



# PROFIT WITH PURPOSE- MAKING BANKING ON WOMEN IMPACTFUL

Learnings from BLC Bank Lebanon, Garanti  
Bank Romania, Garanti Bank Turkey

LEARNING STUDY ON IMPACT OF BANKING ON  
WOMEN PROGRAMS IN EUROPE, CENTRAL ASIA,  
MIDDLE EAST AND NORTH AFRICA

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# TABLE OF CONTENTS

<b>ACKNOWLEDGEMENTS</b>	<b>2</b>
<b>TABLE OF CONTENTS</b>	<b>3</b>
<b>FOREWORD</b>	<b>4</b>
<b>I. INTRODUCTION</b>	<b>7</b>
<b>II. EXECUTIVE SUMMARY</b>	<b>7</b>
<b>III. CONCLUSIONS AND RECOMMENDATIONS</b>	<b>11</b>
<b>IV. CASE STUDIES:</b>	<b>14</b>
<b>CASE STUDY 1: BLC BANK LEBANON: LEAD IN BANKING ON WOMEN - A STUDY</b>	<b>16</b>
A. Introduction	18
B. Background	24
C. Analysis and Assessment	26
D. In Their Own Words: Customers Speak	34
E. Findings and Recommendations	36
<b>CASE STUDY 2: GARANTI BANK ROMANIA: STRIVING TO LEAD IN BANKING ON WOMEN - A STUDY</b>	<b>40</b>
A. Introduction	43
B. Background and Objectives	49
C. Analysis and Assessment	54
D. Women SME Customer Voices	66
E. Findings and Recommendations	68
<b>CASE STUDY 3: GARANTI BANK SA: COMBINING SME BANKING EXCELLENCE WITH A PROPOSITION FOR WOMEN ENTREPRENEURS IN TURKEY</b>	<b>72</b>
A. Introduction	75
B. Background	75
C. Understanding the Context in Turkey	76
D. SME Banking Platform Market Leadership	79
E. Formation of Garanti Proposition to Women Entrepreneurs	84
F. Conclusions and Recommendations from IFC	94

# FOREWORD



**Xavier Reille**

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As an investor in emerging markets, the International Finance Corporation (IFC) strongly believes that investing in women's entrepreneurship is not only essential for economic growth but is also good business. IFC's commitment to advancing gender equality is therefore anchored in a strong business case for profitable, gender-smart banking solutions that reduce the gap between men and women as entrepreneurs. IFC works through financial institutions to provide much-needed access to finance for millions of micro, small, and medium enterprises – in particular to those owned by women. In doing so, we contribute to reducing the gender credit gap, which is at the heart of the World Bank Group's new gender strategy and an important part of the World Bank Group's vision of ending extreme poverty and building shared prosperity. But banking on women programs not only benefit women entrepreneurs and close the gender credit gap, they equally benefit banks by providing a growing and profitable business opportunity. Banks who target women borrowers benefit from tapping into a large, fast-growing and underserved customer segment. They can also benefit from cultivating a customer base that exhibits a more loyal behavior towards their main bank and potentially provides more profitable opportunities compared to male customers – as we have seen in cases of Garanti Bank Turkey and BLC Bank. Banks who target women borrowers can also benefit from a borrower segment that exhibits better pay-back rates and more diligently adheres to payment discipline, as we have seen in the case of Garanti Bank Romania. As such, the female borrower segment can be a powerful

contributor to a bank's growth and performance. Banking on women programs can help banks improve performance, drive growth and profitability.

Over the past decade, IFC has been working through financial institutions around the world to reduce the credit gap for women entrepreneurs. Through our investment and advisory engagements with client banks interested in serving women entrepreneurs, we have built a sizeable portfolio around the globe. On their journey to develop and grow these banks' banking on women, our client banks have taken different approaches and in doing so have generated a considerable amount of knowledge and learning – in particular with regards to how these banking on programs have affected the bank's business.

It is with great pleasure that I introduce to the readers the "EMENA Banking on Women Learning Studies". This report compiles three individual case studies of banking on women programs from three IFC client and –partner banks. This report is a joint initiative and the result of a long-standing partnership between the IFC, BLC Bank, Garanti Bank Romania and Garanti Bank Turkey. The objective of these learning case studies is to inspire and inform financial institutions, donors and others interested in developing similar programs and to share some of the learning from our client and partner banks in East Europe, Central Asia and the Middle East and North Africa.

I invite you to enjoy the insights on good practices and success drivers, to learn from these three case studies and to think of ways in which your institution can strengthen its business by creating economic opportunities for women.



## Deepa Chakrapani

Head, Development Impact Unit  
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The World Bank Group's FY16-23 gender strategy put forth an ambitious path toward improving opportunities for women because failure to fully capitalize on women's productive potential represents a major missed opportunity for global economic growth. Women-owned micro, small and medium enterprises (MSMEs) are already becoming a force to be reckoned with when it comes to growth and development of economies in which they operate. An estimated 31% - 38% of formal Small and Medium Enterprises (SMEs) in developing economies are owned fully or partially by women<sup>1</sup>. Yet on average only about 10 percent<sup>2</sup> of women entrepreneurs have adequate access to the capital required to grow their businesses. This fast growing market segment is widely underserved and represents a unique and lucrative opportunity for financial institutions around the globe.

As part of the World Bank Group and an investor in emerging markets, the International Finance Corporation (IFC) has a development objective to enhance access to finance to women entrepreneurs. IFC's Banking on Women Program, established in 2010, aims to help financial institutions, especially those with mature SME lending portfolios, to tap into this growth segment. This publication presents IFC's experience with three IFC client and partner banks - Garanti Bank Turkey, Garanti Bank Romania and BLC Bank Lebanon. It showcases the unique experiences of and insights into the individual journeys of these banks

in lending to women owned SMEs, and offers a rich and diverse set of learnings and recommendations.

Despite the fact that each one of these banks is at a different stage of the "Banking on Women" program and as such, has taken a unique approach to capitalize on this fast growing and profitable segment, there are unifying themes that emerged from these studies. All three banks, for example, understood that a superficial "pink-washing" of their "Banking for Women" Strategy is not an option. On the contrary, providing real solutions to problems faced by women entrepreneurs proved to be critical to their programs' success. Investment in gender-disaggregated data strongly emerged as one of the key success factors as well (albeit that it remains a challenge for many banks.) And last, but not least, there is evidence encountered that the female entrepreneurs' customer segment makes a positive contribution to the banks' bottom lines.

In short, despite the fact that complexities of tackling issues of access to finance for women entrepreneurs are unique for every financial institution that embarks on this journey, successful first-movers like BLC bank Lebanon, Garanti Bank Turkey, and Garanti Bank Romania have an important role to play in transferring knowledge, creating a blue-print and inspiring other banks.

My hope is that you find the studies presented in this publication informative and thought provoking. Without further ado, I invite you to explore these studies and form your own conclusions.

<sup>1</sup> IFC Enterprise Finance Gap Database (2011).

<sup>2</sup> Banking On Women: Changing the Face of the Global Economy, <http://www.ifc.org/wps/wcm/connect/9be5a00041346745b077b8df0d0e71af/BOW+FACT+SHEET+NOV+1+2013.pdf?MOD=AJPERES>

# LIST OF ABBREVIATIONS

ATM	Automated Teller Machine
BoW	Banking On Women
CAEN	Clasificare Activitatilor Din Economia Nationala A Romaniei
CASA	Current Account/Savings Account
CSR	Corporate Social Responsibility
CVP	Customer Value Proposition
EBRD	European Bank For Reconstruction And Development
EMENA	Europe And Central Asia, Middle-East And North Africa
EU SBA	Small Business Act For Europe
EVP	Executive Vice-President
GBA	Global Banking Alliance For Women
GEM	Global Entrepreneurship Monitor
IFC	International Finance Corporation
IRR	Internal Rate Of Return
IS	IFC's Investment Services
IT	Information Technology
KPI	Key Performance Indicators
L/G	Letter Of Guarantee
MENA	Middle East And North Africa
MIS	Management Information System
MoET	Ministry Of Economy And Trade
MSME	Micro, Small And Medium Enterprises
NGO	Non-Governmental Organization
NFS	Non-financial service
NPS	Net Promoter Score
NPL	Non-Performing Loans
OD ACC	Overdraft Account
OECD	Organization For Economic Co-Operation And Development
OPIC	Overseas Private Investment Corporation
POS	Point-Of-Sale
RM	Relationship Manager
RoAA	Return On Average Assets
ROT	Return On Turnover
SME	Small And Medium Enterprises
TGB	Turkiye Garanti Bankasi
TL	Turkish Lira
UNDP	United Nations Development Program
WE	Women Entrepreneurs
WE-INITIATIVE	Women Empowerment Initiative

# I. INTRODUCTION

The overall objective of this report is to learn about the results of the International Finance Corporation (IFC) “Banking on Women Program” (BoW) in Europe, Central Asia, the Middle East and North Africa (EMENA) as well as other Banking on Women programs.

Established in 2010, IFC’s “Banking on Women Program” uses IFC’s investment capital to help financial institutions around the world with lending track records to small and medium enterprises (SMEs) to profitably expand their portfolios and provide women entrepreneurs with access to finance. IFC also works with financial institutions to deepen their ability to reach women-owned businesses through segmenting their target market, positioning their brand and repositioning their products to reach female borrowers. As of 2016, IFC’s BoW Program has a portfolio of over \$1 billion, invested in 32 banks around the world for on-lending to women, and is working with 22 banks globally to build up their capacity to bank with women. IFC’s “Banking on Women Program” in EMENA was launched in 2011. Since then, IFC has provided over \$130 million in finance to six banks for on-lending to women entrepreneurs: Garanti Bank Romania, Fibabanka A.Ş. Turkey, Alternatifbank A.Ş. in Turkey, Şekerbank T.A.Ş. in Turkey, Bank of Georgia, Transcapitalbank in the Russian Federation. IFC has delivered advisory services to an additional five banks to build up their capacity to serve women customers (BLC Bank in Lebanon, Bank al Etihad in Jordan, Bank Muscat in Oman, Habib Bank Ltd in Pakistan and Bank of Palestine in West Bank and Gaza).

The EMENA program is active in nine countries.

Garanti Bank Romania, BLC Bank in Lebanon, both IFC client banks, and Garanti Bank Turkey<sup>3</sup>, were selected for this publication as individual case studies. Each of the three case studies looks at the existing capacity and performance of each of these banks in terms of serving women entrepreneurs. In doing so, the study places particular emphasis on the extent to which these banks are able to deliver their women banking programs in a commercially viable, self-sufficient manner that is based on the bank’s own in-house resources and capacities. Where possible, each study also aims to understand if and how the female borrower segment has affected each bank’s business (bottom line, sustainability and growth targets).

A separate and parallel assessment of this program looks at the impact of the program on the end beneficiaries, i.e. women-owned SMEs. This beneficiary survey will provide insights into how effectively the bank’s female borrowers are reached and served. Ultimately, this study aims to generate learning for IFC and its client banks in order to strengthen the design and delivery of the banks’ BoW program, as well as IFC engagements in this area.

# II. EXECUTIVE SUMMARY

Each of the three banks has followed a different path in building their Banking on Women program. In doing so, the banks have generated at each step of their journey much learning that other banks can benefit from.

<sup>3</sup> The case study on Garanti Bank Turkey was produced and launched in 2014 and added to this report to be included in the meta-analysis.

While the individual case studies have aimed to highlight both - good practices as well as opportunities to do things differently and strengthen program results, this section focuses on presenting a summary of the leading practices and success driver that we were able to identify in the three banks' Banking on Women programs.

## LEARNINGS ON GOOD PRACTICES

### 1. STRONG SME BANKING AS A FOUNDATION:

**All three banks built their Banking on Women programs on a strong foundation of an existing SME Banking platform. This is because they all recognized that a bank looking to excel at doing business with women entrepreneurs must have a mature and sophisticated SME banking platform on which to build.** For Garanti Bank Turkey, SMEs has represented a key part of the Bank's strategic focus for some 15 years. Garanti Bank Turkey 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. Garanti Bank Romania has been developing its SME banking capacity since 2007. BLC Bank has been building a sizeable, self-funded SME banking business along with a strong platform in SME banking for both small and medium enterprises since 2011. All three banks have used the core elements, tools and expertise that was rooted in their SME banking program (segmentation, relationship management, customized product packages) to build their Banking on Women programs.

### 2. CLEAR VISION: A vision to become the “Bank of Choice for Women” was a critical element for each bank in setting the stage for their respective Banking on Women programs.

Both, BLC Bank's and Garanti Bank Turkey's strategic vision is to become the bank of choice for women. While Garanti Bank Turkey's vision was initially focused on being the “Bank of Choice for women entrepreneurs” by providing them “the managerial and consultancy support to strengthen their competitiveness”, BLC Bank's vision was somewhat broader, aiming to be a bank of choice for [all] women in Lebanon”.

### 3. BROAD APPROACH: The three banks have all taken some variation of a broader approach to “Banking on Women” that goes beyond just selling loans to women entrepreneurs. BLC Bank's ‘holistic strategy’ has focused on aligning

internal and external gender-smart approaches across its entire bank operation to enhance the external perception and credibility of the Bank in the Lebanese market as the “Bank of Choice for Women”. At inception, BLC Bank focused only on women entrepreneurs as a customer segment. Once this was successfully established, the Bank turned its attention to women inside its own operations, i.e. women in the BLC Bank's workforce and leadership. Similarly, Garanti Bank Turkey's strategy aimed to go beyond just providing financial services to women-run SMEs. Positioned at the centre of an extensive network that supports and promotes women entrepreneurs in Turkey, the bank decided to support a whole ecosystem in which women entrepreneurs live and work. To achieve that, Garanti Bank Turkey developed partnerships with a broad array of institutions that support women entrepreneurs. These include business women organizations, local NGOs, universities, policy-makers and chambers of commerce. Gradually, as the bank's focus on women strengthened, Garanti Bank Turkey had broadened its approach to include its operations, i.e. women in Garanti Bank Turkey's workforce and leadership.

Both, BLC Bank and Garanti Bank Turkey are aspiring and working toward becoming the “Employer of Choice for Women” in their respective markets. Both banks have also started to explore a further broadening of their external focus from an initial focus on the women entrepreneurs' customer segment to a broader customer segment that includes female retail banking customers. Of the three banks, Garanti Bank Romania has taken the most narrow and focused approach, choosing to keep its program within the boundaries of the women entrepreneur customer segment. But in doing so, the Bank still went beyond just selling loans to women entrepreneurs by offering a broader suite of non-financial services and support to complement its financial offering.

### 4. INTEGRATION ACROSS THE BANK: All three banks have - to varying degrees - integrated

**the various elements of their Banking on Women program into relevant departments, units and functions in their bank.** Garanti Bank Turkey has gone the furthest in integrating and anchoring their women banking programs across its entire banking business. The bank developed the Banking on Women program based on the Bank's SME banking business, and it manages the program through close collaboration among the product development team in the head office, the sales teams at the regional and branch levels, and the Bank's central marketing unit within the SME Banking department. The bank has made a special effort in mainstreaming its Banking on Women SMEs program across its subsidiaries. Being a part of a diversified financial-industrial group, Garanti Bank Turkey aimed to integrate its program for SMEs - and by extension for women SMEs - across its subsidiaries such as Garanti Payment Systems, Garanti Mortgages, and others. This approach creates synergy between business lines and leads to greater efficiency.

BLC Bank followed a very similar approach of integrating its Women's Market value proposition across all departments and functions of the Bank, rather than creating an insular unit for its Banking on Women Program. From the Bank's leadership all the way down to the branch level, the Bank allocated program-specific resources and responsibilities to its relevant staff. At the leadership level, a Steering Committee was created to provide guidance. At the head office level, specialists for program planning, coordination and implementation with the branches were put in place. At the branch level, branch staff were assigned the program relevant responsibilities. Garanti Bank Romania has also integrated its Banking on Women program into its various central departments but with a more narrow focus on head office operations. The BoW Program is integrated at the central level into the SME Banking business line at the bank. Like all four other lines of Garanti Bank Romania's banking business, the Banking on Women program is supported by the central communications and product development teams. The Bank has opted not to assign dedicated relationship managers for this specific customer segment at the branch level.

**5. CUSTOMIZED VALUE PROPOSITION: Two out of three banks started out with a fully developed, research-based customer value proposition (CVP) for their female customer segment. All three banks understood that uninformed, superficial "pink-washing" is not sufficient and that providing real solutions to problems faced by women entrepreneurs was critical to program success.** Both BLC Bank and Garanti Bank Turkey developed their Banking on Women program from the onset with a vision to develop a comprehensive and differentiated CVP for their female SME customers. The development of their respective CVP was preceded and informed by market research that generated insights into female borrowers' needs and solutions that could address those. Garanti Bank Turkey's market research showed that women valued emphasis on relationship management, simple business processes, differentiated products, non-financial support, low interest rates and service fees. These findings informed the development of its Women in Business Proposition based on the three pillars of financial support, educating and also encouraging women entrepreneurs that are key to the bank's strategy for this segment.

Similarly, Garanti Bank Romania's offering aims to address the specific needs of women entrepreneurs in Romania. The Bank's offering is a combination of financial services, customized marketing, education and non-financial services. While the financial products that are offered to women SMEs are largely a variation on standard SME products, the bank put emphasis on a differentiated marketing approach to reach this segment. Garanti Bank Romania chose not to focus on the financial product offering itself, but rather on taking a differentiated approach to developing brand awareness of the Bank's women entrepreneur banking program through marketing, social media, and through the sponsorship of events. Similar to Garanti Bank Turkey, the bank complements its financial offering with education and non-financial services (business training and education for SMES, networking events). BLC Bank seems to have gone the furthest in differentiating its financial offering, which includes a collateral-free loan for businesses. Like the other two banks, BLC

Bank complements its financial offering with non-financial services which include mentoring, business skills training, networking opportunities, recognition and awards. The bank's emphasis in this approach is on providing a comprehensive suite of traditional banking financial services customized to women in Lebanon that is complemented with non-financial services.

**6. DATA: Investing in gender-disaggregated data is critical for success and yet data disaggregation remains a challenge for many banks.** BLC Bank has made the most progress by investing in its MIS systems to generate gender-disaggregated data. The bank has introduced a gender-tag into its MIS, which has allowed the bank to create a gender-disaggregated baseline, define and track performance targets for all WE Initiative segments and products, as well as incorporate these into the bank's existing incentive structure. It was also important that BLC Bank was willing to make the required investments into its MIS. The bank adapted its MIS to ensure that all customer data is gender-disaggregated, repurposed an unused field in the MIS to track account ownership by gender and updated applications to collect this information.

Garanti Bank Romania followed a different approach. While Garanti Bank Romania's MIS currently does not allow for disaggregating its SME information by gender, the bank has taken a pragmatic and innovative approach toward identifying alternative methods to track data by gender. For example, the Bank uses reference numbers on customers' personal identification cards. In Romania these begin with either 1 or 2 depending on the gender of the cardholder. Thus, female client numbers can be gathered through the personal ID numbers associated with opening a bank account. The same applies to the formal owner or manager of an SME and the ID number associated with that person. This arrangement has allowed the bank to track certain customer data by gender.

