CASE STUDY

Garanti Bank SA: Combining SME Banking Excellence with a Proposition for Women Entrepreneurs in Turkey

March 2014

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The report is prepared by Andrew McCartney and Ulugbek Tilyayev of IFC Advisory’s Access to Finance Team.
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>ATM</td>
<td>Automated teller machine</td>
</tr>
<tr>
<td>CASA</td>
<td>Current account/savings account</td>
</tr>
<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
</tr>
<tr>
<td>CSR</td>
<td>Customer Service Representative</td>
</tr>
<tr>
<td>EBRD</td>
<td>European Bank for Reconstruction and Development</td>
</tr>
<tr>
<td>EU SBA</td>
<td>Small Business Act for Europe</td>
</tr>
<tr>
<td>EVP</td>
<td>Executive Vice-President</td>
</tr>
<tr>
<td>GEM</td>
<td>Global Entrepreneurship Monitor</td>
</tr>
<tr>
<td>IFI</td>
<td>International financial institution</td>
</tr>
<tr>
<td>IT</td>
<td>Information technology</td>
</tr>
<tr>
<td>L/G</td>
<td>Letter of guarantee</td>
</tr>
<tr>
<td>MSME</td>
<td>Micro, small and medium enterprises</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-governmental organization</td>
</tr>
<tr>
<td>NPL</td>
<td>Non-performing loan</td>
</tr>
<tr>
<td>OD ACC</td>
<td>Overdraft account</td>
</tr>
<tr>
<td>OECD</td>
<td>Organization for Economic Co-operation and Development</td>
</tr>
<tr>
<td>OPIC</td>
<td>Overseas Private Investment Corporation</td>
</tr>
<tr>
<td>POS</td>
<td>Point-of-sale terminal</td>
</tr>
<tr>
<td>RM</td>
<td>Relationship Manager</td>
</tr>
<tr>
<td>RoAA</td>
<td>Return on average assets</td>
</tr>
<tr>
<td>SME</td>
<td>Small and medium-sized enterprises</td>
</tr>
<tr>
<td>TL</td>
<td>Turkish lira</td>
</tr>
</tbody>
</table>
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1. INTRODUCTION

Garanti Bankasi (Garanti) is a regional pioneer in offering products and services specifically targeted towards women entrepreneurs as a specific market segment. In 2006, Garanti created a Women’s Entrepreneur Support Package specifically designed to help Turkey’s women entrepreneurs to establish and grow their businesses. This was followed up with the creation of Women Entrepreneur Gatherings, in 2007, which provided additional training and educational tools and new networking opportunities. And in 2013, Garanti began collaborating with Bogazici University, a top university in Turkey, to offer an intensive mini-MBA training program for women entrepreneurs. Garanti also launched Turkey’s first Woman Entrepreneur of the Year award, an initiative that showcases women who have successfully grown their business, encouraging more women entrepreneurship in the country.

This case study (the “study”) explores how Garanti leaders decided to focus on women entrepreneurs. It also documents and analyzes the bank’s efforts to build a profitable and sustainable “women in business” franchise, through its three-pillar approach, including financial support, client education, and the encouragement of entrepreneurship. The case study also provides insights into how Garanti tapped into, and integrated with its highly innovative, market leading SME Banking franchise to more effectively target women in business. The study concludes with an objective assessment of the results of the program to date, offering suggestions from IFC specialists on how Garanti may further scale up its women in business initiative in the next phase of development.
2. BACKGROUND

Established in 1946, Garanti is Turkey’s second largest private bank, with consolidated assets exceeding $104 billion.² Garanti is an integrated financial services group operating across all key business segments, including corporate, commercial, SME, payment systems, retail, private and investment banking. It also maintains subsidiaries that cater to pension and life insurance, leasing, factoring, brokerage, and asset management. The bank has an international footprint, particularly in Europe, with full subsidiaries based in the Netherlands, Romania, and Russia.

Garanti provides a wide range of financial services to 12 million customers across a distribution network of 988 domestic branches. The bank has invested heavily in a large network of alternative channels, including 3,992 ATMs, an award-winning Call Center, and internet, mobile and social banking platforms, all built on cutting-edge technological infrastructure.

Garanti’s strategy has long focused on small and medium enterprises (SMEs) in Turkey, a segment that drives growth and employment. Today Garanti is a market leader in the SME segment, with approximately 1.5 million customers. In 2012, Garanti provided the equivalent of $7.2 billion in lending to SMEs.

In 2006, Garanti became the first bank in the region to offer products and services specifically targeted towards women entrepreneurs, in line with a new Turkish government policy supporting women entrepreneurship.

3. UNDERSTANDING THE CONTEXT IN TURKEY

a) A large and underserved SME market

Turkey’s economy is heavily reliant on its SME sector to provide growth and jobs, with micro, small and medium enterprises (MSMEs) accounting for nine out of every 10 SMEs (Figure 1). Figure 1 also emphasizes MSMEs as the leading job creator and economic value add into the Turkish economy. Concentration is also highest in the micro and small enterprise segments.

