we’ve been really clear to do for the last three years is look to see what the spend is, and then show the value of what we’re contributing. When I’m talking to senior leaders, I say to them to think of us as a sector. People seem to get their head around that easier if you think of a manufacturing sector and I like to think of women in business as a sector and then show the value of that.”

— Yvonne Greeves,
Director of Women in Business,
NatWest Group

Approach to Measurement

The team works within the limits of NatWest’s legacy banking systems—which capture gender at account opening, enabling sex-disaggregation—to show the business case to a wide range of stakeholders within the bank, from senior influencers to front-line implementers.

Under the leadership of Yvonne Greeves, the Head of WiB, in 2016 WiB began sex-disaggregating data for the initiative’s key performance indicators (KPIs):

- Lending to women business banking clients
- Acquisition of female switchers (those who switch from a competitor to bank with NatWest)

They also measure outcomes of WiB activities, such as number of events hosted and women reached, for instance in 2019 300+ WiB events reached more than 22,000 women. The team measures returns on these efforts by measuring the value of portfolio growth among female business banking customers over the cost for WiB activities.

Even for market-leading banks, automated reporting can be a challenge. When IT systems are not designed to sex-disaggregate data in reporting functions, tracking must be done manually through a spreadsheet. In addition, events are open to both customers and non-customers which makes it difficult to accurately track event attendee conversion. In the face of these constraints, NatWest determined that aggregate-level measurement of portfolio growth provides the highest value with the resources available.

Outcomes

Over the past three years, NatWest has grown its women business banking portfolio, a success it attributes to WiB:

	2017	2018	2019*
Lending to women business banking clients	GBP 138 million +8 percent	GBP 149 million +8 percent	GBP 168 million +2 percent
Acquisition of switchers from other banks	+10 percent	+13 percent	+2 percent

*Note: Brexit had a significant impact on bank performance in 2019. WiB metrics, while softer than in previous years, outperformed the general business portfolio.

Results were strong enough to justify additional headcount for the WiB team in 2019, which will enable them to focus on deepening relationships and exploring new opportunities to grow the programs.

Keys to Success

NatWest developed an NFS program that supports women entrepreneurs throughout the entrepreneurial journey. The success of their approach is due to a number of key factors which align with best practices identified by this study:

Build Institutional Alignment to Drive Results

- External and internal partnerships. The WiB team focuses on building a select number of deep external partnerships that grow over time. They also prioritize building strong internal relationships across the organization to increase program visibility and drive support, including integration with existing NFS initiatives.
- Senior support. From the beginning, WiB has been led from the top, with senior support (Alison Rose, the NatWest CEO, is a vocal champion).

- Front-line implementation. Implementation is front-line led as opposed to being driven by CSR, Diversity & Inclusion, or Marketing. NatWest believes that the front-line knows how best to drive results.

“When it sits with diversity & inclusion, sometimes it can be seen as well, we’ve got an issue here with inclusion or we have an issue with women, but **when you actually have it front-line it’s a business case.”**

– Yvonne Greeves,
Director of Women in Business,
NatWest Group

Integrate Measurement into Program Design and Delivery

- Measurement. Data is critical to demonstrate the value of the program to senior management and justify its expansion.



“Since we’ve been tracking that data we’ve seen year-on-year growth and year-on-year support, which includes more support from senior leaders.”

**Yvonne Greeves
Director of Women in Business,
NatWest Group**

ANNEX 1:

*Banks Surveyed to Support the 2012 IFC Publication **Why Banks in Emerging Markets are Increasingly Providing Non-Financial Services to Small and Medium Enterprises***

Banks interviewed by region and country		
Region	Bank	Country
Sub-Saharan Africa	Access Bank Plc	Nigeria
	Advans Bank	Democratic Republic of Congo
	Barclays	African Region, Uganda
	First National Bank of Namibia	Namibia
	Invest Trust Bank	Zambia
	NBS Bank	Malawi
	NedBank	South Africa, Namibia
	Standard Bank	Malawi
East Asia and the Pacific	Westpac	Australia, Pacific
	Cambodian Public Bank	Cambodia
	Planters Bank	Phillippines
South Asia	ICICI Bank	India
	NIC Bank	Nepal
Europe and Central Asia	ProCredit Macedonia	Macedonia
Latin America and the Caribbean	Banco BCSC	Colombia
	Banco Galicia	Argentina
	Banco Santander	Brazil
	Republic Bank	Trinidad and Tobago



Annex II: Analyzed Banks

ACBA BANK in Armenia: Examples in this study are based on analysis of selected data on the bank's SME portfolio over the 2014-2017 period, the bank's annual reports on the business years 2014 to 2018, three types of NFS in 2018 and 2019 and data on cross-selling and non-performing loans related to NFS. The bank launched a Women in Business initiative in 2018; some examples are included from this period as well, such as information on loyalty of NFS participants vs. non-participants that covers cohorts from 2015 to 2018.