For Garanti Bank Turkey, gender-disaggregated data generation was similarly cumbersome. The details related to shareholders and gender are not always captured during the account opening. If

these details are missing, it becomes very difficult to track the full women-in-business portfolio. Garanti Bank Turkey used data cleaning, with relationship managers responsible for following up with clients to overcome this challenge and complete client data on file. Investing time and effort (including manual account reviews) to tag the female customer base is a particularly challenging task. For businesses, the banks that do not have a gender-tag in their MIS have to manually review each account and tag it as woman-owned based on the sales team's knowledge of its clients. This is hugely time-consuming and produces inconsistencies and inaccuracies. All three banks either had "engendered" their MIS (BLC Bank) or were planning to do so (Garanti Bank Romania)

**7. BUSINESS BENEFITS: There is varying evidence encountered by all three banks that the female entrepreneurs' customer segment is contributing in some form to the bank's business.** For Garanti Bank Turkey, the segment's contribution to the business has mostly been in the form of profitability. Evidence from Garanti Bank Turkey supports the notion that women make profitable SME customers. On average, women entrepreneurs at Garanti Bank Turkey consume more financial services. Furthermore, far higher wallet shares are maintained for women entrepreneurs, and by definition, this segment has a higher profitability per relationship. Similarly, BLC Bank was able to derive economic value from its female SME customer segmenting. BLC Bank calculated that the IRR of its Banking on Women Program stands in excess of 34%. It was not clear to what extent this is the case at Garanti Bank Romania. Where the three banks differ is the segment's contribution to portfolio quality. Garanti Bank Romania and BLC Bank's NPL-rates for female SME borrowers were lower when compared with overall SME portfolio performance which includes the men-led SME borrower segment. NPL rates of BLC Bank's female borrowers were better than the NPL figures for BLC Bank's portfolio as a whole and have consistently outperformed results for the overall portfolio by more than two times. For Garanti Bank Turkey by contrast, there were no appreciable differences in NPL rates between

the two genders in the portfolio. (Both Garanti Bank Turkey and Romania developed statistical risk assessment tools with no gender-related parameters). BLC Bank and Garanti Bank Romania have also seen higher growth rates of the female SME portfolio when compared to the rest of the SME portfolio. BLC Bank's women-led SME portfolio, for example, grew at a much higher rate than the overall SME Portfolio with regards to the number and value of loans disbursed and outstanding over this time period.

**8. KNOWLEDGE TRANSFER: Successful first-movers such as BLC Bank, Garanti Bank Turkey and Garanti Bank Romania are critical in transferring knowledge, creating the blue-print and inspiring other banks.** Two of the banks are members of the Global Banking Alliance (GBA) and are extensively using the GBA and other platforms - such as the IFC – to

transfer knowledge. BLC Bank's Banking on Women program, for example, informed the development of IFC's standard Women Market (WM) Value Proposition to banks. The IFC WM Value Proposition, designed after the BLC Bank programs, serves as a template for other banks all over the world. All three banks' Banking on Women program are illustrating the opportunity and are having an important demonstration in their immediate market (Garanti Bank Romania in Romania, where other banks are starting to consider this segment), in their geographic region (BLC Bank in the Middle East, where it plausibly inspired Bank Muscat; Bank Al Etihad; Bank of Palestine; HBL) and globally (Garanti Bank Turkey) with banks in those various locations showing strong interest in (and in some instances commitment to) investing in their own banking on women programs.

## III. CONCLUSIONS AND RECOMMENDATIONS

Each of the three banks is at a different stage of their Banking on Women program. Each study included in this publication has produced a rich and diverse set of learnings and recommendations. Some of the recommendations below speak to banks with relatively new banking programs, such as Garanti Bank Romania. Other recommendations are relevant to those who have been in the market with a Banking on Women program for a decade, such as Garanti Bank Turkey. Regardless of where banks are on this spectrum, they may find the recommendations below relevant to their specific case and aspirations:

**1. For banks that would like to develop a “Banking on Women” program, it is critical to start with the formulation and implementation of a strategy for the female customer segment development.** For banks that intend to support this segment, better business impact and sustainability of the program can be achieved through a defined and costed strategy that would include: 1. focus on the female client segment in SME banking to define and build market share; 2. cost/benefit analysis of the financial impact to the bank; 3. regions and industries

to be targeted (which may not be the same as for the general banking focus); 4. definition of risk-appetite focus that includes gender-sensitive management of credit risk; 5. further development of products attractive to the female client segment based on research into segment preferences.

**2. At the core of any “Banking on Women” program strategy needs to be the development of a substantially differentiated Customer Value Proposition (CVP) based on in-depth market research of this segment.**

The CVP needs to extend female segment product diversity beyond a focus on general product discounts and deposits and leverage opportunities of cross-selling of additional banking services to an existing client base. Other pillars of a solid “Banking on Women” program strategy are: 1. risk-scoring or risk pricing formulae for the female segment; 2. strengthening of marketing and access to product information and measurement of the impact of NFS activities by tracking customer leads and conversion rates

- 3. For “Banking on Women” programs to be successful and sustainable, it is critical for banks to put in place a dedicated female segment unit within SME and Retail Departments and incentivize teams.** The experience of other banks shows that a small dedicated team in each of the Retail and SME departments, managed and incentivized on the basis of KPI methodology, is better equipped to drive growth than a “universal” approach to female client sourcing and relationship management that take place between the head office, branches, and their clients. Many banks globally with “Banking on Women” programs have adopted champion and ambassador roles for women’s banking among their branch staff and CRM in their branch networks.
- 4. To ensure course corrections, banks establishing a “Banking on Women” program need to develop a methodology and institutionalize a system to disaggregate female-segment performance data.** Availability of refined data to indicate the degree of tangible and intangible contributions of the female segment is particularly critical when making the case to the Board for commitment of resources and capital to develop this niche segment.
- 5. For “Banking on Women” programs to be successful, banks need to recognize the importance of moving beyond solely an access-to-finance view of the women’s entrepreneurship market to also providing encouragement and consultancy support for women entrepreneurs – non-financial services to women entrepreneurs (NFS).** These NFS are an effective way to provide capacity building opportunities for the female

clientele and reduce risk related to capacity and performance concerns. These NFS also help build the pipeline for the provision of financial services to women entrepreneurs. The key in the long-run will be for banks to refocus their NFS offering to ensure that the banks’ NFS services remain innovative and reflective of their female clientele’s needs. The banks should also critically assess the contributions of NFS provided to female customers for the Bank’s objectives and targets set for the Banking on Women program. This means paying special attention to the impact of NFS provided to female customers on the Bank’s ability to attract and retain female customers as well as sell its various financial products to them.

- 6. For “Banking on Women” programs to be successful and sustainable, they need to be scalable. Otherwise, “Banking on Women” programs will remain limited to representing only a small - likely insignificant - portion of a bank’s business.** Banks need to aim for scalability to realize the potential of this segment and to ensure that these programs are commercially successful and sustainable. To increase sustainability and scale, banks need to place greater emphasis on segment performance and -profitability through improved analytics and CRM. While there are social objectives related to the support of women entrepreneurs, this segment must be assessed as a profitable business proposition, just like any other in a bank’s portfolio.
- 7. To achieve scale, banks may need to create more scalable platforms for the provision of differentiated non-financial services to women.** These may include financial literacy education and business training for the small and mass-segment of women entrepreneurs. E-learning and webinars could be powerful tools to achieve scale in NFS. Such steps should go hand-in-hand with greater tiering of the offering based on current and potential client value. It will be critical that these mass-solutions are sufficiently differentiated for the female segment.
- 8. Banks that have pioneered “Banking on Women” programs are starting to see other banks come into this markets. For the First-**

**movers and the pioneering banks, it will be critical to stay relevant, leverage on past success and innovate in order to continue to be successful.** To maintain their role in their market as the bank of choice for women, these first-mover banks need to continue evolving and tailoring their services based on the ever changing needs of their existing female customer base. To do so, these banks will need to keep a close eye on how existing female customers perceive and experience their services and seize new opportunities to serve their female clients as they arise. These banks can do so by listening actively and attentively to the needs of the new women entrepreneurs' customer segment. Tools for banks to stay connected to their customer base and listening actively and attentively include regular and tailored customer surveys to systematically collect feedback from female customers. These surveys will continue to provide the banks with opportunities to gain insight into ways the banks can improve their offerings in these fast changing times. In particular, the banks should consider leveraging online and app-based surveys. Other tools at the disposal of first-mover banks are a revisiting of focus groups conducted when their Banking on Women program was first designed. To do so, these banks can leverage the online platform and virtual community that the banks have already established for their female customer base as well as social media (such as Facebook groups and their discussions etc.) to generate and lead these discussions in discussion forums.

**9. First-movers and pioneering banks need to build a pipeline of future female borrowers in order to keep growing its female customer pool and stay ahead in the market.** Attracting and cultivating young women as new customers to these banks may require attracting a younger generation that is typically not targeted by these banks. This in turn requires understanding the needs and wants of this sub-segment, leveraging technology and mobile banking tools more, which are likely to resonate with younger generation women.

**10. First-movers and pioneering banks in "Banking on Women" need to identify top performers and underdogs in**

**their female SME customer base and cultivates these relationships.** This will allow to create a new or adjust the existing long-term strategy for this customer sub-segment with a focus on developing a specific approach to providing solutions that allow top performers to maximize their potential.

**11. Banks with successful Banking on Women programs for women-led SMEs can benefit by building on their experience and taking a similarly structured, research-based approach for building up their female client portfolio in retail banking for women.**

**12. Banks with successful Banking on Women programs have an opportunity to not only provide access to finance for women entrepreneurs - but also use their own in-house procurement to provide women entrepreneurs with access to business opportunities.** Banks are typically larger buyers of products and services. There is an opportunity for banks with Banking on Women programs to introduce a supplier-inclusive, diversity-friendly approach to procurement across their institution. 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 bank's value chain.





# CASE STUDIES





## CASE STUDY I

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**BLC BANK - LEBANON:**

# LEADING IN BANKING ON WOMEN - A STUDY





# LIST OF FIGURES



Figure 1	Cumulative Performance Results to Date (since beginning 2012)
Figure 2	BLC Bank Project Indicators 2012-2015
Figure 3	Compound Annual Growth Rate (CAGR) Years 2012-2015
Figure 4	Return on Assets for 2014
Figure 5	NPL Rates by Segment

# A. INTRODUCTION

## I. PURPOSE OF THE REPORT

The overall objective of this study is to learn about the impact of International Finance Corporation's (IFC) "Banking on Women" (BoW) Program in the Europe and Central Asia and the Middle East and North Africa (EMENA) through BLC Bank of Lebanon. IFC's BoW Program was launched in EMENA in 2011. Since then, IFC has provided over \$130 million in finance to six banks for on lending to women entrepreneurs and has delivered advisory services to an additional five banks to build up their capacity to serve women customers. The program is active in nine countries. Three of these IFC partner banks were selected for this learning study and their respective experiences are being studied in individual case studies. Each study looks at the existing capacity and performance of each of these banks with regards to sustainably and effective servicing of women entrepreneurs. Each study also aims to understand if and how the female borrower segment has affected the respective bank's bottom line, sustainability and growth targets. It is also envisaged to separately undertake a phase two of this study, wherein the impact of the program on the end beneficiaries (women-owned SMEs) will be assessed. Ultimately, this study aims to generate learning for IFC and its client banks in order to strengthen the design and delivery of BoW programs as well as IFC engagements in this space.

The objective of this specific case study is to understand the success of the BoW program for BLC Bank in Lebanon in terms of the program's contribution to the bank's bottom line, the growth and sustainability of the BoW business, as well as the capacity created within the bank to sustainably service women entrepreneurs and consumers. BLC Bank's BoW Program has been branded by the Bank as the "We Initiative" (Women Empowerment Initiative) and will be referred to as such throughout the study.

## 2. STUDY APPROACH AND METHODOLOGY

In conducting this study, the assessment of

each banks' respective BoW program was guided by the following considerations:

- The focus of the study is on what the authors consider as aspects critical to a successful BoW investment and advisory program. For the metrics of success parameters, see section below.
- Particular attention is paid to acknowledging the varying influences on a client bank's success including but not limited to different types of IFC interventions, stages of program maturity, client buy-in and commitment and data challenges.
- The focus of the study is on banking for women-led SMEs. While looked at the margins of this study, retail banking to women is not the focus of this study. The definition of women-led SMEs for the purpose of this study is based on the definition provided by BLC Bank Lebanon.

Data and information collected and analysed for the purpose of this study comes from five sources:

### Desk research

- IFC's internal project governance systems, data and documents (DOTS, ASOP)
- Client bank's internal documents, such as strategy documents, financial and portfolio data provided
- Public reports and information, including bank websites, media articles, other studies conducted on BLC bank's online/print brochures, bank presentations, annual report, sustainability report

### Field research

- Face-to-face interviews with BLC Bank staff
- Face-to-face interviews with BLC Bank's female SME clients

## 3. DEFINING SUCCESS PARAMETERS

In order to assess the achievement of the "We Initiative" of BLC Bank, this report will

use a set of objective, quantitative metrics commonly used by IFC and by banks with leading women banking programs:

*Key Performance Indicators (KPIs) for the We Initiative*, that help the Bank define and measure progress toward its goals for the initiative.

***Financial KPIs, Segment Performance and Profitability***

- IRR
- Value of SME lending portfolio outstanding for women-led SMEs vis-à-vis BLC Bank's SME portfolio as a whole
- Value of SME deposit portfolio outstanding for women-led SMEs vis-à-vis BLC Bank's SME portfolio as a whole
- Number of loans disbursed to women SMEs vis-à-vis BLC Bank's SME portfolio as a whole
- NPL ratio for women-led SMEs vis-à-vis BLC Bank's SME portfolio as a whole
- Number of women-led SME borrowers

*Non-financial bank-specific KPIs* that help in sustaining the growth of the "We Initiative" program recently developed by BLC Bank.

- Number of subscribers, active members of We Initiative and SME Toolkit websites
- Number of trainings and learning hours spent on the program and number and satisfaction of training participants
- Number of conferences and road shows and number and satisfaction of training participants vs. the planned activity via controlling the conversion rate

Based on these success metrics, the IFC team has reviewed available data from the work with BLC Bank and found very good data availability overall, although with support for a stronger business case for more data in the area of segment profitability. Another area where a lot of interest and attention is being given is in quantifying the impact of Non-financial Services offered on BLC Bank's portfolio and profitability growth.

**Assessment of Gender-Disaggregated Data Availability at BLC Bank**

Metrics	Available
<b>Segment Performance and Profitability</b>	
NPLs comparison for women segment vis-à-vis overall SME portfolio	✓
IRR	✓
ROA comparison by segment	✓
Estimated revenues from the balances, taking into account costs of funds	✓
Average profit margin per SME for both men and women	✓
Number of financial products per SME woman customer	✓
<b>Segment Growth and Sustainability</b>	
Number of deposit accounts opened	✓
Number of active women depositors	✓
Number of women borrowers	✓
Number of loans disbursed	✓
Number of loans disbursed to women	✓
Value of loans disbursed (US\$)	✓
Value of all loans disbursed to women borrowers	✓
Value of outstanding loans (US\$)	✓
Value of all loans outstanding to women borrowers	✓
Number of outstanding loans	✓
Number of loans outstanding to women borrowers	✓
Value of deposit accounts opened (US\$)	✓
Non-performing loans (%)	✓

Value of loans > 90 days overdue (US\$)	✓
Number of new financial products launched	✓
% of SME new disbursed loans from total Bank new disbursed loans	✓
% of SME portfolio outstanding from total Bank portfolio	✓
% of Disbursement to women SMEs from total SME	✓
% of Women's outstanding loans from total outstanding loans to SME	✓
Number of retail loan products per women-led SME customer	✓
Value of SME lending portfolio outstanding for women-led SMEs vis-à-vis BLC Bank's SME portfolio as a whole	✓
New customer acquisition rate for women vis-à-vis BLC Bank's portfolio as a whole	✓
<b>Non-financial Bank-specific KPIs that Help in Sustaining the Growth of the We Initiative Program Recently Developed by the BLC Bank</b>	
Number of subscribers, active members of We Initiative and SME web sites	✓
Number of trainings and learning hours spent on the program and number and satisfaction of training participants	✓
Number of conferences and road shows and number and satisfaction of training Participants vs. the planned activity via controlling the conversion rate	✓

## 4. BLC BANK'S WE INITIATIVE CAPACITY ASSESSMENT

Strategy / Research And Market Knowledge		
A vision/ambition for the We Initiative is explicitly formulated and has quantitative targets	YES	●
Market research about the women's segment has been conducted	YES	●
Explicit strategy for the We Initiative exists, integrating both the financial and non-financial service components	YES	●
Partnerships are being leveraged to support the We-initiative program	YES	●
We Initiative has clear targets set	YES	●
Quantifiable impact of non-financial services on bank's bottom line and portfolio growth has been identified	In progress	◐
Product and Service Customization / Sales and Marketing		
Customer Value Proposition for the We Initiative exists (customized offering)	YES	●
Substantially customized financial products exist	YES	●
Customized non-financial offering exists	YES	●
Bank integrates financial products with branding and non-financial advisory support services into a single overall offering for women	YES	●
Marketing and branding strategies address women explicitly	YES	●
Online presence targeting women exists (website, social media)	YES	●

Capacity (HR and Staff Knowledge)		
We Initiative unit /dedicated team or staff in place	YES	●
We Initiative responsibilities are present in existing teams for SME Banking	YES	●
We Initiative responsibilities are mainstreamed across the bank	YES	●
Internal knowledge and competitive insights on the We Initiative exist	YES	●
Bank staff receive gender-sensitive awareness, sales and customer service training	YES	●
Initiatives are present to foster gender equality in the workplace across different levels in the organization	In progress	◐
Data and Customer Management		
An approach is in place to identify and track women clients on the main core banking system	YES	●
A gender-tag is in place to track women clients on the main core banking MIS	YES	●
KPIs for women customers are in place	YES	●
Gender data by industry/sector is available to inform new business banking programs	In progress	◑

- Legend keys:
- 100% gap – not in place
  - ◐ 75% gap – little in place but opportunity for substantial reorientation
  - ◑ 50% gap - something in place but opportunity for some rework
  - 0 % gap - fully in place



## B. BACKGROUND

### I. ABOUT BLC BANK

Established in early 1950, BLC Bank is one of Lebanon's oldest banks. With an estimated national market share of 2.7%, it is also one of the best-positioned banks in the market. The Bank, which offers banking, insurance and asset management services, holds US\$5.7 billion in total assets (as of 31 December 2015) and operates through 56 branches across Lebanon and Cyprus. Over a decade ago, BLC Bank was able to overcome critical market challenges and re-establish itself as a major player in Lebanon's financial sector. With the market environment becoming increasingly challenging and banking more and more competitive – most dramatically after the 2006 war – the Bank made a concerted effort to look for new ways to grow its business.