**Figure 1: Comparing SME Sector in Turkey and EU**

<table>
<thead>
<tr>
<th></th>
<th>Number of Enterprises</th>
<th>Employment</th>
<th>Value added</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Turkish Share</td>
<td>EU27 Share</td>
<td>Turkish Share</td>
</tr>
<tr>
<td>Micro</td>
<td>2,327,826</td>
<td>94.4%</td>
<td>2,692,529</td>
</tr>
<tr>
<td>Small</td>
<td>120,215</td>
<td>49.9%</td>
<td>106,152</td>
</tr>
<tr>
<td>Medium-sized</td>
<td>14,836</td>
<td>6.0%</td>
<td>11,610</td>
</tr>
<tr>
<td>SMEs</td>
<td>2,461,606</td>
<td>90.0%</td>
<td>2,593,672</td>
</tr>
<tr>
<td>Large</td>
<td>2,464,792</td>
<td>100.0%</td>
<td>2,526,530</td>
</tr>
</tbody>
</table>

Source: EU SBA Factsheet, 2012 (note: “Value added” is a share of contribution to the country’s GDP)

¹ Data is as of September 30, 2013. Garanti Bank is jointly controlled by Turkish Doğuş Holding Co. and Banco Bilbao Vizcaya Argentaria S.A. (BBVA) of Spain under the principle of equal partnership. Having shares publicly traded in Turkey, the UK and the USA, Garanti Bank has an actual free float of 49.94%.
Turkey has adopted a standard definition for SMEs, namely firms with between one and 49 employees are classified as micro and small, and those with 50 to 250 employees are considered medium-sized. Financially, SMEs must have less than the equivalent of $23 million in annual sales and the same for total assets (Figure 2). MSME enterprises dominate the Turkish market, with the segment, according to the 2012 EU SBA Factsheet on Turkey, representing 99 percent of all businesses, 70 percent of all jobs, and almost 72 percent of business revenue.

**Figure 2: Standard SME Definition adopted across Turkey**

<table>
<thead>
<tr>
<th># of Employee</th>
<th>Micro</th>
<th>Small</th>
<th>Medium</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-9 employees</td>
<td></td>
<td></td>
<td>50-250</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Annual Turnover</th>
<th>Micro</th>
<th>Small</th>
<th>Medium</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; TL 1 Mn (~$373k)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TL 1 Mn &gt; &lt; TL 6 Mn (~$4.6 Mn)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TL 6 Mn &gt; &lt; TL 40 Mn (~$23 Mn)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Balance Sheet</th>
<th>Micro</th>
<th>Small</th>
<th>Medium</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; TL 1 Mn (~$373k)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TL 1 Mn &lt; TL 8 Mn (~$4.6 Mn)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TL 8 Mn &gt; &lt; TL 40 MM (~$23 Mn)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Garanti Bank, 2013*

**b) Low female workforce participation in Turkey**

Turkey’s female labor force participation has increased in recent years, but still lags. In 2012, less than 30 percent (29.5 %) of working-age women in Turkey either had jobs or were looking for work, according to the Turkish Statistics Institute’s Women in Statistics study. This represents the lowest figure across all OECD countries (Mexico, by comparison, is at 43 percent). Meanwhile, female literacy is above 92 percent, and the share of economically active women in the population (ages 25-64) is high, at over 58 percent.

The reality is that nearly half (49.8%\(^2\)) of the women employed in Turkey are unpaid female family workers. This can be explained by the fact that close to 60 percent of Turkish women live and are employed in rural areas, where businesses are often run as a male-dominated family enterprise. A report issued in 2012 by the World Economic Forum\(^3\) ranked Turkey 129th out of 130 countries – next to last – in terms of the economic participation of women, and 108th in the educational attainment category.

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3 First published in 2006, the report examines four critical areas of inequality between men and women in 130 economies around the globe (over 93% of the world’s population):
   - Economic participation and opportunity – outcomes on salaries, participation levels and access to high-skilled employment
   - Educational attainment – outcomes on access to basic and higher level education
   - Political empowerment – outcomes on representation in decision-making structures
   - Health and survival – outcomes on life expectancy and sex ratio

Thirteen out of the 14 variables used to create the index are from publicly available “hard data” indicators from international organizations, such as the International Labour Organization, the United Nations Development Programme and the World Health Organization.
According to the IFC Enterprise Finance Gap Database study (2011), over 200,000 formal SMEs in Turkey – 38 percent of the total – are owned and/or run by women. Of these firms, over 54 percent are either un-served or underserved in terms of finance, with an average unmet financing need of $56,207 per firm. The potential credit need of this gap group is estimated at over $11.5 billion, representing a significant opportunity in the Turkish market (Figure 3).

Figure 4 shows how Turkey fares on the opportunity ratio. The higher the ratios, the more women in a particular country are motivated by the desire to become an entrepreneur, as opposed to being driven to it because of few employment opportunities.

Being employed and having a social network that includes other entrepreneurs are stronger predictors of women’s entrepreneurship than educational attainment or household income.

Although there are a number of financial institutions in Turkey that provide active non-banking support to SMEs (a training program to support government directed lending by one of the largest state-owned financial institutions; a dedicated SME Academy run by one of the private banks), none of them, until recently, looked at women entrepreneurs as a separate, potentially profitable segment.
4. SME BANKING PLATFORM MARKET LEADERSHIP

As IFC’s research on gender finance demonstrates, a bank looking to excel at doing business with women entrepreneurs must have a mature and sophisticated SME banking platform on which to build. Garanti is no exception, with SMEs representing a key part of its strategic focus for some 15 years. Garanti was one of the earliest adopters of an organizational structure dedicated to targeting SMEs – from its head office, down to regional offices and into its vast branch network. With around 1.5 million MSME customers as of the end of 2012, Garanti Bank is one of the leading private sector banks for smaller businesses in Turkey. The bank continues to expand its SME customer base, adding almost 120,000 new customers in 2012, despite highly competitive market conditions.