BTPN Bank in Indonesia: Examples in this study are based on analysis of selected data on the MSME portfolio from 2016 to 2019 as well as data on two types of NFS in 2018 and 2019, as well as the bank's annual reports for 2018 and 2019.

Banco Santander Argentina: Examples in this study are based on analysis of selected data on the bank's MSME portfolio for 2018 and 2019 as recast to a stable exchange rate of ARS 70 for USD 1, as well as data on cross-selling of non-bank products, and one type of NFS. Santander Argentina launched its "Banca Women" program in May 2019.

KCB Kenya: Examples in this study are based on analysis of selected data of the banks' MSME portfolio over the 2016-2019 period, annual reports for these years, as well as data on overall balance sheet and income from various parts of the bank's business club, and the performance of a cohort of 8,440 members between 2017 and 2019. KCB offers NFS through its Biashara Club, which is open to business customers who pay an annual membership fee. The bank launched an integrated Women's SME Proposition in 2017.

VPBank in Vietnam: Examples in this study are based on selected data on the bank's SME portfolio covering business years 2016 to 2019, and two types of NFS for 2019 and 2017 forecasts, in addition to the bank's annual results for 2014 to 2018. For NFS events with around 1,000 participants in 2018 and 2019, VP Bank provided performance data relating to conversion times, product holdings and loan volumes. VP Bank launched its women entrepreneur proposition in 2018, as part of a wider Women's Market program and SME Banking with a NFS offer.

ANNEX III: NFS Indicative Costs Per Participant and Required Conversion Rates to Break Even

		Indicative Cost Per Participant ⁴⁶	Indicative Conversion Rate to Break Even From Loan Revenue ⁴⁷
 TRAININGS	Event-Style Larger format with high-profile speakers	.....▶ USD 55 to 70	.....▶ 1 in 60 clients (1.7%)
	Small Goup Hands-on one-day seminar	.....▶ USD 150 to 175	.....▶ 1 in 40 clients (2.5%)
	Blended Learning Format 6-month digital + in-person small group learning, one-to-one mentoring	.....▶ USD 350 to 500	.....▶ 1 in 12 clients (8%)
 NETWORKING	Trade Fair-Style Venue with 100 or more participants	.....▶ USD 24 to 40	.....▶ 1 in 100 clients (1%)
	Networking Events Smaller scale, catered events, several per year	.....▶ USD 100 to 140	.....▶ 1 in 65 clients (1.6%)
 DIGITAL FORMATS	Reports Bespoke expert advice and market research in report format	.....▶ USD 100 to 140	.....▶ 1 in 150 clients (0.67%)
	Business Portal <i>Annual OpEx</i>		
	- Information & networking ⁴⁸	.....▶ USD 0.80 to 1.05	.....▶ 1 in 3,200 site visitors (0.03%)
	- Broad content base, frequent updates	.....▶ USD 3.50 to 4.60	.....▶ 1 in 900 site visitors (0.11%)
	<i>Conversion</i>		
	- Visitor acquisition (cost-per view) and use (click-through rates)	.....▶ USD 3.89 ⁴⁹	
	- Either online or in-person loan application	.....▶ USD 41.28 ⁵⁰	
 ACCELERATOR	Accelerator 3-month program with bespoke mentoring but without co-working space	.....▶ USD 2,500 to 4,000	.....▶ n/a
 BUSINESS CLUB	Business Club (OpEx per year) Large scale (>5,000 members) with network-wide events and dedicated management team	.....▶ USD 60 to 70	.....▶ 1 in 190 clients (0.5%)
	Invitation Only Invitation-only program for larger businesses	.....▶ USD 40 to 50	.....▶ 1 in 650 clients (0.15%)

46. Indicative cost ranges derived from research into Capital Expenditures and Operating Expenditures for NFS types with CapEx amortized over three years. Ranges applied to a context of the threshold of lower-middle income economies to upper-middle income economies (i.e. around USD 4,000 GNI per capita).

47. Indicative conversion is based on cost data and typical loan size of the banks where NFS was analyzed. Uniform assumptions on interest rate and loan tenor were then applied.

48. Assumes annual traffic of 1.5x client base

49. Avg. Facebook cost-per-click for Finance

50. Avg. cost-per-acquisition <https://www.wordstream.com/blog/ws/2019/11/12/facebook-ad-benchmarks>

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