### 2. LEBANON'S MICRO, SMALL AND MEDIUM ENTERPRISES (MSME) SECTOR

#### **SMEs represent a large and under-banked market**

SMEs are the driving force in the Lebanese economy, as they account for 97% of total enterprises in Lebanon and employ more than 51% of the working population<sup>1</sup> (mostly in retail trade sector). While SMEs in Lebanon are typically understood to have less than 50 workers<sup>2</sup>, over 90% actually have less than four workers. Given their large number, SMEs are important for the banking business in Lebanon. They represent a large market and a compelling business opportunity, involving diversified risk, a higher profit margin, cross-selling opportunity among the market segment, a source of cheap deposit funding, and solid opportunities for leverage and synergies of infrastructure and knowledge. It is for these and a host of other reasons that BLC Bank is focused on growing its SME customer segment.

#### **Lebanon's growing women-owned SME segment is even more underserved**

Within the pool of SMEs in Lebanon, women-owned businesses and female participation in entrepreneurial activity is growing. Women account for over 36% of all entrepreneurial activity in Lebanon<sup>3</sup>; and own 33% of businesses<sup>4</sup>. Furthermore, recent research<sup>5</sup> indicates that overall, women tend to be loyal customers and cautious investors, in addition to having better loan-payback rates. Serving the women's market segment makes good business sense. Yet women in Lebanon receive only 3% of bank loans<sup>6</sup>. As a customer segment, they are vastly underserved by Lebanon's banking sector.

### 3. BLC BANK: SMALL AND MEDIUM ENTERPRISES (SME) BANKING PLATFORM AND WE INITIATIVE

Given the market opportunity, serving these underserved SMEs, and particularly the women's segment, was a logical decision for the bank and has become an important component of its growth strategy. By 2011, BLC Bank had built a sizeable, self-funded SME banking business along with a strong platform in SME banking for both small and medium enterprises. The Bank understood that the SME client segment will continue to represent the area where the Bank has the most to offer and to gain. To that end, the Bank's senior management made a strategic decision to be a leader in a small number of target markets ('depth') rather than a small player in a large number of markets ('breadth'). Targeting women entrepreneurs is an important part of this mandate. In 2011, the Bank decided to create a banking platform that, while open to both women and

<sup>1</sup> Lebanon's Ministry of Economy and Trade (MoET)

<sup>2</sup> MoET data

<sup>3</sup> "BLC Bank Lebanon: Becoming the 'Bank of Reference' for Women in Lebanon" presentation

<sup>4</sup> World Bank Enterprise Survey, Lebanon, 2009

<sup>5</sup> "Women in Business, Stories of Impact", by IFC AS, June 2013

<sup>6</sup> GEM Women's Report 2010

men, had features and functions designed with women's needs in mind. Currently, BLC Bank serves more than 32,000 women customers, with a loan portfolio of US\$188 million and deposits of US\$834 million as of the end of 2015.

#### 4. ABOUT IFC AND BLC BANK

The establishment of BLC Bank's SME Banking Platform and We Initiative was strongly supported by IFC. The co-operation between IFC and

BLC Bank dates from April 2010, at which time BLC Bank joined the IFC Global Trade Finance program. Subsequently, BLC Bank engaged with IFC Advisory Services in a far-reaching technical capacity-building program focused on seizing promising business opportunities in the local SME sector and particularly in the nascent female segment, largely unrecognised at that time. The result of the co-operation has been the hugely successful We Initiative, designed specifically for female clients.



# C. ANALYSIS AND ASSESSMENT

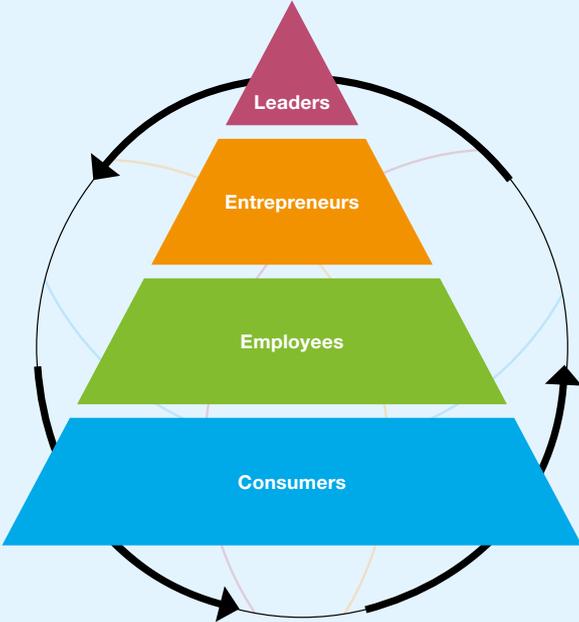
## I. HOLISTIC FRAMEWORK TO EMPOWER WOMEN FROM CONSUMER BASE TO BANK'S LEADERSHIP

BLC Bank created its We Initiative program with an exclusive focus on serving women-owned SMEs in Lebanon. The Bank's logic was to focus on the female SME consumer base as part of its concerted effort to look for new ways to grow its business. Soon however, BLC Bank shifted this focus and adopted a much broader and more holistic approach of empowering women across all of its operations: from its consumer base, to its internal workforce and all the way to the bank's top leadership. This shift was gradual and was driven by the Bank's ambition to become the "Bank of Choice for Women in Lebanon". In order

to achieve that, the Bank realized that it needed to address women and their needs in all of the various economic roles they might have: whether they are an individual to be served by the Bank; or an existing or aspiring business owner; or the Bank's employee seeking opportunities to join the Bank's leadership (please see the pyramid diagram below as a visual expression of this holistic approach).

As part of this effort, the Bank adopted gender inclusion as a guiding principle to do business externally and running its operations internally (please see details in the diagram below). The Bank was also able to demonstrate that adopting this principle had a positive impact on the Bank's business.

### BLC Bank's Holistic Framework To Empower Women From Consumer Base To Bank's Leadership"



## Internal

- Setting a target for gender parity at senior management level by 2020;
- Ensuring women entrepreneurs/suppliers are integrated into BLC Bank's value chains;
- Improving the working environment for BLC Bank staff: flexible part-time schedule with full pay for mothers returning from maternity leave;
- Embedding the Women's Banking, We Initiative, across all banking operations
- Training all bank staff to facilitate a culture change in BLC Bank, as well as in the market, for the women-inclusive bank and service offering.
- Increasing the number of women across all levels in the organization;

## External

- Leading the change in the Lebanese market, establishing role models of women entrepreneurs through the We Initiative and BLC Bank's Brilliant Lebanese Awards;
- Offering a banking services package of financial and business support services that speak to women entrepreneurs, employees and non-working women's needs;
- Making access to banking services easy and convenient for time-deprived women employees;
- Providing the Non-Financial Services offering;
- Profiling women leaders' role models.

The following sections will review and assess BLC Bank's program activities for each of the four stakeholder groups that BLC Bank has aimed to address through the adoption of its gender-inclusion principles:

1. Female consumers
2. BLC Bank's female employees
3. Women entrepreneurs
4. BLC Bank's female leadership

## 2. RESEARCH AND MARKET KNOWLEDGE

BLC Bank, with IFC's help, put in time and effort in researching the female borrowers market in Lebanon. The research showed that women are attractive banking customers because of their a) savings patterns, b) risk profile and c) growth of this demographic group. The research also showed that women are better customers when it comes to loyalty and referrals than men. The Bank has also studied the specific challenges that female entrepreneurs in Lebanon face.

Based on the results of this research, the Bank realized the value of women as a lucrative market segment, and seized an opportunity by applying solutions to the market gaps highlighted by the female entrepreneurs, thus serving the full Lebanese market. Based on the research findings, BLC Bank developed a full spectrum of services for women entrepreneurs, salaried employees and executives, providing them with innovative product packages and services to support their advancement.

With support from IFC, BLC Bank launched the We Initiative program in 2012. Through the We Initiative program, BLC Bank became committed to two objectives: to become the bank of reference for women as well as the employer of choice for women in Lebanon. To develop its Customer Value Proposition (CVP) for women, BLC Bank's team conducted more research among both male and female customers and noncustomers, which yielded surprising results: women felt disrespected by and mistrustful of banks, and while they were mostly satisfied with BLC Bank's existing products, they wanted better support and more personalized services.

In conclusion, BLC Bank has demonstrated best practice through investing in understanding its female target market through in-depth market research and developing a CVP that addresses the needs as well as the gender-specific challenges that women entrepreneurs in Lebanon face. BLC Bank's research-based approach to serve the female segment of the population is one of the critical success drivers for the bank's ability to differentiate itself in the market to this specific segment. BLC Bank's We Initiative has become an example of global best practice.

### 3. PRODUCT AND SERVICE CUSTOMIZATION – COMMITMENT TO THE CUSTOMER BASE

#### Entrepreneurs: Starting With Women Entrepreneurs

The We Initiative is a unique value-proposition to women entrepreneurs (women-run SMEs) that offers a comprehensive suite of traditional banking financial services applicable to women in Lebanon, along with non-financial services such as mentoring, business skills training, networking opportunities, access to markets, and recognition and awards. These non-financial services are aimed at enhancing the capacity of its women clients in business management through a range of training workshops, networking events, business competitions and awards. The Bank has also utilized and adapted the IFC SME-Toolkit to provide online business tools and technical knowhow to existing and prospective clients. The We Initiative is supported by a website ([www.we-initiative.com](http://www.we-initiative.com)).

#### Customer Value Proposition for Women Entrepreneurs



**Financial Services:** In the Financial Services offering, BLC Bank addressed two particular gaps which women in Lebanon faced: lack of collateral among

women entrepreneurs and time and mobility constraints on women entrepreneurs who have family responsibilities. Both of these challenges make banking and bank visits for women entrepreneurs particularly difficult. The Bank offered a collateral-free loan for businesses that have been in place for at least two years. Given that property rights in Lebanon heavily favor males over females, this particular product aims to provide

**BELOW –**  
Sample invitation  
to a Business  
Power Session



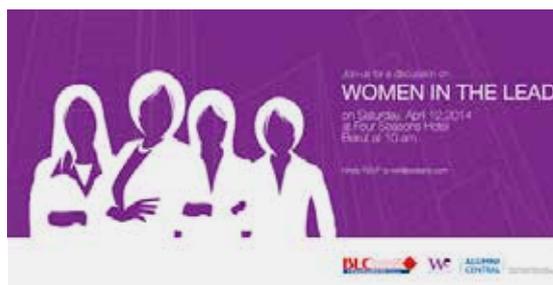
greater access for women who own small businesses.

BLC Bank was also the first bank in Lebanon to launch a comprehensive alternative delivery channel, “BLC Cloud®”, allowing users to experience full self-service banking with the convenience of securely managing their accounts anytime anywhere (Full ATM, Internet and Mobile Banking). Also, BLC Bank was the first bank in Lebanon to have its full network of ATMs become SMART, accepting both check and cash deposits.

**Non-Financial Services:** In addition to new financial services, BLC Bank differentiated its offering by introducing non-financial services critical to supporting the growth of women-owned businesses. These included SME training/seminars, a web portal dedicated to women, facilitating knowledge sharing and networking, and the annual Brilliant Lebanese Awards, recognizing entrepreneurs, including women entrepreneurs’, role in the economy. The Bank’s extensive market research, mentioned earlier, found that these non-financial services were the most critical aspect of the innovative way in which BLC Bank served women entrepreneurs (i.e., in the Bank’s CVP for women entrepreneurs).

**SME training/seminars – power of connection to knowledge and to each other:** The Bank’s extensive market research revealed that many women entrepreneurs feel that they lack core competencies to start and grow their businesses. To support its clients in achieving their full potential in this area, BLC Bank developed a series of financial education and talent development programs delivered through the Business Power Sessions. These platforms, in the Bank’s own words, are “intense, information-rich, walk-on-fire brain charge business networking events designed to help [our clients] to break free, dig deep and make amazing progress in record time”<sup>7</sup>.

**BELOW –**  
Sample invitation  
to the Women in  
the Lead event



<sup>7</sup> <https://www.ihjoz.com/events/544-business-power-sessions>

To ensure delivery of this knowledge to entrepreneurs in more remote areas, BLC Bank has partnered with specialized associations to conduct roadshows around the country (12% of Lebanon's population lives in rural areas)<sup>8</sup>.

**Facilitating knowledge and enhancing networking:**

Recognizing the importance of networking and the many social and business constraints women face, BLC Bank went further than connecting women with business knowledge and peer entrepreneurs and developed several support programs to connect women business owners to suppliers, mentors and experts.

**Web portal:** The Bank's We Initiative website is one of the key tools that supports the Bank's effort to connect women among each other and with experts and advisors along with business tools, exposure and advisory services to implement sustainable business practices.

**Brilliant Lebanese Awards for Networking and Market Exposure:** To provide its female clients with nationwide exposure and networking opportunities in the Lebanese business circles, BLC Bank organizes since 2012 the annual Brilliant Lebanese Awards, which includes



two categories the "Business of the year" and the "Woman Entrepreneur of the Year".

The award has four key evaluation criteria: Creativity, Financial Performance, Sustainability, and Corporate Social Responsibility and personal commitment to the business and the community. In 5 years<sup>9</sup>, more than 700 applications have been received. Winners of the two categories received, each, a prize of USD 30,000

**ABOVE –** Brilliant Lebanese Awards show in 2015

in cash. Since 2013<sup>10</sup>, the Awards show is broadcast-ed on national television, raising the honorees' profiles and providing them with nationwide exposure before, during and following the event. In 2014, BLC Bank also partnered with a local TV station to produce a 16-episode series that showcased real-life stories of successful BLC Bank women entrepreneurs.

**Consumers: Expanding the Consumer Base to Include Focus on Women in Retail Banking**



Customer Value Proposition for Retail Banking: BLC Bank has created the Mother-Child account, a fiduciary account that enabled women to open accounts and name their minor children as beneficiaries without having to refer to the child's legal guardian — ordinarily prohibited by Lebanese law.

**4. INTERNAL COMMITMENT TO BLC BANK'S FEMALE WORKFORCE AND LEADERSHIP**

**Employees: Aligning Internally to Become an Employer of Choice for Women**



Through extensive market research and attentive listening to feedback from its employees and being a firm believer that they need to practice what they preach BLC Bank realized it would need to become the employer of choice for women in order to become the bank of choice for women. The Bank's commitment to the UN Women empowerment principles<sup>11</sup> in 2011 translated into tangible actions for the Bank's female employees. Among several policy changes, the Bank introduced an additional two months' part-time schedule to its maternity leave benefits with full pay, and introduced paternity leave.

To maintain open lines of communications, encourage feedback, and enhance employee motivation and loyalty, the Bank put in place a clear grievance policy as well as employee satisfaction surveys and Net Promoter Score (NPS). To stay true to its principles of equality, the Bank

<sup>8</sup> World Bank, data.worldbank.org/indicator/SP.RUR.TOTL  
<sup>9</sup> "BLC Bank Lebanon: Becoming the "Bank of Reference" for Women in Lebanon" presentation  
<sup>10</sup> https://www.blcbank.com/content/publications/detail.aspx?type=4&id=140  
<sup>11</sup> BLC Bank Presentation, "We Initiative SME Conference May 8, 2013 Dubai"

also incorporated diversity into procurement practices. To track progress on its commitments, the Bank enhanced diverse Key Performance Indicators and established specific targets for women, including recruitment, staffing levels, remuneration, employee development and turnover. As a result of many of these changes, BLC Bank's female employee representation has grown from 47% to 51% since the launch of the We Initiative. By 2014, 35% of staff in middle management were women. The Bank has an overall employee turnover of 3.5%.<sup>12</sup>

## 5. LEADERS: FROM FEMALE BLC BANK EMPLOYEE TO FEMALE BLC BANK LEADER



To recognize and benefit from the talent of female high achievers, the Bank developed the Staff Awards Program and put in place policies that

promote gender equality through remuneration and promotions. To ensure that staff in middle management have career support, the Bank established internal mentoring programs and empowered female employees to establish the We Club. BLC Bank also publicly announced a target of 50% women in senior management (from 43% in 2015) by 2020.

In sum, BLC Bank has set itself apart from other banks

with banking for women programs by being one of the very few globally to adopt a holistic approach, the most notable global leader being Australian Westpac. The Bank stands out among its few peers in the Middle East and North Africa (but also globally) by mainstreaming its We Initiative across the Bank. Internal alignment has been critical in strengthening the credibility of the Bank's reputation and brand as a bank of choice for women. This enhanced credibility and brand in turn has had an impact on market and consumer perception, and is thought to contribute positively to the bank's ability to grow its business with female customers.

## 6. RESULTS AND IMPACT – NUMBERS TALK: FINANCIAL RESULTS OF THE SME BANKING PLATFORM PERFORMANCE AND THE WE INITIATIVE

### Women SME Portfolio Size, Growth and Profitability

Overall, BLC Bank's We Initiative has been very successful and its contributions to the Bank's business have been considerable.

**Size:** Currently BLC Bank serves more than 32,000 women customers, with a loan portfolio of US\$188 million and deposits of US\$834 million as of the end of 2015.

**Figure 1: Cumulative Performance Results to Date (since beginning 2012).**

Indicators	Cumulative by December 31 2015
Increase in the number of SME women borrowers since launch in 2012	82%
Increase in the SME women outstanding loans portfolio since launch in 2012	121%
% of Disbursement to Women SMEs from Total SME (average 4 years)	12%
% of Women Outstanding Loans from Total Outstanding loans to SME (Dec (2015)	11%

Source: BLC Bank

**Growth:** Not only has the Bank's women segment been growing considerably since the We Initiative launched in 2012, but the segment has generated good business benefits. Since the beginning of the program in 2012 (between end of 2011 and December 2015), the number of SME women borrowers increased by 82% and the SME women outstanding loans portfolio increased by

121%, compared to an increase of 46% in the total number of SME borrowers and 71% in the total SME outstanding loans portfolio balance. As such, the Women SME Portfolio grew at a higher rate than the overall SME Portfolio. Furthermore, over a similar time span, the total women deposits portfolio grew by 65%, compared to 34% for the total bank deposits.