Garanti’s SME Business – Key Indicators (as of Sept 2013)

- RoAA 2.1%
- Loans to Deposits 83.4%
- NPLs 3.28%
- Non-interest income/ Total income 42.4%

a) Tiered segmentation approach using size, structure, and product usage

Garanti has developed a tiered segmentation approach toward the SME market (Figure 5), distinguishing between “mass” (non-borrowing clients⁴), “small,” and “medium-sized” segments across three ownership structure categories, namely: corporations, sole traders and shareholders/individuals who own a business. Importantly, the bank uses its own definition of SME as opposed to that of the regulators, adopts multiple criteria (including annual sales turnover, account volume, and the size of credit limits) to establish three distinct tiers within their SME banking business.

<table>
<thead>
<tr>
<th>Category</th>
<th>Annual Turnover</th>
<th>Banking Volume</th>
<th>Credit Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>MEDIUM</td>
<td>&lt; TL 500k</td>
<td>&lt; TL 30k</td>
<td>TL 0 - 200k</td>
</tr>
<tr>
<td>SMALL</td>
<td>TL 500k - 3 Mln</td>
<td>TL 30 - 250k</td>
<td>TL 0 - 200k</td>
</tr>
<tr>
<td>MASS</td>
<td>TL 3 - 10 Mln</td>
<td>TL 200 - 600k</td>
<td>TL 200k - 2 Mln</td>
</tr>
</tbody>
</table>

Source: Garanti Bank presentation, 2013 (based on October 2013 criteria)

⁴ “Mass” category client typically is a non-borrowing for business purposes. When such a client applies for a business/commercial loan he/she is transferred to a “Small” category. Nevertheless, owners of “Mass” category businesses can have consumer loans.
b) “Same Pocket” relationship management model

Garanti Bank has a 1,600-person team of dedicated relationship managers (RMs) deployed across 973 branches looking after the small and medium-sized business segments. The mass segment is served by a separate team of Customer Service Representatives in the branches, and the bank uses an innovative Same Pocket Model, designed to capture both the business and personal banking needs of SME clients through a single point of contact (i.e. the RM). This helps build strong customer loyalty and ensures cross-selling opportunities and more effective risk management. Internal data analytics also confirm that the Same Pocket Model not only expands opportunities for profit and helps grow the business, but also helps effectively manage risk. As Figure 6 below shows, banking volumes and customer retention are by many multiples, significantly higher under this approach.

![Figure 6: Garanti Bank: Opportunities of Same Pocket Model](image)

The crucial factors of the Same Pocket Model are Garanti Bank’s in-depth customer knowledge and its ability to focus all customer services (personal and business) through a single RM. In IFC’s experience, this is in contrast to standard international practice; such services are typically split across two or more different business divisions, such as retail and corporate banking.

At Garanti, RM productivity is high by international standards, with a tiered coverage model mirroring tiered segmentation (Figure 7).

![Figure 7: Garanti Bank: relationship management coverage model by segment](image)

RM productivity is also driven by a range of sales and profitability-focused targets, which differ by segment tier. Targets include: volume generated, loan sales, customer acquisition, profit per customer, customer efficiency (a proxy for wallet share) and client interaction requirements, which are also represented in the metrics. For example, an RM for the small SME segment is

Source: Garanti Bank presentation, 2013
supposed to make four sales calls to existing and potential clients every day, while a medium-segment RM makes three calls.

c) Synergies leveraged across Garanti Group

The ability to quickly develop and rollout convenient and effective products is at the core of Garanti’s success with the SME segment. Successful product development is a result of smart, regular market research, close interaction with SMEs, and feedback from business line staff.

Garanti Bank has a team dedicated to developing products across business lines, which coordinates its work with product development teams within each business line. New product development is led by the business line that develops the initial concept. The product development team is in regular contact with sales teams at the regional and branch levels, getting valuable input on various aspects of the new product. A central marketing unit within the SME Head Office is responsible for managing referrals with group subsidiaries like Garanti Payment Systems, Garanti Mortgages, and others. This approach creates synergy between business lines and leads to greater efficiency (Figure 8).

Figure 8: Examples of Cross Business Line & Group Synergies with SME Division

Retail Business Line:
- salary payments
- CASA accounts

Commercial Business Line:
- special L/G agreements
- payment management tools
- special credit card
- auto dealer relations
- receivables financing
- inventory financing
- purchases financing

SMEs
- Demand deposits
- New clients
- Volume and profit
- Loyalty

Corporate Business Line:
- cash management models (ex, “Direct Debit System”) to finance large corporations and their distributors

Source: Garanti Bank presentation, 2013

Being a part of a diversified financial-industrial group, Garanti Bank enjoys strong synergies through partnerships and close interaction with the group’s subsidiaries in finance and banking. The group’s subsidiaries are active in asset management, payments, insurance, factoring, leasing and mortgage. Further, all subsidiaries are supported by Garanti Technology, a fully functional IT Center for the group.

Garanti Bank reports that close cooperation with amongst its subsidiaries has helped the bank significantly increase profits through its SME segment:

- Insurance Products: SMEs represent over 20 percent of the bank’s insurance commissions.
- Commercial Credit Cards: SMEs represent 84 percent of new card sales.
- Salary Payments: 58 percent of salary payments come from SMEs.
- POS – Cash Management: 67 percent of SMEs banked at Garanti have POS terminal services.
d) Customized Product packages for different sectors of SME

The majority of SMEs in Garanti Bank’s portfolio fall into the mass and small segments. For most firms (over 90 percent), their financing requirements do not justify a more tailored and customized approach. For this reason, Garanti has adopted a sector-based approach toward SME products and services.