<sup>12</sup> "GBA Case Study: BLC Bank: Strategic Differentiation in Women's Market Yields Significant Profits"

**Figure 2: BLC Bank Project Indicators 2012-2015**

Indicators	2012	Cumulative by December 31 2015
Number of deposit accounts opened (SME)	1,529	5,989
Number of deposit accounts opened to women (SME)	270	1,112
Value of deposit accounts opened (SME) (US\$)	51,476,000	200,088,000
Value of deposit accounts opened to women (SME) (US\$)	4,960,000	28,039,000
Number of loans disbursed - SME	1,953	8,082
Number of loans disbursed to women - SME	290	1,329
Value of loans disbursed (US\$) - SME	95,576,000	418,560,000
Value of loans disbursed to women (US\$) - SME	8,743,000	48,769,000

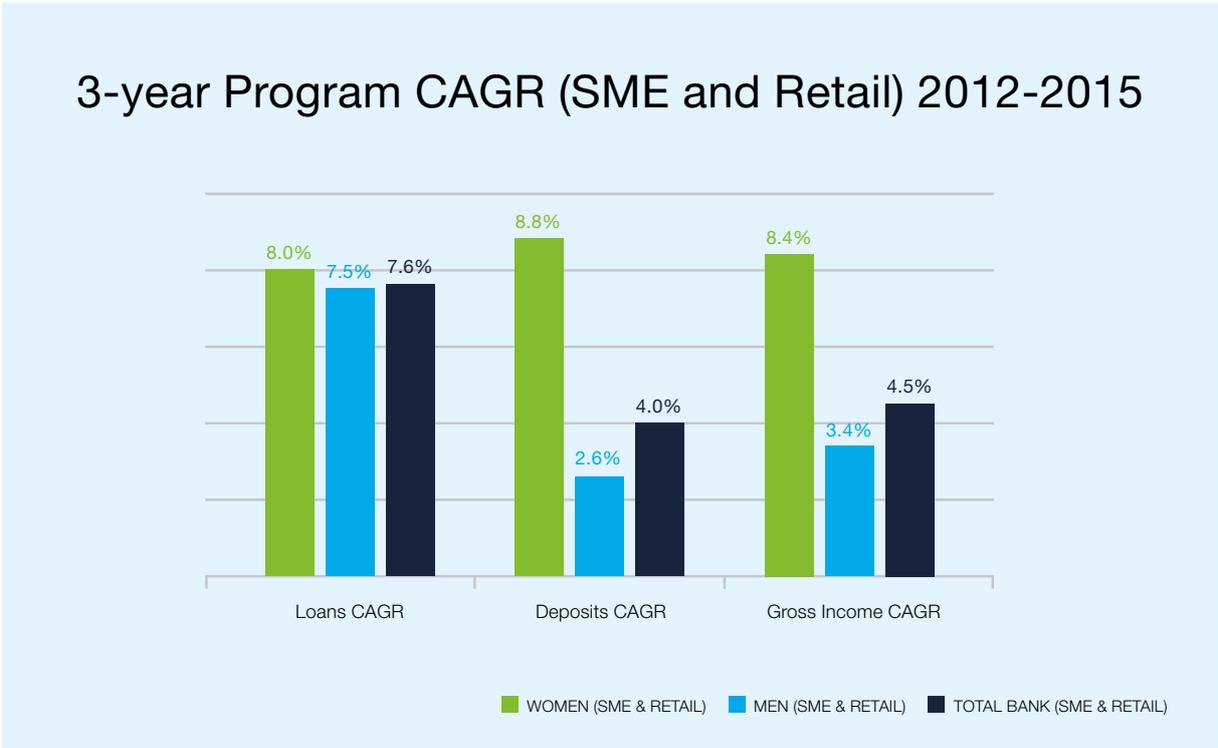
Indicators	Beginning 2012	Cumulative by December 31 2015
Value of loans to women borrowers - SME	11,160,000	24,696,000
Value of all loans outstanding (US\$) - SME	137,135,000	234,642,000
Number of loans outstanding to women borrowers - SME	339	621
Number of loans outstanding- SME	2,848	4,088
Number of women borrowers - SME	285	528

Source: BLC Bank

**Program Returns:** In addition, BLC Bank performed an analysis to calculate the overall project IRR and economic value added to the Bank. Estimating the marginal cash inflows for all segments of the Women’s

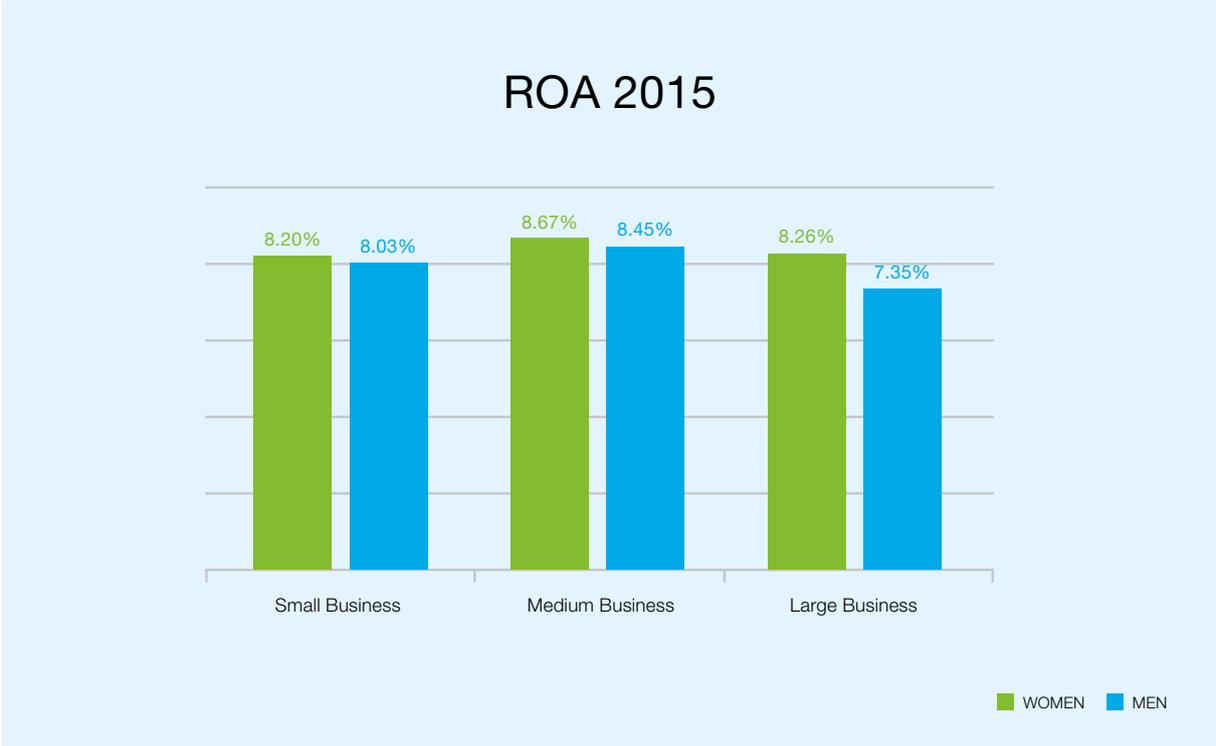
Market program since the program’s launch, and calculating all of the program’s expenses, BLC Bank determined that, on a conservative growth scenario, We Initiative’s IRR is in excess of 34%.

**Figure 3: Compound Annual Growth Rate (CAGR) Years 2012-2015**



Source: IFC/IBRD Roundtable Discussion: “Innovations in the Banking Industry Women Banking Champions: Framing the Opportunity for Banks, Cairo, 29 October 2015. Hani Hoyek, Head of Strategic Development, BLC Bank, Lebanon

**Figure 4: Return on Assets for 2015**



Source: IFC/IBRD Roundtable Discussion: “Innovations in the Banking Industry Women Banking Champions: Framing the Opportunity for Banks, Cairo, 29 October 2015. Hani Hoyek, Head of Strategic Development, BLC Bank, Lebanon

**Portfolio Quality and Performance:** BLC Bank’s business was able to benefit from its women customers’ better track record when it comes to non-performing loans (NPL; > 90 days). NPL rates of BLC Bank’s female borrowers were better than the NPL figures

for BLC Bank’s portfolio as a whole. NPL results for women SME owners have consistently been less than the results for the overall portfolio. The same is true for individual women borrowers (see figure 5).

**Figure 5: NPL Rates by Segment**

NPL Rate for SME	2014 NPL Ratio	2015 NPL Ratio
Women SME	2.69%	5.52%
Total SME	6.35%	7.38%
All Women	1.90%	2.45%
Total Bank	5.46%	5.74%



# D. IN THEIR OWN WORDS: CUSTOMERS SPEAK

GarageLuxe, First Official Pre-owned Luxury Reseller in Lebanon



Mina Mneymneh and Carine Farsoun are founders and owners of GarageLuxe, the first official reseller of luxury fashion products in Lebanon. Their consignment store opened in downtown Beirut in 2014.

Mneymneh and Farsoun are young mothers who wanted to have an independent source of income. To establish their business, they chose to seek finance from BLC Bank.

“While every bank promises to give you a good deal on your loan, BLC Bank doesn’t just

talk, they deliver. It is not a onetime thing with the Bank. They hold your hand and help you to get going,” explains one of the owners about their choice of BLC Bank. GarageLuxe received an SME loan in the amount of \$20,000. GarageLuxe was a finalist in BLC Bank’s Brilliant Lebanese Awards 2012. The BLC Bank-led competition acknowledges and awards successful women entrepreneurs in Lebanon. It celebrates women who have succeeded in business and benefited the community, creating jobs and empowering women in the process.

**ABOVE –**  
Carine Farsoun and Mina Mneymneh, founders and owners of GarageLuxe

Mina and Carine further state that “Applying for the BLC Bank’s Awards has allowed us to look at our business from a different perspective and inspired us to keep going. We were an idea and now thanks to BLC Bank, we are a growing business. We think BLC Bank is the leader and innovator in the SME market, particularly when it comes to technology. As women we feel empowered by the Bank”.

### Qi Juices, Detox and Wellness Juice Bar and Spa Center

Qi Juices was started by Hana Alireza and Leila Nashabe – two young mothers with a love for healthy lifestyles and a desire to have an independent source of income.

The pair was drawn to BLC Bank because of how easy it was to work with the Bank. “As mothers we are always pressed for time”, said Ms. Alireza. The ladies chose to enroll in BLC Bank’s SME loan program.

Smart ATMs was a big draw.



“We like saving time when depositing checks,” said Ms. Nashabe.

**ABOVE –**  
Hana Alireza and Leila Nashabe from Qi Juices

### Maison Khatib, Manufacturers and Wholesalers of Garments and Accessories

Tina Khatib is an owner of the established family business, Maison Khatib, who are manufacturers and wholesalers of garments and accessories. The company started a relationship with BLC Bank in 2003, when it made the decision to grow.

The company received loans from BLC Bank in 2004 and 2006, which allowed the business to double their production premises. By 2012 - and with a third loan from BLC Bank - the company opened its third factory. “BLC Bank loans helped the company grow from six employees in 2004 to 50 employees in 2014”, said Ms. Khatib. Seventy percent of Maison Khatib factories employees are married women.



Ms Khatib said that the main draw of working with BLC Bank for her was and is the fact that the bank values

relationships with its customers and builds these relationships for the long haul.

# E. FINDINGS AND RECOMMENDATIONS

## I. LESSONS LEARNED: WHAT IFC AND OTHER BANKS HAVE LEARNED FROM BLC BANK

BLC Bank's We Initiative has seen a lot of success. BLC Bank's We Initiative has also provided several valuable lessons for IFC and for banks interested in establishing their own programs to bank women.

**KNOWLEDGE TRANSFER:** Successful first-movers such as BLC Bank are critical in transferring knowledge, creating a blueprint and inspiring other banks

- **Knowledge creation:** The success of BLC Bank informed the development of IFC's standard Women's Market (WM) Value Proposition to banks globally in 2013. The IFC WM Value Proposition, designed after the BLC Bank project, serves as a template for other banks all over the world. The Project successfully tested and implemented fundamental components required for banks to become Women Banking Champions in their own markets.
- **Demonstration Effect:** As part of the work with BLC Bank, IFC introduced the Bank to the Global Banking Alliance of Women (GBA, <http://www.gbaforwomen.org/>). Through GBA, the BLC Bank team interacted with best-in-class banks with successful WM operation, like Westpac, Australia and RBS, UK to acquire the know-how of targeting WM. BLC Bank joined GBA in October 2011 and as an active and progressive member

of the GBA, became a board member of GBA in 2014 and Chair of the GBA since September 2015. BLC Bank inspired IFC clients like Bank Muscat, Bank Al Etihad, Bank of Palestine, Access Bank and HBL to invest in targeting women's markets, illustrating the opportunity in developing markets. This illustrates the demonstration effect of the BLC Bank model in the region and globally, with banks showing strong commitment to investing in becoming Women Banking Champions. At least five new projects with a strong gender focus have materialized over the past two years, at least partially attributable to the BLC Bank assignment. BLC Bank has taken further bold steps beyond project implementation to secure sustainability for its Women Banking model, such as becoming the first bank in the region to commit to the UN Global Compact/UN Women's Empowerment Principles.

**CUSTOMER VALUE PROPOSITION:** Don't just 'pink-wash' – offer real solutions to female borrowers

- An uninformed, superficial "pink-washing" of a business strategy is not sufficient for becoming a women-friendly bank that is taken seriously and appreciated by the female customer segment it aims to serve. BLC Bank's example has shown other banks that a customer value proposition to women borrowers

that provides real solutions to the problems faced by women is critical to effectively and successfully tap into the women's market. Market research that generates insights into female borrower's needs and wants and the development of an offering that addresses them are among prerequisites for success.

**STRATEGY:** Integrate, don't segregate

Integrating the Women's Market value proposition across all departments of the Bank was a critical success factor for the program. Rather than create a dedicated unit for the We Initiative, the platform was mainstreamed across all functions in the Bank. This approach is specific to BLC and worked well for the Bank.

- **At the department level:** A We Initiative Project Team was established, with cross-functional representation from implementing team members, to ensure on an ongoing basis the successful development and execution of the program.
- **At the leadership level:** A We Initiative Steering

Committee of senior managers was also created to provide high-level guidance on major decisions about the program.

- **At the head office level:** Two new positions were created at the head office: the We Initiative Brand Manager, with the main responsibility for planning and coordinating program strategies, and the We Initiative Specialist, responsible for working with the branches to ensure uniform branding and implementation of the program, to support Bank staff in approaching women-owned companies and

to support them in meeting KPIs for the Women's Market program.

- **At the branch level:** Each branch has a We Initiative Ambassador who ensures that her or his location has We Initiative branding, promotes We Initiative workshops and other non-financial services to customers and prospects, and liaises with local municipalities, women's associations and NGOs to coordinate and market these activities. Finally, program ambassadors work at the regional level as We Initiative liaisons to the team at the head office.

**DATA:** What is measured gets done – investing in sex-disaggregated data is critical for success

- **Creating a gender-disaggregated baseline:** Investing time and effort (including manual account reviews) at the outset to identify a baseline of their female customer base was critical for BLC Bank's program success. Tagging the existing female customer base was a particularly challenging task. Identifying the sex of a personal account holder was relatively easy, but in the case of businesses, the Bank had to manually review each account and tag it as woman-owned based on the sales team's knowledge of its clients. This effort took considerable time and resources, but it was very important as it allowed the Bank to establish a baseline.
- **Incorporating performance targets for all We Initiative segments and products** into the Bank's existing incentive structure. The targets helped ensure employee performance. They were tied to results, and were set to be achievable, measurable and consistent with the program strategy. BLC

Bank also updated its monthly performance scorecard to give Women's Market incentives a greater weight.

- **Tracking performance targets for female customers:** Setting up an effective performance management system from the beginning that allows tracking of customer data, targets and loan performance of female customers was essential to the program's long-term success. It was also important that the Bank was willing to make the required investments into its MIS. The first step in this process was adapting its MIS to ensure that all customer data would be sex-disaggregated moving forward. The Bank repurposed an unused field in the MIS to track account ownership by sex and updated applications to collect this information.
- **Identifying female prospects:** BLC Bank also leveraged strong Know Your Customer information in their systems to identify female prospects.

**HOLISTIC STRATEGY:** Aligning internal and external gender-smart approaches and following a holistic approach increases market credibility and internal commitment and capacity

- **Starting with 'the external' - the consumer base:** BLC Bank understood that to become the bank of choice for women in Lebanon, it was important to be consistent in incorporating gender-inclusion at all levels of its operation. At its inception, the Bank focused only on women entrepreneurs as consumers, (i.e. meaning customers of the Bank), but by the launch in March 2012, it had expanded its focus to include female individuals as retail banking customers.
- **Making all staff gender-smart through training:** To increase the effectiveness of BLC Bank staff in engaging and serving these female customers, the Bank developed a comprehensive training program

for its employees. The training program was based on the following three modules: "Excelling in Selling to Women", "Gender Intelligence", and "SME and the Women's Market". These modules integrate such market research findings as the importance of establishing a relationship instead of focusing on a hard sell, and selling product benefits, not just attributes. Gender-specific sales modules have since been integrated into BLC Bank's induction training for all new hires.

- **Strengthening market credibility through internal alignment:** Once its external focus on the female customer segment was successfully established,

the Bank turned its attention to women inside its operations, the women in its work force and leadership. Institutionalizing gender equality and women's empowerment values within the Bank's operations has been critical for the external perception of the bank and its credibility in the market as

the bank of choice for women. Not only has this sent a strong signal to the market that BLC Bank's management is committed to supporting these values inside and outside its operations; it has also helped increase internal commitment and credibility among the Bank's staff to reach and service female customers.

## 2. RECOMMENDATIONS AND THE WAY FORWARD

Building on this success, there is an opportunity for BLC Bank to further expand its We Initiative. In the SME banking space, the risk-sharing facility with IFC with a carve-out for women entrepreneurs, launched mid-2016, offers great momentum for further program expansion and deepening. A greater expansion into the women's SME market will allow BLC Bank to capitalize on the higher portfolio-growth and better NPL rates of the Bank's female SME borrower segment. There are several aspects to consider in order to deepen the Bank's engagement with female SME borrowers as well as expand into other female customer sub-segments, including in retail banking.

### Stay relevant, leverage on success and innovate, innovate, innovate!

In order for BLC Bank to maintain its role in the Lebanese market as the bank of choice for women, the Bank needs to continue evolving and tailoring its services based on the ever-changing needs of its existing female customer base. To do so, the Bank will need to keep a close eye on how existing female customers perceive and experience the Bank's services and seize new opportunities to serve its female clients as they arise. Active and attentive listening to the needs of the new We Initiative customer segment has been BLC Bank's strong suite from the beginning of the We Initiative program. The Bank will benefit from staying true to this strategy. More specifically, it may consider

- **Conducting regular and tailored customer surveys** to systematically collect feedback from its female customers. This will continue to provide BLC Bank with opportunities to gain insight into ways it can improve its offerings in these fast-changing times. Consider leveraging online and app-based surveys. Given that these are easy and convenient to fill out, they are particularly relevant for reaching women who tend to be more time and mobility constrained due to

their dual responsibility at work and in their homes.

- **Revisiting the focus group concept** which was used at the inception of the We Initiative program for market research update insights into the Bank's existing female customer base. To do so, consider leveraging the We Initiative's online platform and virtual community as well as social media (such as Facebook groups and their discussions) to generate and lead similar discussions in Bank forums. In addition, the Bank is already successfully utilizing POS (point-of-sale) software to support its financial product portfolio. Recent versions of POS have also become a more widely used tool to access feedback from a customer base. POS software can, for example, be used as a more sophisticated way to group customers into online membership and interest groups that could become targeted, virtual versions of focus groups, and provide diverse and helpful feedback from female customers on all topics relevant to their business. As such, custom-designed POS tools might be used to generate gender-segregated results.