Based on in-depth market research, the bank has identified specific product and service needs for each target sector, and developed proposals and a set of complementary liability and fee-based services. The bank has 17 product support packages for each targeted SME sector, including manufacturing, agriculture, services, tourism, exporting companies, and importantly, women entrepreneurs. The sectors were selected based on their potential in terms of profitability and risk-return (see Figure 9).

Figure 9: Examples of product bundles offered by Garanti Bank

<table>
<thead>
<tr>
<th>Segment</th>
<th>Proposition</th>
<th>Loans</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women</td>
<td>• Improve company’s production capacity or improve its service</td>
<td>• Women entrepreneur loan</td>
<td>Checking acc, OD ACC, POS, credit card, LG’s,</td>
</tr>
<tr>
<td></td>
<td>• Brand new package for women</td>
<td>• Business premises loan</td>
<td>foreign trade services, SME pension plan,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Auto loan</td>
<td>insurance factoring</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Cash loan</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• SME project finance loan</td>
<td></td>
</tr>
<tr>
<td>Tourism</td>
<td>• Flexible cashflow and FX support for agencies, suppliers, cafés, and restaurants</td>
<td>• Tourism support loan</td>
<td>Checking acc, OD ACC, POS, credit card, LG’s</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>• Support for those that want to grow and expand abroad</td>
<td>• Business premises loan</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Commercial vehicle loan</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Fuel management system</td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>• Investment and production financing on terms that suit the harvest period</td>
<td>• Machinery loan</td>
<td>Checking acc, OD ACC, POS, credit card, LG’s,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Cash loans</td>
<td>foreign trade services, SME pension plan,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Expo participation loan</td>
<td>export insurance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Certificate acquisition loan</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Business premises loan</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• SME support loan</td>
<td></td>
</tr>
<tr>
<td>Tradesmen</td>
<td>• Use loans at discounted rates</td>
<td>• Tractor and harvester loan</td>
<td>Ekin card, agriculture insurance, SME pension</td>
</tr>
<tr>
<td></td>
<td>• Meet client’s financing needs as well as collections and payments</td>
<td>• ST production loan</td>
<td>for farmers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• M and LT support loan</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Greenhouse loan</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Warehouse receipt loan</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Tradesmen support loan</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Loan via POS</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Commercial vehicle loan</td>
<td></td>
</tr>
</tbody>
</table>

Source: Garanti Bankası website

e) Optimized credit model for efficiency

Garanti Bank’s leading position in the SME segment is supported by a well-designed and highly efficient credit process, which offers three primary capabilities:

- decentralized underwriting and delegated approval authority depending on rating, loan amount, collateral, and customer type;
- a sales team as the first line in risk assessment; and
- an application process handled through an automated loan origination system (LOS) through which application data is entered, transferred, accumulated, and updated on a regular basis.
The credit process is tiered, and uses traditional financial analysis as well as sophisticated scoring and rating tools depending on client category and financing needs. Applications from small- and mass-segment SMEs go through a retail-style credit process, supported by statistical scoring for mass and a simplified rating for small. Applications from medium-segment SMEs go through a commercial credit process based around higher loan amounts and/or higher levels of sophistication in terms of loan product requested (project finance, options, trade finance). Garanti Bank uses an internally-developed simplified rating tool to underwrite applications from medium-segment clients.

**Garanti’s turnaround times are some of the fastest in the industry**, with time-to-yes decisions for small and mass clients made in as few as three hours, and disbursements in a single day. For medium-segment clients, time-to-disbursement can be as quick as one day for existing clients, while new client applications are processed within a week.

### 5. FORMATION OF GARANTI PROPOSITION TO WOMEN ENTREPRENEURS

#### a) Why did Garanti decide to target Women Entrepreneurs (WE)?

Garanti began to focus on women entrepreneurs as a customer segment in 2006. At this point no other Turkish financial institution was focusing on this area of the market, though international interest in this sector had increased.

Garanti Bank’s strategic vision was to become the bank of choice for women entrepreneurs by providing women entrepreneurs “the managerial and consultancy support needed to help them reach a competitive level in global markets.”

Market research showed that women saw no financial service provider in the Turkish market that understood their needs and challenges. The research identified a number of key principles the bank used to develop its Women in Business Proposition. These were as follows:

**Expectations from their bank:**
- More relationship management needed, including creating a partnership.
- Better understanding of WE’s needs and differentiated solution delivery.
- Banking business processes should be as simple as possible.
- WEs are price sensitive and want low interest rates and service fees.

**Approach to financial support:**
- Financial solutions should not only support WE’s business cash-flow, but also production capacity, product quality, and sustainable business development.

**Assessing the opportunities:**
- WEs are confident in their own skills and more likely to know other entrepreneurs.
- WEs are more alert to the existence of unexploited opportunities.
- WEs are emotionally connected to their business.
- WEs are more focused on long-term sustainability.
b) **Identifying Women Entrepreneurs in the portfolio**

Garanti identifies women entrepreneurs based on a combination of ownership and management criteria. According to the bank, a women entrepreneur is any company or sole proprietor that is at least 20 percent owned by a woman or group of women, or any business where a woman or women are effectively running the business at the top management level. WE identification is made at the opening of an account, at which time the WE is asked for commercial registration documents providing shareholder specifics. Supplementary checks through the Turkish Trade Registry Gazette confirm and identify the ownership and management structure, as required.

A key challenge with this definition is that, in Turkey, SME shareholding structures are often ill-defined. In addition, details related to shareholders and gender are not always captured during the account opening. Typically if these details are missing it becomes very difficult to track the full women in business portfolio. Garanti has overcome this challenge via data cleaning, with RMs responsible for following up with clients to complete client data on file.

**Figure 10: Garanti Bank: Customer Base: WE shares in SME Segment**

<table>
<thead>
<tr>
<th># of Women Owned Companies</th>
<th>34,662</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Sole-Trader and Self-Employed</td>
<td>105,551</td>
</tr>
<tr>
<td>TOTAL WE</td>
<td>140,213</td>
</tr>
<tr>
<td><strong>Profit</strong></td>
<td>12%</td>
</tr>
<tr>
<td><strong>Deposit</strong></td>
<td>10%</td>
</tr>
<tr>
<td><strong>Customer Loan</strong></td>
<td>11%</td>
</tr>
<tr>
<td><strong># of Customers</strong></td>
<td>12.5%</td>
</tr>
</tbody>
</table>

*Note: *This analysis is done within the customer group of women-owned companies (>50% shareholding, sole-traders and self-employed) who benefited from cash loans.

**c) Segment positioning within Garanti**

Similar to what IFC has seen globally with leading players such as Westpac in Australia, Garanti does not manage WEs as a separate segment within the Bank. Instead it incorporates them into the main SME Banking business as a marketing sector. Although, there is a specific WE Support Package designed and branded for women (“Black Shoe” brand), women entrepreneurs are managed like other SMEs. The bank has no RMs dedicated to women, nor are there any specific targets provided to them or new skills provided for more effective support for women. The bank does not use gender champions or ambassadors within the network, as IFC has seen in other successful providers. Instead, WE ambassadors are located in regional hub-offices, promoting and organizing WE events. Subsequent new leads and opportunities developed through such events are channeled to RMs for follow up.

Organizationally, the WE business is integrated into the SME Banking business line. The WE initiative has to date been led by the Head of Entrepreneurship Banking for the SME department and supported by the corporate communications team. This is interesting to IFC, given the

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5 RMs in Garanti Bank branches only have volume-based and number of products targets which do not provide strong incentive to proactively push WE segment business.
potential scale of the opportunity for the bank in this sector and the typical need for dedicated resources in marketing and communications support.

d) Garanti’s three-pillar proposition for Women Entrepreneurs

Garanti’s proposition for WEs initially started with the development of a WE Package that bundled several products (predominantly credit products) together. This has evolved over time into a value proposition based around three main pillars to support WEs:

- Pillar I – Financial Support
- Pillar II – Education
- Pillar III – Encouragement

1) Pillar I - Financial Support

Garanti designed a support package of predominantly credit products to address the basic financing needs of WEs. The bank does not develop separate products for women, per se, as the bank believes fundamental financial needs are the same for men and women entrepreneurs. The only difference in the lending products is based around small pricing concessions (see Figure 11).

Figure 11: Garanti Bank’s WE Product Package

- Women Entrepreneur Commercial Loan
- SME Project Loan
- Overdraft
- Foreign trade services
- Letter of credit
- POS
- Pension Program for Women Entrepreneurs
- Leasing
- Business Credit Card
- e-commerce (vPOS)
- Insurance (covers critical illness)
- Gold secured loans for WEs
- Factoring

Source: Garanti Bank, 2013

Contrary to IFC’s global observations, Garanti has found that women are just as price sensitive as their male counterparts. This is different to the commonly held assertion that women are more loyal customers who believe in strong relationship management and are willing to pay for it. For Garanti, credit is deliberately priced aggressively, as women have been found to be more sensitive to price, and more likely to “shop around,” at least initially, compared to their male counterparts. This may be related to a “culture of subsidy” in Turkey, and the perception that government subsidies are potentially available to support a loan to a woman entrepreneur. This deviation from global norms might also be due to high levels of female education in Turkey or the urban-based woman entrepreneur segment the bank tends to acquire. Collateral policies remain gender-neutral, however, with the same credit policy parameters adopted for male and female entrepreneurs. Other than price, Garanti makes no other customization at an individual credit-product level for women.
Women and men customers at Garanti differ significantly in terms of product usage patterns. Women tend to have a strong affinity for savings and insurance products and a risk aversion to full credit products, though credit remains a powerful hook product for cross-selling (see Figure 12).

The concept of savings is also gaining ground in Turkey, although maturities remain rather short term, averaging one to one and a half months. This is because SMEs tend to re-invest or utilize funds for other purposes on a discretionary income basis. The bank, in conjunction with the Group’s pension company, has developed a pension plan to tap into the observed savings habit of women, and to encourage longer-term savings. The plan combines a pension plan with educational insurance in one installment and has proven very popular with WEs.

**Women also show a high propensity for buying insurance.** The figures indicate that women are more risk averse and want the security afforded by both life and non-life insurance products.

**Figure 12: Garanti Bank: Product Usage – Product Penetration of WE Loan Customers**

<table>
<thead>
<tr>
<th>Product</th>
<th>Penetration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Life Insurance</td>
<td>41%</td>
</tr>
<tr>
<td>Life Insurance</td>
<td>60%</td>
</tr>
<tr>
<td>Credit Card</td>
<td>62%</td>
</tr>
<tr>
<td>Internet</td>
<td>58%</td>
</tr>
<tr>
<td>ATM</td>
<td>88%</td>
</tr>
<tr>
<td>POS</td>
<td>23%</td>
</tr>
<tr>
<td>Overdraft</td>
<td>17%</td>
</tr>
</tbody>
</table>

*Source: Garanti Bank, 2013*

The bank effectively **leverages government-funded guarantees and financial support** for WEs, particularly from the main two support agencies which female entrepreneurs can access: KOSGEB (Small and Medium-sized Enterprises Development Organization) and KGF (Credit Guarantee Fund) which provide credit guarantees for SMEs and offer special programs for WEs.