### Run with the wind: serve the young generation

In order for BLC Bank to continue to grow its female customer pool and also build a pipeline of future female borrowers, the Bank needs to attract and cultivate young women as customers. These young women will be a new demographic for the Bank, as the younger generation is not typically targeted by

BLC Bank. It will be critical for the Bank to identify young women as a potentially additional sub-segment of their female customer segment. To do so successfully, consider:

- **Understand the needs and wants of this sub-segment** so that BLC Bank can effectively reach and

- attract them through relevant products and services.
- **Leverage recently introduced mobile banking tools** that enable instant and low-cost banking transactions such as BLC Bank's new HEY! App. It is these types of banking solutions that are most

- likely to resonate with younger females.
- **Tweak existing and suitable products**, aimed at young customers to address some of the gender-specific challenges young women face.

### Review the existing financial portfolio: top performers and underdogs

As BLC Bank builds up its female SME customer base and cultivates these relationships, it is critical to focus on strengthening customer- and portfolio quality going forward. To do so, BLC Bank may want to:

- **Take stock of the Bank's female SME client base** and assess the Bank's related portfolio performance to identify top and poor performers in the portfolio.
- **Adjust the existing long-term strategy or create a new one** for this customer sub-segment, with a focus on developing a specific approach to providing solutions that allow top performers to maximize their potential.
- **Pay particular attention to the stock of uncollateralized and poorly performing loans** held by the Bank's female SME customers and identify strategies to address poor performance or the risks of uncollateralized loans.

In conclusion, BLC Bank has demonstrated best practice in developing a CVP for its women-owned SMEs and female entrepreneurs. Having successfully built their women-SME portfolio and business, there is now an opportunity for BLC Bank to take a similarly structured, research-based and ambitious approach to build up their female client portfolio in retail banking. The fiduciary account introduced as a new product for

mothers is a promising start. However, retail banking offers a much larger and more diverse space for the Bank to engage in. The size and broad variety of female sub-segments not only allows for serious scaling and cross-selling across these segments but also – for those women with entrepreneurial aspirations – offers the potential to help build a pipeline for future female SME borrowers. The pitfall for some banks with programs for women has been the challenge to scale their programs. While scale does not appear to be a challenge for BLC Bank, the Bank will assert its role as a global visionary leader in women's banking by exploiting the potential of women clients in retail banking.

Furthermore, while BLC Bank has shown impressive results in growing women's retail portfolios, there is still room for growth in this segment for BLC bank. SME numbers (as of December 31, 2015) indicate that SME women's deposits portfolio constitutes only 16% of the total BLC Bank SME outstanding deposits portfolio. Cumulative SME loans disbursed to women constitute only 12% of the BLC Bank's overall lending portfolio, while outstanding loans to women SMEs constitute only 11% of the overall SME outstanding loans portfolio. The ratio of the number of women depositors to the number of women borrowers is close to 100%, which indicates that women provide a solid client base for the bank in terms of both business lines.

### NFS and the bottom line

Non-financial services have been used by BLC bank as an effective way to provide capacity- building opportunities for its female clientele. Road shows, learning seminars and networking events were important channels in BLC Bank's effort to reach the female segment following the launch of the We Initiative. Now that BLC Bank has secured its leadership position in the market as a bank of choice for women, it might want to review and refocus its NFS offering to ensure that these services remain innovative, cutting-edge and reflective of its female clientele's needs.

- **Consider critically assessing the contributions of NFS** provided to female customers to the Bank's objectives and targets for the We Initiative. This means assessing the impact of NFS provided to female customers on the Bank's ability to attract and retain female customers, as well as to sell its various financial products to them.
- **Consider taking a fresh look at the Bank's partnership network** for NFS to women, assessing its effectiveness and identifying potential areas in need of expanding or/and revamping. Identify possible new partners as well.



## CASE STUDY 2

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**GARANTI BANK ROMANIA:**

# **STRIVING TO LEAD - A STUDY ON WOMEN IN BANKING**





# LIST OF FIGURES



Figure 1	Assessment of Gender-Disaggregated Data Availability at Garanti Bank Romania
Figure 2	Garanti Bank Romania's BoW Program Capacity Review
Figure 3	Garanti Bank Romania SME Banking Products
Figure 4	Garanti Bank Romania Financial results 2014/15
Figure 5	Women Entrepreneurs in Main Counties of Romania (2014)
Figure 6	Sponsored workshops on entrepreneurship - Paul Renaud, Importance of a Clear Marketing Plan
Figure 7	Garanti Bank Romania Women-Led SME Portfolio (including but not limited to IFC SME facility)
Figure 8	Sector Distribution of SMEs in Romania
Figure 9	Assessment of Gender-Disaggregated Data Availability at Garanti Bank Romania
Figure 10	Garanti Bank Women-Led SME Portfolio

# A. INTRODUCTION

## I. PURPOSE OF THE STUDY

The overall objective of this study is to learn about the results of the International Finance Corporation (IFC) “Banking on Women Program” (BoW) in Europe, Central Asia and the Middle East (EMENA). Established in 2010, IFC’s “Banking on Women Program” uses IFC’s investment capital to help financial institutions around the world with SME lending track records to profitably expand their portfolios and provide women entrepreneurs with access to finance. IFC also works with financial institutions to deepen their ability to reach women-owned businesses through segmenting their target market, positioning their brand and repositioning their products to reach women borrowers. As of 2016, IFC’s BoW Program has a portfolio of over \$1 billion, invested in 32 banks around the world for on-lending to women, and is working with 22 banks globally to build up their capacity to bank women. IFC’s “Banking on Women Program” in EMENA was launched in 2011. Since then, IFC has provided over \$130 million in finance to six banks for on-lending to women entrepreneurs: Garanti Bank Romania, Fibabanka A.Ş. Turkey, Alternatifbank AS in Turkey, Şekerbank T.A.Ş in Turkey, Bank of Georgia, Transcapitalbank in the Russian Federation. IFC has delivered advisory services to an additional five banks to build up their capacity to serve women customers (BLC Bank in Lebanon, Bank al Etihad in Jordan, Bank Muscat in Oman, Habib Bank Ltd in Pakistan and Bank of Palestine). The EMENA program is active in nine countries.

Garanti Bank Romania and BLC in Lebanon, both IFC client banks, were selected for study as individual cases. Each study looks at the existing capacity and performance of each of these banks in terms of its service to women entrepreneurs in the long-term in a commercially viable, self-sufficient manner that is based on the bank’s own in-house resources and capacities. Where possible, each study also aims to understand if and how the women borrower segment has affected each bank’s business

(bottom line, sustainability and growth targets). A separate phase two of this study is being considered, wherein the impact of the program on the end beneficiaries, women-owned SMEs, will be assessed. This beneficiary survey will provide insights into how effectively the bank’s women borrowers are reached and served. Ultimately, this study aims to generate learning for IFC and its client banks in order to strengthen the design and delivery of the banks’ BoW program, as well as IFC engagements in this area.

## 2. STUDY APPROACH AND METHODOLOGY

The assessment of the two banks’ BoW programs has been guided by the following considerations:

- The focus of the study is on what IFC has defined as a successful BoW investment and advisory program. For the definition of success parameters, see “3. Defining Success Parameters” below.
- The study acknowledges and factors in any gaps in the client banks’ collection of gender-disaggregated portfolio and customer data. While the assessment may be affected at points by limited data availability, the study aims to determine where the data gaps lie.
- The client bank’s BoW program is compared and assessed against other IFC BoW client banks as well as against what is considered to be global leading practice in BoW.
- Recipients of IFC BoW advisory services are compared against recipients of IFC BoW investment services, in order to understand which elements in the type of IFC engagement have contributed to the bank’s successful BoW program results.
- Particular attention is paid to acknowledging the varying influences on a client bank’s success, including but not limited to different types of IFC interventions, stages of program maturity, client buy-in and commitment and data challenges.

- The focus of the study is on banking for women-led SMEs. While looked at the margins of this study (see Annex), retail banking for women is not the focus of this study. The definition of women-led SMEs for the purpose of this study is based on the definition provided by Garanti Bank Romania, which in turn is to a large extent informed by IFC's definition of women-owned SMEs (see p. 17).

Data and information collected and analysed for the purpose of this study comes from five sources:

#### Desk research

- IFC's internal project governance systems, data and documents (DOTS, ASOP)
- Client bank's internal documents (strategy documents, financial and portfolio data provided)
- Public reports and information (bank websites, media articles, online/ print brochures, presentations, annual report, sustainability report)

#### Field research

- Face-to-face interviews with ten of Garanti Bank's staff
- Face-to-face interviews with two of Garanti Bank's women SME clients

### 3. DEFINING BEST PRACTICE IN BANKING FOR WOMEN

The review of the Garanti Bank BoW Program is guided by what is considered to be global leading practice in banking for women. Banks with successful BoW programs have typically

- developed strategies for the women client segment and how to capitalize on its potential contributions to the bank's bottom line,
- invested in adjustments of their MIS systems that allow for the dis-aggregation of women-client contribution data,
- have invested in in-depth market research on needs and preferences of women borrowers and used it to further differentiate products and services for the women-SME segment,
- trained frontline staff and guided them to become "ambassadors" or "women

champions" and incentivized them to meet targets in this sub-segment,

- complemented their NFS business skill training and networking events with tailored mentoring or advice developed specifically for women clients to encourage relationships and to provide tools and support to them.

### 4. DEFINING SUCCESS PARAMETERS

Where possible, the study aims to measure the success of the BoW Program for the respective client banks in terms of the BoW Program's contribution to the banks' bottom line (profitability), and the growth and sustainability of BoW business, as well as the capacity created within the bank to sustainably service women entrepreneurs and consumers.

Various banks have used different metrics to measure some or all of the above profitability-, growth-, and sustainability outcomes (BLC, Garanti Bank Turkey, Chase Bank). Metrics have included

#### Segment Performance and Profitability

- Average profit per SME for both men and women
- Efficiency ratio per SME for both men and women
- NPLs, IRR and ROA comparison by segment
- Annual ROI for the women's segment based on total number of accounts, average deposit values, and estimated revenues from the balances, taking into account costs of funds

#### Segment Growth and Sustainability

- Number of products per women-led SME customer
- Value of SME lending portfolio outstanding for both men- and women-led SMEs
- New customer acquisition rate for both men and women

Generally, banks around the world face the challenge of pulling gender-disaggregated data from their MIS because they do not have a gender flag installed. Many banks are therefore unable to calculate some of the above metrics. Garanti Bank Romania is facing a similar challenge with its MIS. The Bank has moved to solve this problem by using gender-based differences in the numbers on the Bank

customers' national identification cards. Due to this data challenge, only certain gender-specific metrics could be calculated or pulled from the MIS. They include, for example, gender-specific NPL rates.

### 5. IDENTIFYING DATA GAPS

Overall, the study has found that gender-disaggregated data collection for the purpose of reporting is done pro-actively by the Bank ('Bank' is short for Garanti Bank Romania). It is only limited by the extent to which the Bank's MIS system is able to generate gender-disaggregated data. As noted above, many banks around the world do not have a gender flag installed in their MIS. Garanti

Bank Romania was a pioneer in moving around this limitation to use the gender-based numbers in personal identification cards. Hence, Garanti Bank Romania is to be commended on its proactive approach to collecting gender-disaggregated data (for more, see p.15) A review of currently available gender-disaggregated data provided by Garanti Bank Romania showed that there is an opportunity to close some of the existing data gaps. With adjustments in the Bank's MIS system, further data could be generated pertaining to sub-segment portfolio performance and profitability and to some extent also to sub-segment growth and sustainability. The following data was provided by the Bank in gender-disaggregated form:

**Figure 1: Assessment of Gender-Disaggregated Data Availability at Garanti Bank Romania**

Metrics	Available
<b>Segment Performance and Profitability</b>	
Number of financial products per women-led SME customer	x
Average profit per SME for both men and women	x
Efficiency ratio per SME for both men and women	x
NPL rates per SME for both men and women	✓
NPLs, IRR and ROA comparison by segment	x
Annual ROT for the women's segment based on total # of accounts	x
Annual ROT for the women's segment based on average deposit values	x
Estimated revenues from the balances, taking into account costs of funds	x
Average loan ticket size for both men and women-led SMEs	✓
<b>Segment Growth and Sustainability</b>	
Number of loans for both men and women-led SMEs	x
Number of SME loan customers, both men and women-led	x
Value of SME lending portfolio committed for both men and women-led SMEs	x
Value of SME lending portfolio outstanding for both men and women-led SMEs	✓
New customer acquisition rate for both men and women	x
Increase in loan balance for both men and women-led SMEs (4-years)	✓
<b>Bank Capacity</b>	
Number of dedicated BoW staff	x

Source: Garanti Bank data and interviews

## 6. BUSINESS IMPACT AMID LIMITATIONS ON GENDER-DISAGGREGATED PORTFOLIO OR PROFITABILITY DATA

The study acknowledged and accepted that due to MIS system limitations, some of the portfolio data and metrics that are required to quantify and judge success (see p.4) were not available in gender-disaggregated form. To draw meaningful and helpful conclusions about the Bank's BoW program, therefore, the focus was shifted to assessing success in more qualitative terms, such as steps taken by the Bank to create the necessary capacity to reach the women's SME segment (as the closest proxy). The focus here is on qualitative indicators of success, which mostly pertain to BoW strategy, product offering and data management. Program success is defined by the women's segment portfolio

performance, growth and to a lesser extent by portfolio profitability and sustainability due to data limitations. The study found that the key drivers of the progress of Garanti Bank Romania's BoW Program are in the area of marketing, branding and online presence. There is some opportunity to complement those efforts with market research and capacity building for the Bank's staff. Combining these building blocks can maximize the success of BoW programs, as experiences from other banks with successful BoW programs have shown. In sum, Garanti Bank has built its BoW Program on the right foundations, namely its SME Banking capacities, and good progress has been made, driven by the Bank's differentiated marketing, branding and online presence of the BoW Program. These efforts can be further complemented to maximize the success of the program.

**Figure 2: Garanti Bank Romania's BoW Program Capacity Review**

Strategy / Research And Market Knowledge		
A vision/ambition for BoW is explicitly formulated and has quantitative targets	YES	
Market research about the women's segment has been conducted	YES	
Explicit strategy for BoW exists	NO/TSE	
BoW has been explicitly mentioned and integrated into existing corporate or business line based strategies	YES	
A work plan to achieve BoW targets exists	TSE	
Product And Service Customization / Sales and Marketing		
Customer Value Proposition for BoW exists (customized offering)	YES	
Substantially customized financial products exist	TSE	
Customized non-financial offering exists	YES	
Bank integrates financial products with branding and non-financial advisory support services into a single overall offering for women.	YES	
Marketing and branding strategies address women explicitly	YES	
Online presence targeting women exists (website, social media)	YES	
Capacity (HR And Staff Knowledge )		
BoW unit /dedicated team or staff in place	TSE	
BoW responsibilities in existing teams (SME Banking)	YES	
BoW responsibilities are mainstreamed across the bank	TSE	
Internal knowledge and competitive insights on BoW exist	YES	
Bank staff receive gender-sensitive awareness, sales and customer service training	NO	
Data And Customer Management		
Approach in place to identify and track women clients on the main core banking system	YES	
Gender-tag in place to track women clients on the main core banking MIS	NO	
KPIs for women customers in place	YES	
<b>TOTAL GARANTI BANK ROMANIA BoW CAPACITY</b>	YES	

Legend keys:  100% gap – not in place (NO)  
 75% gap – little in place and little opportunity for substantial reorientation (TSE/ TO SOME EXTENT)  
 50% gap - something in place but opportunity for some rework (YES/TSE)

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## B. BACKGROUND

### I. BACKGROUND ON ROMANIA MARKET CONTEXT

#### Good Economic Growth Expectations and Importance of Romania's SME Sector

Romania's is one of the high-growth economies in emerging Europe (GDP growth of 3.8% in 2015 and forecasted to grow to 4.3% in 2016). The service sector is the engine of the growth, the unemployment rate stabilized at 6% in August 2016, the lowest level since 2009 while the real wages increased rapidly during this year by around 16% above the last year's level. Overall, growth has been driven by the trade and transportation and expansion in other Private services sectors, like IT& Telecommunication and Business services.

With an increase in wages and purchasing power, spending and retail have picked up. The improved income perspective but also the low interest rate environment boosted the mortgage Loans (+16.6% annual growth as of August 2016).

Within that economic climate, 50% of Romania's GDP derives from Romania's 505,800 SMEs, which comprise 99.7% of Romania's total enterprises (as of 2014 figures). SMEs contribute 58% of total turnover of Romanian companies and employ 66% of the Romanian workforce. While SMEs are Romania's economic engine, Romania still has the lowest ratio of SME per 1000 inhabitants in the European Union. As such, there is considerable potential for entrepreneurship and the growth of that segment.

#### Romania's Women Entrepreneurs

Women entrepreneurs in Romania make up a substantial part of this business opportunity. They

require similar – but often more nuanced and adequate – support. In return, women-led SMEs offer to banks a largely untapped and not yet well studied borrower segment with potentially interesting business potential. Between Romania's five major urban hubs (Bucharest, Cluj, Constata, Timis, Bihor), there are some 50,000 women entrepreneurs. Half of these are based in the capital city of Bucharest. Women-owned SMEs are defined as firms with majority women ownership or as firms with women participation in ownership. Depending on definitions used, the pool of women entrepreneurs in Romania might be much larger. A definition

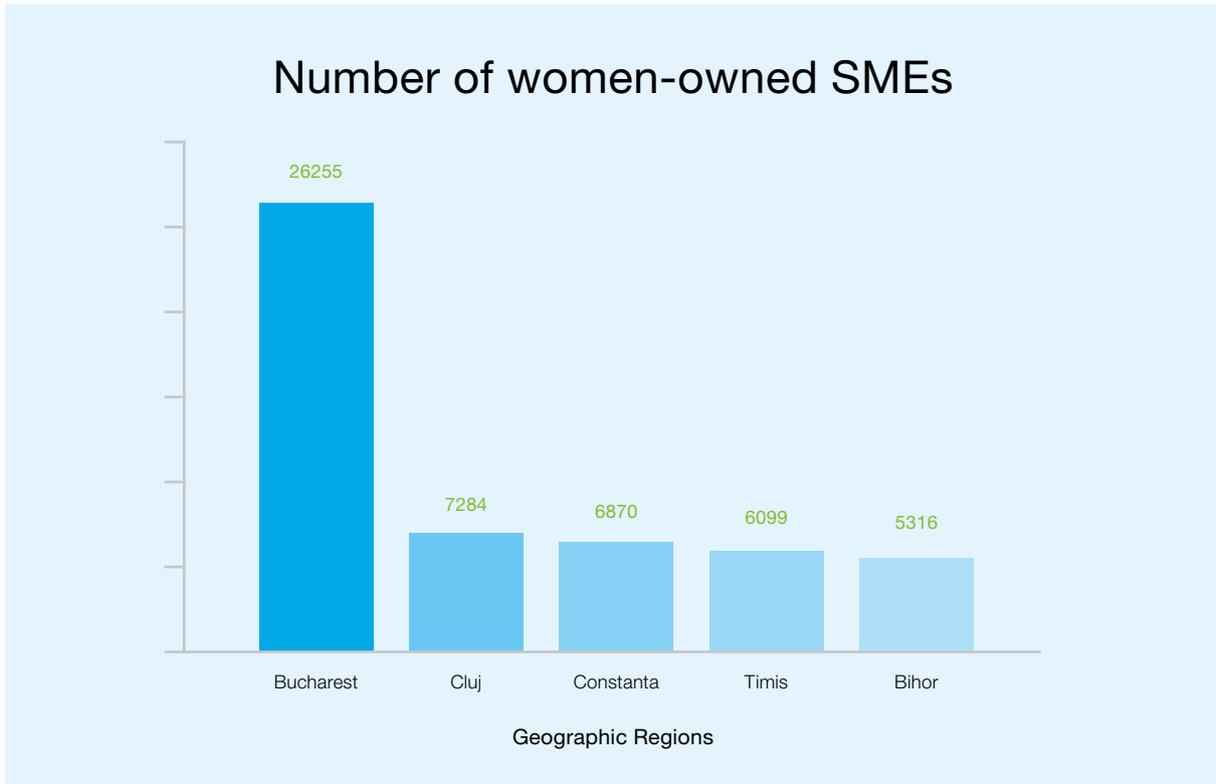
based on partial ownership of companies translates into 160,109 women owning shares in companies. This represents 36% of total shareholders in Romania. This number is close to World Bank data, which puts the share of firms with full and partial women ownership at 47%. Both numbers represent a very sizeable pool of firms, which are largely concentrated in Bucharest. With an average women-SME loan ticket size of around € 100,000 as a proxy (per data from the Garanti Bank portfolio), a combined

financing need of the 50,000 women-led SMEs can be estimated at €5 billion. It is not clear what share of this pool is underserved. However, like many other banks around the world, Garanti Bank Romania has recognized the business opportunity associated with providing banking products and services to assist in the further growth of the SME segment. In doing so, it is paying particular attention to women-led SMEs and their specific needs – a large, overlooked and underbanked segment.