The bank launched a **gold loan product in 2013, aiming to capitalize on gold’s appeal to women**. The collecting of gold is a cultural habit in Turkey, and women begin to accumulate gold jewelry from birth. As such gold can represent a valuable alternative source of collateral for women. Banks have recently been establishing gold accounts to incentivize customers to physically store gold outside the home. While this product has not been designed specifically for WEs, and has only recently been rolled out, it is an example of innovative product design that considers and takes advantage of cultural and social norms to make it easier for women to access finance.
2) Pillar II – Educating Women Entrepreneurs

The bank views the education and entrepreneurial encouragement of women as key to its proposition. The aims in educating women entrepreneurs are three-fold:

- To provide information on essential subjects needed to run a business.
- To encourage female entrepreneurs in exploring and identifying new business opportunities through networking.
- To support the development of personal and business management skills needed to successfully run a business.

“Women Entrepreneurs need more encouragement to move their business to the next level, beyond what they have already achieved. Through our support value proposition, we encourage them to grow their existing business.” – Senior Manager Responsible for Women Entrepreneurship at Garanti Bank, Istanbul, Turkey

Women Entrepreneur Gatherings provide a sustainable method to provide business education to WEs across Turkey. Garanti Bank began organizing WE Gatherings in the regions in 2007, in conjunction with KAGIDER, the Women Entrepreneurs Association of Turkey and a Garanti partner. Gatherings are typically held in 5 cities each year, with local Garanti branches helping organize and advertise the events. In general, such events host on average of 150-200 participants, including around 30 percent non-clients. The local press and KAGIDER’s own network are extensively leveraged to advertise and promote the event in the community.

A typical one-day event is co-branded as Garanti Bank and KAGIDER jointly, with the focus on:

- Marketing
- Financial needs
- Entrepreneurship in a changing environment
- Presentation of local role models (selected from local WEs and most active members of KAGIDER)
- How to embrace the digital platform (e-commerce)

Over the past five years, the gatherings have been successfully rolled out in 24 cities, reaching over 4,500 WEs.

Garanti initially developed a formal training program for WEs jointly with KAGIDER, but this proved to be very costly and difficult to organize. In September 2012, however, Garanti and Bogazici University established Turkey’s first WE Executive School to provide a mini-MBA for female entrepreneurs. Given the time constraints of WEs, the course lasts only about one and a half months, and takes place in a different city each quarter. The course (syllabus, Figure 13) requires 100 hours of classroom time, followed by an examination to ensure certification.
As of November 2013, more than 467 businesswomen – about 70 percent of all attendees – have completed the program and earned certificates from Boğaziçi. To date the training courses have been conducted in Istanbul, Izmir, Ankara, Antalya, Denizli and Gaziantep, with two more cities planned before the end of 2013. A list of attendees is passed on to regional RMs, which represents a strong business development component of the initiative. After two years, Bogazici plans to perform research to assess the impact of the training on WEs in Turkey.

Women entrepreneurs are offered this training program for free, yet it is proving difficult to find sufficient numbers in the market willing to give the time and meet strict eligibility criteria. Pro-active campaigning through RMs in branches supported by strong partnership ties with local chambers of commerce can help Garanti to overcome this challenge. In IFC’s experience, such schemes are costly, difficult to scale and hampered by traditional social norms. The program offered by Garanti today is cost-shared (50 percent) by an IFI as part of $60 million loan for on-lending to women entrepreneurs. Yet the bank needs to clearly articulate the business case for offering such education and ensure that the training can remain available on a stand-alone and sustainable basis. A key challenge with this initiative is how to achieve sufficient scale in a cost-efficient manner and make a material difference to the market. This is an issue IFC frequently encounters, one in which technology and alternative channels (e.g. mobile, internet) could assist. Looking ahead, Garanti plans to introduce training programs involving e-learning and remote teaching tools in partnership with Bogazici.

3) **Pillar III – Encouraging Women Entrepreneurs**

Research performed by Garanti Bank has demonstrated a strong need for women in Turkey to be encouraged to manage and grow their businesses. Garanti’s creation of a Woman Entrepreneur of the Year (WEY) award in Turkey is a key part of this encouragement process.
The bank manages the WEY award in conjunction with KAGİDER and the local Ekonomist magazine. The competition aims to draw public attention to women entrepreneurship, boost WE numbers in Turkey to match those of developed countries, and celebrate WEs’ contributions to the Turkish economy.

Within the scope of the competition, success stories of women doing business all over Turkey are evaluated and presented with the intention of promoting the winners as role models. There are four specific nomination categories for the competition (Figure 14).

**Figure 14: Woman Entrepreneur of the Year Award: Nomination Categories**

<table>
<thead>
<tr>
<th>Category</th>
<th>Award</th>
</tr>
</thead>
</table>
| **Turkey’s Woman Entrepreneur**                            | 20,000 TL cash  
1 year free subscription to Ekonomist, Capital and Elite Magazines  
1 year free KAGİDER membership |
| **Turkey’s Promising Woman Entrepreneur**                  | 15,000 TL cash  
1 year free subscription to Ekonomist, Capital and Elite Magazines  
1 year free KAGİDER membership |
| **Turkeys Woman Entrepreneur Who Has Created A Difference In Her Region** | 15,000 TL cash  
1 year free subscription to Ekonomist, Capital and Elite Magazines  
1 year free KAGİDER membership |
| **Turkeys Woman Social Entrepreneur**                      | 15,000 TL cash  
1 year free subscription to Ekonomist, Capital and Elite Magazines  
1 year free KAGİDER membership |

*Source: Garanti Bank, Competition Web Site 2013*

The evaluation criteria vary based on category, but in general applicants are assessed against factors such as risk-taking, customer relations management, marketing activities, financial structure, local economic impact, environmental consciousness, and innovative social solutions.

In 2006, the inaugural competition drew 108 applicants. In 2012, more than 6,000 WEs competed for this honor, demonstrating the popularity of the competition and Garanti Bank’s dominance in the WE space. Garanti Bank’s branches assisted by helping source potential candidates, following up, and preparing shortlisted candidates. RMs in branches are also incentivized to nominate qualified candidates into the competition by offering a one-on-one lunch with the SME banking EVP. Some 75 percent of competition applicants are already Garanti Bank clients.

**e) Developing partnerships to support Women Entrepreneurs**

Central to Garanti Bank’s strategy is the concept of the WE ecosystem, in which the bank is at the center of an extensive network that supports and promotes WE in Turkey (Figure 15). Garanti Bank has a close affiliation with KAGİDER, jointly organizing the WE Gatherings and
the WEY competition. The bank also supports a number of local NGOs across Turkey to ensure a regional presence.

Garanti Bank collaborates with top universities, such as Boğaziçi and Middle East Technical University, to develop training and market research. As a bank of choice for WE, the bank has positioned itself to actively collaborate on policy-making with the Ministry of Family Planning, KOSGEB, KGF, and TOBB (the Union of Chambers of Commodity Exchanges of Turkey). The Bank also works closely with IFIs, such as OPIC and EBRD, to provide additional sources of funding and technical assistance to support WEs.

Over the last three years, Garanti Bank has been an active member of the Global Banking Alliance for Women (GBA), a consortium of 31 member institutions working in 135 countries to build innovative, comprehensive programs that provide women entrepreneurs with vital access to capital, markets, education, and training. Garanti Bank is collaborating with other members on identifying and sharing global best practices in the delivery of financial services to women. In September 2013, Garanti Bank hosted the 12th Annual GBA Summit, in Istanbul.

Figure 15: Garanti Bank: Women Entrepreneurs Ecosystem

Source: Garanti Bank, 2013

f) Garanti as an employer of choice for women

In IFC’s experience, banks that excel with WEs are themselves employers of choice for women. Banks strive to achieve this goal by measures such as promoting gender balance at all staffing levels or creating a women’s association and mentoring programs for women leaders.

Today, nearly 60 percent of Garanti’s 18,000 employees are women. This is one of the highest proportions IFC has come across. Further, after a 2012 audit⁶, PricewaterhouseCoopers found no gender discrimination at the bank.

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⁶ Under the Technical Assistance of the World Bank, KAGİDER (the Women Entrepreneurs Association of Turkey) has been developing the Gender Equality Model for Turkey since 2010. The Turkish version of the model (FEM) focuses on Equal Opportunities in the work place. The objective of the Certification under this program is to help the private sector focus on key elements integral to promoting gender equality
In terms of gender balance in the workforce, Garanti’s representation of women at various staff levels are in line with the practices of peers from Western countries: non-managerial positions at 60 percent, managerial positions at 50 percent, and top management at 20 percent.

While the bank does not have a women’s association, it caters to the networking needs of women employees through a “Kalemetek” internal website. This is a platform through which women employees are able to share knowledge and information, discuss women-related issues, and meet virtually meet with successful colleagues.

While the bank does not use gender-specific advocacy scores to assess female employee satisfaction, a yearly employee satisfaction survey is performed with the findings shared with management team and directors. These are then used to better address employee needs going forward.

**g) Garanti Bank and Corporate Social Responsibility**

Garanti aims to “achieve long-term sustainable growth” by continuously creating value. The bank believes that sustainability needs to be a core part of Garanti’s decision-making mechanisms and business processes. In 2012, Garanti Bank established a full-time Sustainability Team under the Project and Acquisition Finance Department to enhance the efficiency of its organizational structure for sustainability. To better inform stakeholders on how it will integrate environmental and social factors into its business processes, Garanti published its first comprehensive Sustainability Report in the first quarter of 2013, as part of a Global Reporting Initiative (GRI).

Women are a key focus for CSR, with the program designed as a role model in combining a CSR program with business targets. A number of initiatives performed to date have been joint initiatives between the CSR and the SME Banking teams. This includes, for example, the Boğaziçi University Mini-MBA program discussed above, which provides free entrepreneurial education for women. Thus far, the focus has been on women who already have businesses. Starting in 2014, the program will be expanded to include women who are not formally employed, with a heavy focus on financial education and IT literacy.

Garanti Bank has sponsored the International Women Entrepreneurship and Leadership Summit organized by the Women Entrepreneurs Association of Turkey (KAGİDER) since its inception. The 3rd summit, held November 8-9, 2012, focused on "The Rising Power of Women in the New World Order," attracting expert speakers and leaders from around the world.