“Without the financing that I obtained from Garanti Bank Romania, it would have been more difficult for me to financially manage my business.”

–  
**Women Entrepreneur and SME Banking Customer of Garanti Bank Romania**

**Figure 5: Women Entrepreneurs in Main Counties of Romania (2014)**



Source: National Statistics Institute

Romania's women entrepreneurs face challenges similar to those of their male counterparts. Research shows the biggest barriers that Romania's women entrepreneurs face at the initiation of their business are the lack of access to business training (30%), credit (28%), experience in financial planning (20%) and collateral (21%). They also lack access to guidance and consultancy. As their business progresses, they face a somewhat different set of challenges: a lack of experience in financial planning (28%), inability to manage and influence their staff (25%) as well as continued difficulty in accessing credit (26%) and collateral (12%). Throughout, they continue to face a lack of guidance and support in addressing their business challenges. Many of these issues are consistent with the type of difficulties that male entrepreneurs in Romania face. However, women entrepreneurs are further subject to gender-specific challenges. This is because on average, the Romanian woman entrepreneur is married with children, and as such, is more likely than men to have family-related obligations. These create time and mobility constraints that impact her ability to start and nurture her business. Many of the barriers referenced above

are magnified by women entrepreneurs' limited access to business networks that would enhance their development through training, finance, and business knowledge and business opportunities, all of which are key to building and growing their businesses. One of the biggest challenges to women entrepreneurs in Romania is their inability to benefit from business referrals and connections and to avail themselves of valuable market information in the same way their male counterparts do. They also seem to be more reliant on (but also less able to access) peer support in order to address some of their challenges. As such, business networks that integrate women entrepreneurs or provide exclusive access to women entrepreneurs would be a powerful means to overcoming some of these gender-specific challenges.

## 2. BACKGROUND ON GARANTI BANK ROMANIA

### Overview

Garanti Romania is one of the most dynamic banks on the local market, ranking tenth in the system, with total assets of €2,118 million, equity of €233 million, and net income of €13 million at the end

of 2015. Active in Romania since 1998, and fully licensed since 2009, the Bank currently has 84 branches and has more than 1000 employees.

## Ownership



Through two Dutch Holding companies, Garanti Romania is ultimately owned 100% by Türkiye Garanti Bankası (“TGB”). Established in 1946, TGB is Turkey’s second largest private bank with consolidated assets of EUR 90 billion as of June 30, 2016. Garanti is an integrated financial services group operating in every segment of the banking sector including corporate, commercial, SME, payment systems, retail, private and investment banking together with its subsidiaries in pension and life insurance, leasing, factoring, brokerage, and asset management besides international subsidiaries in the Netherlands, Russia and Romania. As of June 30, 2016, Garanti provides a wide range of financial services to its 14.4 million customers with approximately 20 thousand employees through an extensive distribution network of 971 domestic branches; 7 foreign branches in Cyprus, one in Luxembourg and one in Malta; 3 international representative offices in London, Düsseldorf and Shanghai with 4,650 ATMs, an award-winning Call Center, internet, mobile and social banking platforms, all built on cutting-edge technological infrastructure. Following the best practices in corporate governance, Garanti is controlled by two powerful entities, Banco Bilbao Vizcaya Argentaria S.A. (BBVA) and Doğuş Group with shares of 39.9% and 10.0%, respectively. Having shares publicly traded in Turkey, depositary receipts in the UK and the USA, Garanti has an actual free float of 50.06% in Borsa Istanbul as of June 30,

2016. BBVA is a customer-centric global financial services group founded in 1857. The Group is the largest financial institution in Spain and Mexico and it has leading franchises in South America and the Sunbelt Region of the United States; and it is also the leading shareholder in Garanti, Turkey’s biggest bank for market capitalization. Its diversified business is focused on high-growth markets and it relies on technology as a key sustainable competitive advantage. Corporate responsibility is at the core of its business model. BBVA fosters financial education and inclusion, and supports scientific research and culture. It operates with the highest integrity, a long-term vision and applies the best practices. The Group is present in the main sustainability indexes.

## Financial Performance

The Bank’s loan book has continued to grow (by 15% gross value according to IFRS) and now exceeds €1.5 billion, while the total banking system gross loans increased during 2015 by 3.02%. The increase of lending portfolio was mainly generated by the legal entities portfolio, the retail portfolio having a slower pace of growth. In 2015, the Bank recorded a return on assets of 0.6%, which compares with the Romanian banking sector average for 2015 of 1.24%. NPLs of 11.91% are well below the 13.51% market average, and the Bank is well capitalized with 15.16%. Overall, the Bank’s financial performance has been strong as net earnings and client deposits have all seen year-on year increases. Growth has mostly been driven by increases in client deposits (by 40% yearly). This focus on client deposits reflects the Bank’s deliberate drive for deposit increase to reduce dependence on external funding.

### Garanti Romania’s Key Financial Indicators (for 2013-2015)

Key financial data (in EUR million)	2013	2014	2015
Total Assets	1,751	1,835	2,118
Gross Loans	1,204	1,292	1,477
Total Deposits	1,309	1,404	1,717
Borrowings	121	47	41
Shareholders' Equity	220	224	233
Net Income	20	0	13
Return on Equity	9.3%	0.1%	5.5%
Return on Assets	1.2%	0.0%	0.6%
Capital Adequacy Ratio – IFC methodology	18.43%	16.16%	15.16%

## Products and Offering

Generally, Garanti Bank Romania sees itself as a medium-sized bank with a strong ambition to grow. It holds 2.34% of market share and is the 10th largest player in the market (H1'16). Its operations are organized around four lines of business: (1) SME Banking (SMEs < 10 million Euro annual turnover); (2) Retail Banking, (3) Cards Business (retail); (4) Corporate Banking (>€10 million annual turnover). Products are designed and priced and strategies developed in the Bucharest headquarters and executed in the branches by dedicated and operational staff for each of the four business lines. While the process is generally centralized in headquarters, the branches are typically the first point of contact for the customer.

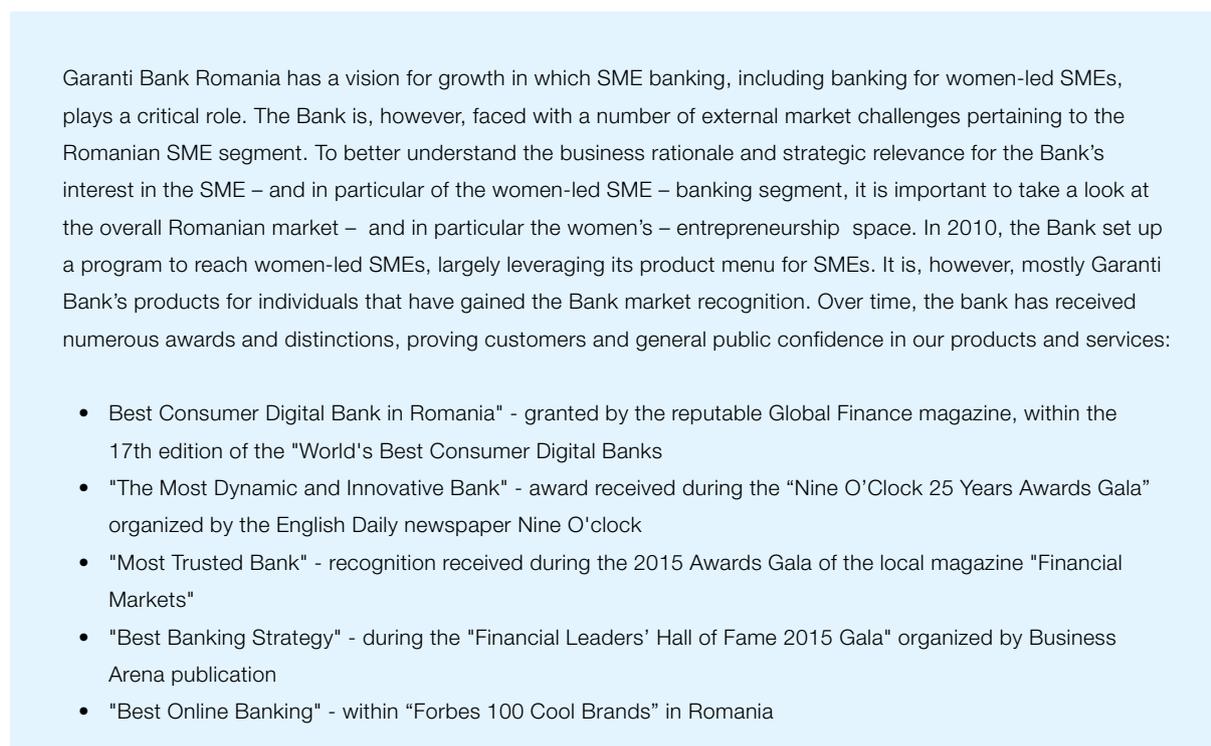
Therefore, part of its growth strategy is an expansion of the Bank's branch network. The Bank sees its current smaller size as an important advantage for its growth strategy, where being smaller has allowed the Bank to build and maintain a healthy portfolio. The Bank's growth targets include increasing portfolio size and customer numbers by 15-20% (in 2016) and targeting more diverse and active customers. This assessment was not able to clarify what customer type (Corporate SME or individuals, for instance) can be expected to drive the Bank's targeted portfolio and customer growth. Globally, one of the critical contributors to BoW program success has been the "right" profile of the bank. With Garanti Bank Romania, the profile of the bank has certainly contributed to program progress.

**Figure 3: Garanti Bank Romania SME Banking Products**



Source: Garanti Bank Romania

**Figure 4: Garanti Bank Romania Awards and Recognitions**



### 3. ABOUT IFC AND GARANTI BANK ROMANIA

In order to tap into the business opportunity associated with providing banking products and services to the SME segment (including women-led SMEs), Garanti Bank Romania has been developing its SME banking capacity since 2007 and its support for women-involved business entrepreneurs since 2010. To strengthen this line of business further, Garanti Bank Romania obtained in September 2011 an SME-Finance facility of €22.5 million (along with a Trade-Finance credit line of \$15 million), which it subsequently used to support over 160 small businesses in Romania. Half of the SME-Finance facility was earmarked for on-lending to women-led SMEs. More recently, in July 2014, IFC granted to Garanti Bank Romania a second senior credit facility for SMEs of \$35 million, of which there is an agreed carve-out of €20 million for specific on-lending to women-involved owned/managed SMEs<sup>3</sup>. Prior to obtaining financing from IFC, Garanti Bank had already put in place the foundations for its BoW Program (differentiated branding and marketing material), which is firmly embedded in the Bank's SME banking platform. The SME-banking platform, including women's banking, has been developed over time into a customer value proposition based around two main pillars: (1) financial support<sup>4</sup> and (2) non-financial services<sup>5</sup> (general education and information for SMEs).

In sum, Garanti Bank's offering for women-involved SME borrowers is a customer package specifically for women entrepreneurs, consisting of financial and non-financial products and services. The financial products are largely a variation on standard SME products: transaction discounts and payment

flexibility on products offered generally within the SME segment. These products are branded under the Bank's women entrepreneurs banking program and marketed through targeted campaigns and social media platforms. The non-financial activities include the sponsoring and organizing of events aimed at facilitating women entrepreneurs' networking and technical development. The following sections will review the Bank's customer package for women entrepreneurs in more detail.

**“My company is growing fast and with that have come further financing needs. I need to upgrade and purchase new equipment. And I need to hire and train employees. Garanti Bank made a real effort to understand and respond to my specific future financing needs. I definitely plan to apply for further financing in the coming years.”**

—

**Woman Entrepreneur and SME Banking Customer of Garanti Bank Romania**

<sup>3</sup> This recent loan for lending to women entrepreneurs is of relatively short duration and its results have not yet fully materialized.

<sup>4</sup> Loans for a variety of purposes (investment/cashflow-management/trade-finance/installment-term-loans/overdrafts), together with invoice factoring, insurance and leasing services. The Bank offers a range of differing term deposits, plus its “Economus” product, which is a flexible savings account. Loans and deposits are available with a wide variety of currency denominations and the Bank has developed sophisticated internet banking capability and “Smart” ATM technology. There is general call-center support available to all Garanti clients (“Alo Garanti”). The Bank offers credit and debit cards for business use, POS terminals for merchant acquiring, cash-management products such as direct debits and automated payment scheduling and also payroll schemes for SME employee's payroll payments.

<sup>5</sup> Many banks around the globe engaged in women's banking are starting to build a strong offering of non-financial services to women entrepreneurs that goes beyond providing training and networking platforms.

# C. ANALYSIS AND ASSESSMENT

## I. GARANTI BANK'S "RIGHT" PROFILE AND STRENGTHS

In assessing Garanti Bank's women's entrepreneurship

banking program, it is important to point out that the Bank's "right" profile and strengths provide a strong foundation and platform for the delivery of SME banking and banking of women-led SMEs specifically.

### GARANTI BANK'S STRENGTHS

<b>Good Internal Capacities</b>
Strong corporate governance and management capacity
Growing use of social media to advertise the client value proposition.
Internal promotion of women into departmental management positions in sales and marketing
Good segmentation information already created for regions and industry sectors, (but mainly for exposure management)
Preference for branch sales channels (internet take-up is relatively low)
Preference for dedicated relationship management
<b>Long Experience with Various Segments</b>
Long experience of SME and retail sector development
Experience and guidance available from the parent Bank which is itself developing a women client focus in its market in Turkey
<b>Good Market Position and Favourable Market Perception</b>
Growing assets and profitability year-on-year
Growing reputation for providing women-focused business events
Slightly better loan portfolio quality for the women segment than that of Garanti Bank Romania overall
IFI funding support provided

## 2. GARANTI BANK ROMANIA SME AND BOW PROGRAM

### Program Overview

Garanti Bank Romania started to develop a product package specifically for women entrepreneurs

within its SME segment in 2010 and, in the ensuing four years to 2014, has lent in excess of €34 million to women-owned/managed SME businesses. This lending has been to a large extent financed by IFC. This is valid only for the loans granted under the IFC loan:

**Figure 5: Garanti Bank Romania's Definition of Women-SME, for loan facilities granted under IFC loan**

- a) Greater than or equal to 51% owned by woman/women (majority ownership); or
- b) Greater than or equal to 20% owned by woman/women (minority ownership); and have one or more women as CEO or COO or president or vice-president; and have greater than or equal to 30% of the board of directors comprised of women (where a board exists).
- c) Less than 20% owned by a woman but have one or more women as CEO, CFO or COO or president or vice-president;

The definition may extend to take in other forms of registered businesses (i.e. sole-ownership).

 GarantiBank



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Garanti Bank Romania's BoW Program is part of its offering for SME banking and consists of financial products with some minor differentiation in comparison to the 'regular' products offered to SME customers. The differentiation is mostly in liability, commissions and fees applied to within dedicated campaigns. Lower fees and commissions are applied to women customers. Specifically, Garanti Bank Romania has customer acquisition campaigns dedicated to the women entrepreneurs segment, offering discounts on standard operational fees. There is no separate or differentiated credit risk scoring model that is applied to women-owned SMEs. Loan applications that are initiated by women are assessed by Garanti Bank Romania on a gender-neutral basis. The more substantial differentiation in the BoW product offering is in the marketing of products, in how women customers are acquired and in wrap-around non-financial activities. These include the use of dedicated social media platforms (Facebook) and competitions, customized marketing material and special events for women entrepreneurs. Events organized in smaller towns have proved to be especially successful in generating new women-involved SME clients when compared to events held in the capital city. The assessment would benefit from a better understanding of how client referrals and leads from these events are generated, monitored, tracked and calculated. While these Bank activities are appreciated by the women entrepreneurs, their most pressing need seems to be for customized consulting services provided by the Bank (support with developing business plans). However, Garanti Bank Romania does not have internal consulting capacity or expertise at the moment and does not at present see building a platform to offer this type of service as a corporate priority. The Bank's view is that customized consulting services are most relevant to and needed by start-ups. The Bank gives comparatively low priority to women-led start-ups, which are seen as risky and time-consuming to monitor, further supporting the Bank's lack of concern for providing customized consulting services. It may be worthwhile revisiting this view, given that the quality of the Bank's asset portfolio for women borrowers is better than that for male counterparts (see section 2). As such, the lower NPL rates of the Bank's women-involved SME borrowers counter the notion that women-owned firms are riskier.

## **Strategy / Research and Market Knowledge**

Garanti Bank Romania's board is supportive of the BoW program. The Bank deserves credit for the extent to which it has incorporated BoW into existing corporate or business line based strategies. Based on available gender-disaggregated portfolio data (in particular on sub-segment growth and NPL rates, see p.15-17), this study finds that the women-involved SME borrower segment could potentially be a critical contributor – perhaps even driver – to the Bank's growth targets.