The bank is very active on the Garanti Facebook page, using the tool to reach out to women on a range of issues. No financial institution in Europe has more Facebook followers (or “likes”) than Garanti according to the bank sources. The bank’s page dedicated to WEs (Figure 16) addresses innovations in Turkish Commercial Law, angel investing, financial and economic news, SMEs, and more.

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in the workplace, marketplace and community. The project also aspires to promote gender equality in employment and earnings, enhance the productivity of women in the Turkish labor force and to promote equal opportunity procedures in the business world.
h) Performance of the Women Entrepreneur Business to date

As of September 2013, the Bank had **140,213** customers enrolled in the WE Program, representing just less than 10 percent (9.35 percent) of its SME customer base and $900 million in outstanding cash loans.

Evidence from the data analytics team at Garanti supports the notion that women make profitable SME customers. Indeed the difference in profitability is strongly positively correlated with the size of entrepreneur, so that as a women entrepreneur grows her business the value of that relationship grows significantly for the Bank also. This can be seen in Figure 17, which shows that the average profitability differential between average for SME and female entrepreneurs increases nearly six-fold between a Medium versus a Mass SME.

It is still not totally clear what is the main drivers are for this difference in profitability levels are, although variations in the level of efficiency or product usage are very telling of the fact that on average, WEs at Garanti consume more financial services (see below). The efficiency ratio in Figure 17 below represents an internally defined ratio, based around product usage across the main ten product groupings in the Bank. Anecdotal evidence collected by Garanti also suggests that women- entrepreneurs work with two and very rarely three banks, and prefer to have one “main banker” to hold most of accounts and conduct the majority of the transactions. They also respond well as customers to a dedicated relationship management model, which allows them to deal with a single point of contact in the Bank. This appears to result in far higher wallet shares.
being maintained for women entrepreneurs, and by definition, higher profitability per relationship.

**Figure 17: Garanti: Customer Efficiency and Profitability: Women vs. Men**

<table>
<thead>
<tr>
<th></th>
<th>Women</th>
<th>SME</th>
<th></th>
<th>Women</th>
<th>SME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Efficiency Ratio</td>
<td>2.31</td>
<td>2.16</td>
<td>Av. Profit per SME</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medium</td>
<td>4.36</td>
<td>3.71</td>
<td>Medium</td>
<td>TL12,467</td>
<td>TL9,213</td>
</tr>
<tr>
<td>Small</td>
<td>3.29</td>
<td>2.93</td>
<td>Small</td>
<td>TL3,706</td>
<td>TL3,165</td>
</tr>
<tr>
<td>Mass</td>
<td>1.91</td>
<td>1.74</td>
<td>Mass</td>
<td>TL1,512</td>
<td>TL1,427</td>
</tr>
</tbody>
</table>

*Source: Garanti Bank, October 2013 (results of data analytics exercise)*

A commonly held belief globally is that women entrepreneurs are generally a better credit risk than their male counterparts. This does not seem true for Garanti Bank however. Indeed, discussions with credit analytics specialists at the bank confirmed that not only were there no appreciable differences in NPL rates between the two sexes in the portfolio, but that the Bank’s statistically developed risk assessment tools have been developed with no gender related parameters. To the extent that Garanti today has a market representative portfolio of male and female entrepreneurs, we may assume that for the Turkish market at least, gender is not likely to be a major predictor of default.

6. CONCLUSIONS AND RECOMMENDATIONS FROM IFC

A. IFC acknowledges Garanti’s pioneering efforts in the introduction and growth of the women entrepreneur banking segment within Turkey and the region more broadly. While other banks are beginning to roll out similar products, Garanti Bank has acted as a role model for its peers and as such can take wider credit for the promotion of this segment.

The bank has made significant progress since 2006 in developing a viable proposition for women entrepreneurs in Turkey. The fundamental strength of the bank’s SME Banking business platform has allowed the Bank to tap effectively into the women entrepreneurs market in Turkey.

B. Garanti Bank has understood the importance of moving beyond purely an access to finance view of the WE market to also provide encouragement and consultancy support for women entrepreneurs. This can be seen in the initiatives around women gatherings, and the new mini-MBA in conjunction with Boğaziçi University.

The WE business represents only a small portion of the bank’s business, and a significant opportunity remains to achieve further scale in coming years. Greater emphasis needs to be placed on profitability and sustainability of WE businesses, through improved analytics and CRM to create a level of transparency in terms of performance. While there are social objectives related to the support of women entrepreneurs, it must remain a profitable business proposition, just like any other.
As the business scales up, there may be a need to embed specific targets for WEs into the network and assign dedicated staff to manage the sector. IFC has observed that other banks globally have adopted champion and ambassador roles in their networks. This may be worth considering, if it has not already been done.

C. The WE market in Turkey, like the SME market more broadly, has significant variability both in terms of current and potential value per customer to the bank. Going forward, there may be a need to create more scalable advisory platforms to support the educational needs of small and mass-segment WEs, perhaps through e-learning and webinars (which Garanti Bank is already looking into). Such steps should go hand-in-hand with greater tiering of the offering based on current and potential client value. The risk is that the current model may not differentiate enough, particularly when it comes to non-financial advisory.

D. Garanti Bank clearly has a strong sustainability framework. But as a large buyer of products and services in Turkey, the bank has an opportunity to take a more supplier-inclusive, diversity-friendly approach to procurement across the Group. This could include establishing a supplier diversity program that includes a core component to encourage women-owned SMEs as suppliers, contractors, and sub-contractors of goods and services along the Group’s value chain. As this case study was being prepared for printing, Garanti Bank became the partner of WE Connect International, opening its doors for greater supplier diversity and inclusion.