## **Product & Service Customization / Sales and Marketing - Customer Value Proposition (CVP) for Women SMEs**

**Financial services:** Garanti bank's financial products that are offered to women SMEs are largely a variation on standard SME products: transaction discounts and payment flexibility on products offered generally within the SME segment<sup>6</sup>. Other banks' experiences with BoW programs show that offering substantially differentiated financial products specifically designed for the women segment and based upon in-depth women client market research can be a powerful driver for positioning a BoW program and for achieving success. Banks with successful BoW programs have based their innovations and product differentiation on women's specific needs and preferences in banking and financial relationships. Differentiated financial products offered by banks around the globe include, for example, collateral-free loans or loans collateralized with moveable assets such as jewellery. They also include bridge products that help individuals as they transition into entrepreneurs as well as bundled products that combine personal with business financing needs. There is an opportunity for Garanti Bank Romania to conduct in-depth market research in this sub-segment and identify elements that would help make its financial products and services offered to women entrepreneurs more differentiated. Product differentiation here means that the Bank develops and offers products and services that meet the needs of women, which are different from those of their male counterparts.

**Marketing:** The Bank is also to be commended on its customized approach to marketing its products and targeting this segment. The Bank has focused not

<sup>6</sup> Companies with turnover less than €5 million. 98% of SMEs in Romania have turnover less than €2 million.

on the financial product offering itself, but rather on taking a differentiated approach to developing brand awareness of the Bank's women entrepreneur banking capacity through marketing, through social media, and through the sponsorship of events to facilitate networking and development for women entrepreneurs. The Bank has actively developed

Facebook membership as a powerful tool to educate and advertise its capabilities, and sponsored events and products. It has the third-largest following for a commercial Facebook page in Romania (currently 250,000). It is understood that the Facebook page targets women and women entrepreneurs.

**Figure 6: Sponsored workshops on entrepreneurship - Importance of a Clear Marketing Plan**



The BoW Program offering has not been mainstreamed into the Bank's website, which currently provides information and links only to the Garanti Bank Romania range of business and personal products and services, without illustrating the products and non-financial support available from the Bank to the women client segment. It seems that the Bank has opted instead to develop its presence more cost-efficiently in social media platforms for dissemination of news and announcements concerning its products, services and events for women. The Bank's focus on differentiated marketing, non-financial services and online-presence is a very powerful approach which has yielded success for banks around the globe. The Bank has an opportunity here to maximize the results of these initiatives through market research to further enhance marketing. A meaningful way to then measure the impact of a more market-research-driven approach would be to track any changes in customer leads and conversion rates.

**Education and non-financial services (NFS):**

The Bank associates with ASEBUSS (Romanian-American Business School), which is recognised for offering business courses to entrepreneurs leading to Executive MBA awards. So far, the ASEBUSS program has not been specifically customized or

offered by the Bank under its BoW Program to women entrepreneurs. While not offering special training courses to women under its partnership with ASEBUSS, the Bank, through its membership with the Professional Women's Network Romania (PWN), an NGO dedicated to support women advancement in leadership, organises technical and networking events aimed at women entrepreneurs and other successful professional women in Romania. These events typically feature discussions on business dynamics and ethical behaviour. Moreover, PWN organizes a series of workshops called "Toolbox for beginner entrepreneurs and not only", in order to give women entrepreneurs all the details and instruments needed to develop their own businesses. Many banks around the globe engaged in women's banking are starting to build a strong offering of non-financial services to women entrepreneurs that goes beyond providing training and networking platforms. Global best practice in women's banking is increasingly offering more customized, value-added services such as individual and group mentoring and coaching for women entrepreneurs, as well as providing business development and management tools and advice. The Bank is certainly on the right track here, and there is an opportunity to expand this line of activity.



**GarantiBank**

Entrepreneurship by PWN ROMANIA  
PROFESSIONAL WOMEN NETWORK

**"Toolbox for beginner women entrepreneurs and beyond"**

Do you have an idea and you want to put it into practice? Are you an entrepreneur in the early days of your business?

We have designed for you an entrepreneurial assistance program, as a series of 11 workshops, that covers the most important areas in starting and running a business.

Participants will have access to information about legislation, tax and accounting, personal branding and social media, marketing and sales and sources of funding.

The courses will run for 10 weeks and are designed to help you make the right decisions and equip you with the skills and knowledge necessary for a successful entrepreneur.



Program Structure:

- Workshop 1: Why choose Entrepreneurship & Entrepreneurial Strategy
- Workshop 2: Business Plan - construction and presentation

- Week 2: Legal
- Week 3: Taxes and Accounting
- Week 4: Branding
- Week 5: Online/Social Media
- Week 6: Sales
- Week 7: Negotiation
- Week 8: Marketing
- Week 9: Financing
- Week 10: Business Presentation - Good to Know  
It is time to validate the idea, concept or business you represent, in front of a panel of investors.





### **Capacity, HR and Staff Knowledge**

The BoW Program is integrated at the central level into the SME Banking business line, which is led by the Head of the SME and Commercial Banking Department. Like all four lines of business, it is supported by the Communications and Product Development teams. In terms of BoW capacity and resources at the branch level, the Bank does not have dedicated relationship managers for this specific customer segment in place, nor does it use ‘ambassadors’ or champions for women’s banking within the branch network, as do some other successful providers of women’s banking services. Garanti Bank’s stated preference for reaching women entrepreneurs is through branch sales channels, as internet take-up is relatively low. The Bank has also stated a preference for dedicated relationship management as a means to reach and serve customers. So there is an opportunity to build up dedicated expertise and resources at the branch level to target and service this segment. Other banks with successful BoW programs from around the globe have shown that identifying customer relationship managers at the

“I face many challenges in running my business - from managing my production costs to accessing the right business partners. Garanti Bank understands that we as women entrepreneurs need advice and support. They organize business management training to give us the skills to deal with some of these challenges and they organize business network events. More than anything, it’s this type of support that we most need.

—  
**Women Entrepreneur and SME Banking Customer of Garanti Bank Romania**

branch levels and training and incentivizing them to be champions or ‘ambassadors’ for the BoW program can be powerful, successful drivers of BoW programs. In sum, Garanti Bank Romania can be commended on the extent to which it incorporates BoW into existing corporate or business-line-based strategies, on its proactive and pragmatic approach to collecting gender-disaggregated data in the face of limitations posed by its MIS system and its differentiated and customized approach to marketing its products to this segment. All these have been drivers of program progress. Having come this far gives the Bank momentum upon which to build and to use in-depth market research to further differentiate and customize financial and non-financial products for women SMEs, thus building up its internal resources. There are examples of good practise from around the globe in women’s banking which may provide ideas and guidance.

## **3. SME AND WOMEN-LED SME PORTFOLIO PERFORMANCE**

### **Overall SME Portfolio Size**

Currently, Garanti Bank Romania has a portfolio of 26,298 SME clients<sup>7</sup> with a loan portfolio value of €304 million. As of February 2015, Garanti Bank’s SME portfolio is showing 6,622 women-involved segment borrowers with a portfolio value of €144 million. As such, women-involved SME borrowers represent a quarter of Garanti Bank Romania’s SME as per bank internal definition and half of Garanti Bank’s SME loan portfolio value. As of February 2015, Garanti Bank Romania had granted 3,625 loans to SMEs. Of these, 1,085 loans were granted to women-involved SMEs. This represents a share of 30%. These are impressive numbers and a dramatic increase since Garanti Bank first set up the IFC SME Facility in 2011, which initiated the Bank’s lending to SMEs.

### **Assessing the Success of IFC SME Facility**

In 2011, IFC set up an IFC SME facility with a carve-out for on-lending to women-owned SMEs and for which IFC and Garanti Bank Romania jointly set reach targets for women. This IFC SME facility began Garanti Bank’s lending to SMEs (including women-owned SMEs) and is now part of Garanti Bank’s broader SME lending portfolio. Considering the overall SME-portfolio numbers above, Garanti

<sup>7</sup> Source: Garanti Bank

Bank Romania has come a long way since it first set up the IFC SME facility with a baseline of six outstanding SME loans for women SME borrowers in 2010.

This section assesses the size and growth of the women-owned SME portfolio associated with the IFC SME facility only. IFC's loan dispersed to Garanti Bank Romania in 2011 for on-lending to women-owned SMEs set a target for Garanti Bank: up to 300 outstanding loans to women by the end of 2015 from a baseline of six loans at the end of 2010. This target was surpassed by 89%: 567 loans to women-SMEs in 2014 versus 300 loans targeted by 2015. When

compared with 2018 goals for IFC's repeat loan to Garanti Bank – 489 outstanding loans by the end of 2018 – the Bank has again overachieved, having already reached 567 loans in 2014, from a baseline of 206 in outstanding SME loans for women at the end of 2013, higher than the target by 16%. In terms of portfolio value for lending to women-led SMEs, the Bank has also overachieved its target, by 47%. The Bank was to realize a portfolio value of \$90 million in outstanding loans by the end of 2018, from a baseline of \$38 million in outstanding SME loans at the end of 2013. It has already achieved a value of €144 million in 2015.

**Figure 7: Garanti Bank Romania Women-Led SME Portfolio (including but not limited to IFC SME facility)**

	Women Entrepreneur SME Customers	Other SME customers (excl. women-owned SMEs)	Total SME customers	Share of women-led SMEs in total (in %)	Share of men-led SMEs in total (in %)
<b>Customers and Loans</b>					
Number of SME customers	6,622	19,676	26,298	25	75
Number of SME loans	1,085	2,540	3,625	30	70
Working capital loans	796				
Investment loans	289				
Value of SME loans granted (€)	144,232,741	160,337,177	304,569,918	47	53
Working capital loans	90,080,688	94,237,102	184,317,790	49	51
Share of working capital loans in total SME loans (in %)	62	59	61		
Investment loans	54,105,545	66,146,583	120,252,128	45	55
Share of investment loans in total SME loans (in %)	38	41	39		
Average value per loan (in €)	132,933	63,125	84,019		
Working capital loans (in €)	113,167				
Investment loans (in €)	187,216				
<b>NPLS</b>					
Number of SME customers with overdue loans	252	560	812	31	69
Number of SME customers with overdue >90 days	110	297	407	27	73
<b>Deposits</b>					
Number of SME customers with time deposit	49	735	784	6	94
Number of SME customers with demand deposits	5,530	11,561	17,091	32	68

Source: Garanti Bank Romania, as of 28 February 2015

### Portfolio Profile

Of the SMEs<sup>8</sup> in Garanti Bank's portfolio, 17% operate in the commerce and distribution sector, followed by 15% in administrative and support services, 13% in healthcare and tourism, and 13% in other services. By comparison, women-owned SMEs in Garanti Bank's portfolio are concentrated in commerce

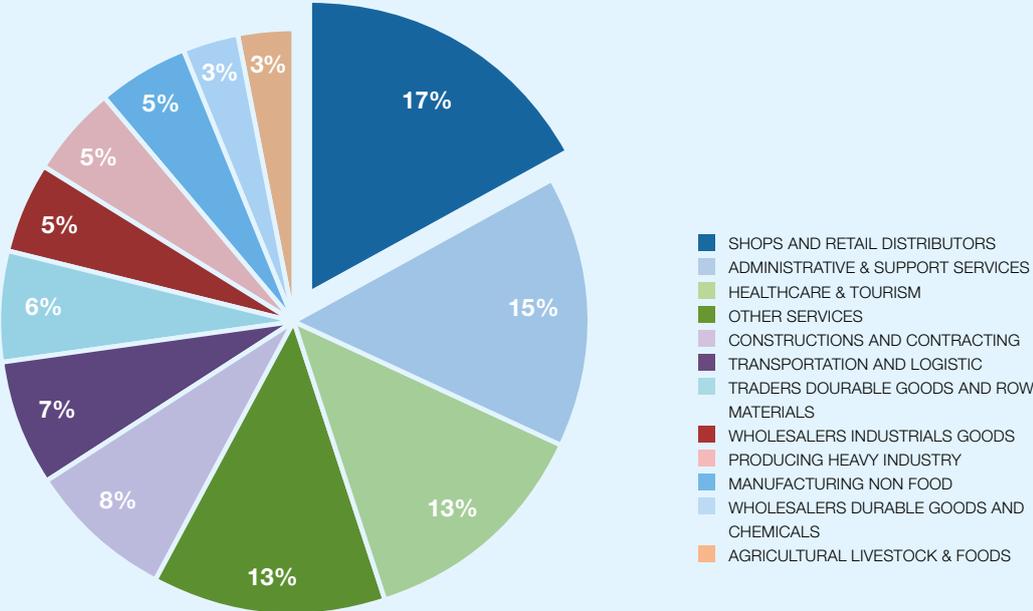
(25%) and administrative support services (15%).

In terms of loan value, 39.5% of these SMEs loans held are for business investments, 60.5% for working capital. The split between working capital loans and investment loans is more balanced for men-led SMEs (41% versus 59%) than for women-led SMEs (38% versus 62%), which hold more working capital loans.

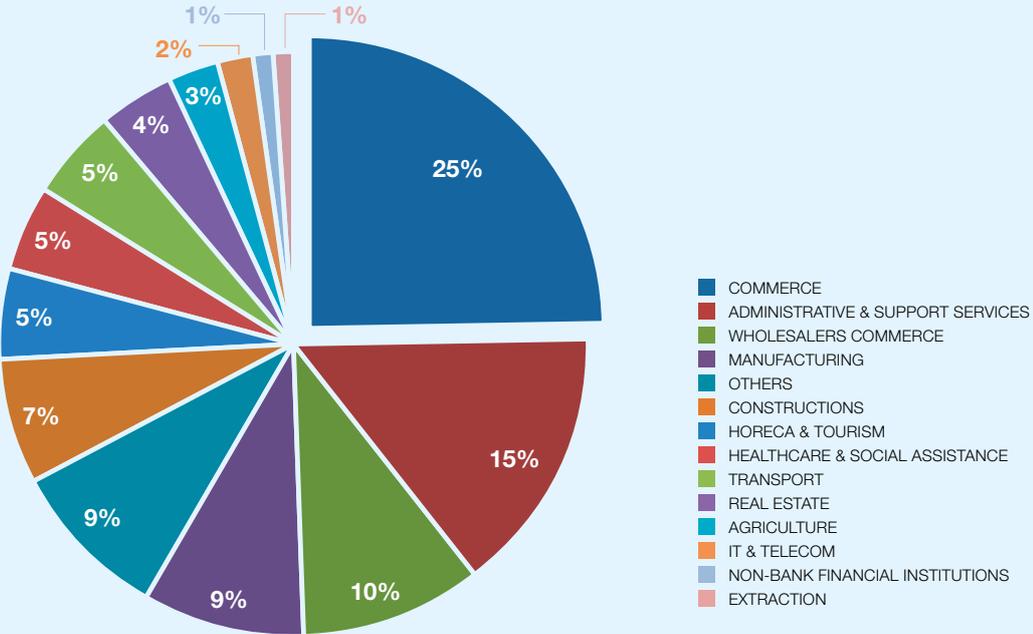
<sup>8</sup> run by men and/or women

Figure 8: Sector Distribution of SMEs in Romania

### Sector distribution for SMEs in Garanti Bank



### Sector distribution of SMEs owned or run by women - in Garanti Bank



Source: Garanti Bank Romania

## MIS and Data Limitations Prevent Profitability Analysis

At present Garanti Bank's MIS does not allow for disaggregating its SME information by gender beyond the metrics listed in figure 7. In the face of this data challenge, this study was unable to delineate the profit contribution from the Bank's women customer segment in terms of its assets and liabilities, specifically, the income deriving from interest and fees on women-segment loans, together with the implied value of average deposit balances from women-segment depositors. Segment contributions and profit are recognised in totality at the SME- and retail division levels respectively.

Therefore the contributions of the women's sub-segment portfolio have been difficult to analyse. Garanti Bank has, however, stated in interviews its intention to address this information gap, and merits credit for its innovative approach toward identifying alternative methods to track data by gender, such as reference numbers on personal identification cards (see p.17). The review of gender-disaggregated data below, provided by Garanti Bank Romania, aims to assist the Bank in finding where gaps exist and where it will be of most benefit to the Bank to make corrections. These gaps seem to be in the area of performance and profitability and to some extent also in the area of segment growth and sustainability:

**Figure 9: Assessment of Gender-Disaggregated Data Availability at Garanti Bank Romania**

Metrics	Available
<b>Segment Performance and Profitability</b>	
Number of financial products per women-led SME customer	x
Average profit per SME for both men and women	x
Efficiency ratio per SME for both men and women	x
NPL rates per SME for both men and women	✓
NPLs, IRR and ROA comparison by segment	x
Annual ROT for the women's segment based on total # of accounts	x
Annual ROT for the women's segment based on average deposit values	x
Estimated revenues from the balances, taking into account costs of funds	x
Average loan ticket size for both men and women-led SMEs	✓
<b>Segment Growth and Sustainability</b>	
Number of loans for both men- and women-led SMEs	✓
Number of SME loan customers , both men- and women-led	✓
Value of SME lending portfolio committed for both men- and women-led SMEs	x
Value of SME lending portfolio for both men- and women-led SMEs	✓
New customer acquisition rate per for both men and women	x
Increase in loan balance for both men- and women-led SMEs (4-years)	✓
<b>Bank Capacity</b>	
Number of dedicated BoW staff	✓

Source: Garanti Bank data and interviews

## Analysis of Quality and Growth Trends of Segment Portfolio

In the absence of an MIS that is able to gender-tag and -track customer data, the Garanti Bank team initiated an interim solution, using the reference number on personal identification cards in Romania which begin with either 1 or 2 depending on the gender of the person. Thus, women client numbers

can be gathered through the personal ID numbers associated with opening a bank account. The same applies to the formal or legal representative in relation with the Bank and the ID number associated with that person. This has allowed the bank to track certain customer data by gender, in particular NPL rates for SME loans, average loan ticket size and segment growth rate (by value of

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loan balance). This data points to some interesting findings on portfolio quality and growth.

### Spotlight on NPL Rates of Women SME Borrowers

Among the most significant findings of this study's gender-disaggregated portfolio analysis are the dramatically lower NPL-rates for women-involved SME borrowers when compared with overall SME portfolio performance and with the men-led SME borrower segment. Only 31% of SME customers with overdue loans are women-led SMEs; 69% are men-led SMEs. More importantly, only 27% of SME customers with > 90 days overdue loans are women-involved SMEs, while 73% are men-led

SMEs. This is a particularly important finding, given that the Bank is making concerted efforts to target high-quality borrowers in an effort to strengthen the health of its SME portfolio. In times when high loan provisions are a huge burden for the Bank's profitability, the Bank's women-involved SME borrowers – who perform better than portfolio average – could become critical in contributing to the Bank's profitability. This not only confirms the business rationale for having tapped into this sub-segment, but further proves that continuing and expanding business in this sub-segment is a sound business decision going forward and aligned with the Bank's strategic direction.

	Women Entrepreneur SME Customers	Other SME Customers (excl. Women-owned SMEs)	Total SME Customers	Share of Women-led SMEs in Total (in %)	Share of Men-led SMEs in Total (in %)
<b>NPLS</b>					
Number of SME customers with overdue loans	252	560	812	31	69
Number of SME customers with overdue >90 days	110	297	407	27	73

Source: Garanti Bank Romania, as of 28 February 2015

### Spotlight on Average Loan Ticket Size for Women SME Borrowers

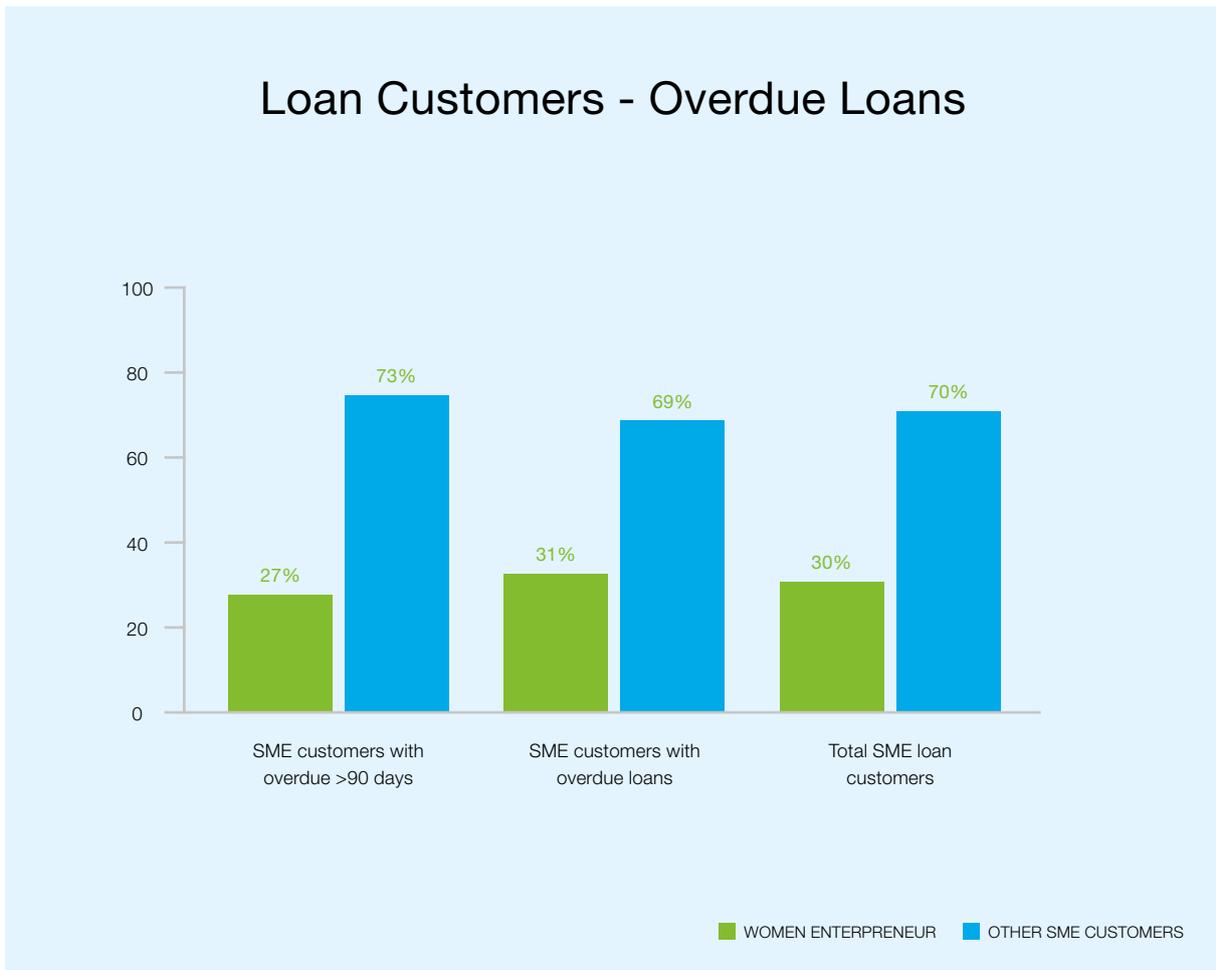
Another significant finding of this study is the larger average loan ticket size for women-involved SME borrowers when compared to the overall SME portfolio and to the men-led SME borrower segment. At an average €132,933 per loan taken out

by a women-led SME, the ticket size of the loan is more than double the size of an average loan taken out by a man-led SME. Again, this is an indication that women-involved SME borrowers perform better than the portfolio average and could become critical in contributing to the Bank's profitability.

	Women Entrepreneur SME Customers	Other SME Customers (excl. Women-owned SMEs)	Total SME Customers
Average value per loan (in €)	132,933	63,125	84,019

Source: Garanti Bank Romania, as of 28 February 2015

**Figure 10: Garanti Bank Women-Led SME Portfolio**



Source: Garanti Bank Romania, as of 28 February 2015

#### 4. RELEVANCE OF BOW TO WOMEN SME CUSTOMER NEEDS AND IMPACT ON CUSTOMERS

One key driver of BoW program success is the segment’s contribution to the Bank’s business. This is measured by the segment’s portfolio performance and profitability as well by its growth and sustainability (see 3. Defining Success Parameters). Program success is further defined by the Bank’s ability to effectively service this segment. Success of a BoW program is equally defined by the program’s ability to reach and provide access to underserved women entrepreneurs and address their specific access-to-finance constraints. In other words, program success can be defined by how well the Bank’s BoW program is able to address the specific financing needs of women entrepreneurs and how

the financing obtained by women entrepreneurs has had an impact on their businesses. While this case study is complemented by a more extensive survey of Garanti Bank’s women-involved SME customers, one ‘beneficiary story’ were compiled through interviews conducted with two women entrepreneurs who are customers of Garanti Bank Romania and who obtained financing from the Bank for their businesses. The beneficiary perspective provides insight into how Garanti Bank’s BoW Program is impacting women entrepreneurs in Romania. It gives insight into the financial needs these women entrepreneurs have and how well Garanti Bank’s offering addresses these and other potentially unmet needs. It also provides a sense of other financing options women entrepreneurs have available in the market and to what extent they are considering those.

## D. WOMEN SME CUSTOMER VOICES

**NICOLAE FELICIA, CARPATI MODERN  
FURNITURA SRL - (PART OF OVO DESIGN GROUP)**



OVO Design Furniture Group SRL is a Romanian manufacturer of classic and modern luxury furniture. The company's range of products includes kitchen, living-, dining- and bedroom furniture. They also produce furniture for restaurants, offices and conference rooms. Established in 1994, the company has been in the market for over twenty years and has grown from a smaller size enterprise to one with an annual turnover of close to 6 million euro in 2014. OVO Design Furniture Group SRL has been categorized as a women-led SME primarily because the company is part of Ovo DesignH Group which has minority women ownership, while Carpati Modern Furnitura SRL itself has a women CFO, a top manager with decision making authority (see definition on p. 17). Not only is the CFO of Carpati Modern Furnitura SRL a woman; some 80% of managerial positions in the company are held by women. Nicolae Felicia, the company's key decision maker, has a long-standing relationship with Garanti Bank.

The company is a recent SME banking client of Garanti Bank. It obtained its first loan from the Bank as recently as in 2013, in the form of two short-term loans, one cash and one working capital, with a letter of guarantee in the value of €2.5 million..The loan was collateralized through property owned by the company. The currently

outstanding loan amount is €1.3 million. The loan was not associated with any preferential interest rates and was used by the company for working capital. The company further holds a checking account and corporate credit cards and processes its payroll through the Bank. The company's CFO, Nicolae Felicia, offers some interesting insights into why women entrepreneurs may chose a specific bank to do business with. In the case of Ovo Design the main reasons for the CFO's choice of Garanti Bank was the Bank's reputation in

**“I chose Garanti Bank because of its reputation in the market, its flexibility and the personal relationship I had already had with them. That relationship is very important to me”**

**Nicolae Felicia, CFO, Carpati Modern Furnitura SRL**

the market, its flexibility and the personal relationship Ms. Felicia already had with the Bank. This is very much in line with research conducted on women's banking preferences, which revolve around trust and relationship building with the Bank, as opposed to opportunistic transaction orientation (a consumer pattern prevailing among male banking customers). Ms. Felicia confirms that without the financing obtained from Garanti Bank, the company would have been

cash constrained and it would have been very difficult to manage the business. The company did consider alternative sources of finance at the time it obtained financing from Garanti bank. These included other commercial banks in the market as well as funds.



Indeed, the company has tapped into other sources of financing since Garanti Bank launched its BoW Program and did obtain a €1.5 million loan from the Bank of Cyprus. This funding was however unrelated to the financing the company received from Garanti Bank and the loans it has from Garanti Bank did not in any way help obtain financing from other banks.

In spite of its beginning as a start-up, the company has never used personal loans for its business. Ovo Design is growing fast and with that have come further financing needs. The company plans to apply for further financing in the coming two years, mostly to upgrade and purchase new equipment. Given Ovo Design's growth and expansion, the company would direct any additional financial resources into upgrading its equipment and training its employees. It would also consider purchasing new equipment and hiring more qualified staff. Ms. Felicia further offers some insight into the challenges that small businesses in Romania, including women-led firms, face and the specific finance and non-finance needs they typically have. The biggest challenge to the company is tax and labour regulation, in addition to access to reliable electricity/power. This includes costs associated with power as well as compliance with labour regulations. The company considers that two most pressing needs that can be addressed by the Bank are lower interest rates for women-led firms, and customized business consulting services for women clients. Because of the costs associated with accessing power, the company is further interested in energy efficiency financing and energy efficiency audits.

In conclusion, as all the interviewed customers can be considered a benchmark to the women entrepreneurs segment in Romania, interviewed are representative of the larger pool of women entrepreneurs, it seems that brand awareness, market reputation and relationship building are key drivers in the Bank's ability to attract and build a women-involved SME customer base. Further, women customers expect a clear product differentiation for the financial products offered by Garanti Bank, as well as non-financial services that help address the companies' real and most pressing challenges, such as enhancing cost-efficiencies through energy savings.

## E. FINDINGS AND RECOMMENDATIONS

### I. OUTCOME OF IFC INVESTMENT REGARDING GARANTI BANK ROMANIA BoW PROGRAM

Garanti Bank Romania intends to offer finance and banking services to women clients as evidenced by the Bank's incorporation of BoW into its existing corporate or business-line- based strategies, its differentiated marketing approach (branding and on-line presence) to the women SME borrower segment and its proactive approach to collecting gender-disaggregated data in the face of limitations posed by its MIS system.

All these have been drivers of program progress. In short, Garanti Bank has laid the right foundations for its BoW Program and progress has been made. This is shown by how the Bank has overachieved its targets on loans to women SME borrowers by 89% for 2015 and by 16% for 2018. The Bank has also overachieved its 2018 portfolio value targets by 47%. While the study is clear on program reach and portfolio value, the BoW Program contribution to the Bank's profitability is less clear. This is due to data limitations.

Despite success in program reach and portfolio value targets, there are indications of further room for the Bank to exploit the market opportunity offered by the women SME client segment (estimated at around €5 billion), to further expand and differentiate the BoW Program and ultimately realize more business benefits from it, most notably to capitalize on the better NPL rates of the Bank's women SME borrowers. IFC signed a repeat loan to Garanti Bank in 2014,

involving greater amounts for on-lending to women entrepreneurs. The Bank's women SME client acquisition is increasing and there is real momentum for further program expansion. In fact, the Bank has already started to look for ways to further expand its outreach to women-led SMEs. The experience of banks which have mainstreamed their BoW programs shows that the use of in-depth market research can further differentiate and customize financial and non-financial products for women-owned SMEs. Building up its internal capacities to deliver BoW programs has proven to be a further powerful approach.

**“There are usually very few opportunities for women entrepreneurs like myself to meet and network with other women business owners. Garanti Bank regularly invites us to networking events. It has been very energizing for me to be part of a community of like-minded business women.”**

—  
**Women Entrepreneur and SME Banking Customer of Garanti Bank Romania**

The study recognizes the limitations of the Bank's existing MIS system in terms of gender-disaggregation of data and is therefore focusing on more qualitative aspects of program success. That said, there is great value to the Bank in generating gender-disaggregated portfolio data and quantifying the contribution of the sub-segment to the Bank's bottom line. It is really worthwhile to consider the 'data challenge' and address it. For example, looking at NPL rates through a gender lens has revealed that women SME borrowers exert better payback behaviour and are

therefore more desirable customers for the Bank. More of this type of data is likely to provide similar insights and allow the Bank to think about how to derive more business benefits from this sub-segment.

Garanti Bank Romania intends to remain engaged in this segment and has several areas of strength that it can leverage for further program expansion and differentiation:



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## 2. LEARNING AND RECOMMENDATIONS FOR GARANTI BANK ROMANIA

### Opportunities for further BoW Program expansion and differentiation:

Building on these strengths, there are concrete measures that the Bank can take in order to further differentiate and scale its BoW Program.

#### Develop , formulate and implement a strategy for women customer segment development

Since Garanti Bank Romania intends to support this segment, there is an opportunity here to achieve better business impact and sustainability of the program through a defined and costed strategy that would include:

- Focus on the women client segment in SME banking to define and build market share;
- Cost/Benefit analysis of the financial impact to Garanti Bank Romania, including cost of capital employed; value of the women deposit base; gross income contribution; net income contribution after direct and extrapolated indirect costs;
- Regions and industries to be targeted which may not be the same as for the general banking focus;
- Definition of risk-appetite focus: At present credit risk is managed on a gender-neutral basis, and yet various studies of international women-in-business projects indicate that a large number of prospective women-owned businesses are start-ups which Garanti Bank Romania will not readily consider;
- Further development of products attractive to the women client segment based upon research into segment preferences. At present the value-proposition is based mainly upon variations in existing products and transaction patterns.

#### Develop a substantially differentiated Customer Value Proposition based on in-depth market research of this segment;

- Extend women segment product diversity beyond general product discounts and deposit focus;

There is potential for the Marketing Department, in conjunction with the Retail and SME Departments, to use branches and Garanti Bank Romania's sponsored events to research women client product and service preferences and then to consider the cost/benefit of providing the desired products and services as part of a 3-year strategic plan for women segment development. There is established evidence from other markets that

women owners of businesses and potential new businesses place high value on advice and mentoring from their banks. This ranks equally with the need for finance facilities, and has a positive influence on loyalty and trust factors between client and Bank. There may be opportunities for Garanti Bank Romania to initiate regular regional technical workshops, to attract existing and potential BoW clients and to provide basic business-management tools and instructions in their use as a value-added service.

- Institutionalize the linking of information on women-involved business-account owners with private client products and services;

There may be missed opportunities to cross-sell additional banking services to an existing client base.

- Develop and use risk-scoring or risk pricing formulae for the women segment;

It would be beneficial for Garanti Bank Romania to develop a rule-driven scorecard, based upon credit policy and risk appetite for its SME business. The overall risk-profile for SMEs is gender neutral and so the methodology could be widely used to deliver consistency of quantitative and qualitative outputs across the range of SME borrowers. If Garanti Bank Romania should decide to make certain policy changes to better support women-segment development, such as financing start-ups subject to considered criteria, which are outside the general parameter-risk computations, it would be a simple matter to alter a scorecard to reflect such characteristics. The introduction of risk-based pricing could allow Garanti Bank Romania to change its risk/reward criteria for small-business lending and to reduce its decline-rates on new loan applications. This is particularly relevant for the women business-client segment which has acknowledged difficulty accessing finance.

A structure for risk-based pricing can have beneficial consequences not only for profit contribution but also for borrower behaviour, and a beneficial impact on default ratios, as has been seen in the development of the micro-lending industry.

- Strengthen marketing and access to product information;

There is an outstanding opportunity to develop the Garanti Bank Romania website to include a comprehensive section describing its value-proposition to women clients. At present, there is no direct information available and Garanti Bank Romania is striving to increase internet-banking usage beyond its present low level of an estimated 7% of transaction volume.

- Measure the impact of NFS activities by tracking customer leads and conversion rates;

**Put in place a dedicated women segment unit within SME and Retail Departments and incentivize teams;**

The experience of other banks shows that a small dedicated team in each of the Retail and SME Departments, managed and incentivised on the basis of KPI methodology, is better able to drive growth than is the case when the women segment is simply part of a wider “universal” approach to client sourcing and relationship management between the head office and branches, and branches and their clients.

**Develop a methodology and institutionalize a system to disaggregate women-segment performance data;**

It will be difficult to make a case to the Board for commitment of resources and capital to develop a niche-segment business when there are no refined data to indicate the degree of tangible and intangible contributions of the women segment, together with a future view of growth possibility based upon both internal and external factors (e.g. Romania’s macro-economic, political and market outlook).

**Leverage capacity and expertise of Garanti Bank Turkey’s BoW Program through knowledge transfer.**

Garanti Bank Turkey has a long-standing and well-established BoW Program. There is an opportunity at hand for Garanti Bank Romania to deepen its engagement around knowledge transfer with its parent bank Garanti Bank Turkey. Particularly on the issue of building staff capacity at the branch level and collecting gender-disaggregated data, Garanti Bank Turkey can transfer valuable expertise to the Garanti Bank Romania program. Generally, Garanti Bank Turkey has established itself as a leading bank in terms of both customer segmentation and relationship management, as well as banking to women.

### 3. CONCLUSION

Overall, the findings of this study point to good progress in Garanti Bank Romania’s BoW Program. Many of the right foundations are in place, such as the Bank’s incorporation of BoW into its existing corporate

or business-line-based strategies, its differentiated marketing approach (branding and on-line presence) to the women SME borrower segment and its proactive approach to collecting gender-disaggregated data in the face of limitations posed by its MIS system. All these have been drivers of program progress, which is evidenced by the overachieving of targets on loans to women SME borrowers by 89% and the growth rate of that sub-segment, as well as the better NPL rates of the women borrowers. That said, the assessment of the profitability of the subsegment has not been possible due to MIS system- and therefore data limitations.

There are indications that there is further room for the Bank to exploit the market opportunity offered by the women-involved SME client segment, estimated at around €5 billion, and to further expand

and differentiate the BoW program and ultimately realize more business benefits from the program, most notably capitalizing on the better NPL rates of the Bank’s women SME borrowers. With IFC’s repeat loan to Garanti Bank, signed in 2014 and allotting a higher amount for on-lending to women entrepreneurs, the Bank’s women SME client acquisition is increasing and there is real momentum to further expand and deepen the program.

Going forward, there is an opportunity for the Bank to build on the current momentum of initial program success and

the repeat loan with the IFC and expand the program, strengthening its program, assessing its profitability and reaping greater benefits from it. In doing so, the Bank has several areas of strength that it can leverage. These are centered mostly on the Bank’s overall good internal capacities, its experiences with various segments and good position and perception in the market. It can also benefit greatly from its parent’s BoW expertise (Garanti Bank Turkey’s BoW Program). Building on these strengths, there are concrete measures that the Bank can take in order to strengthen and scale its BoW Program. In doing so, IFC can help and support Garanti Bank Romania through advisory services as well as through facilitating knowledge transfer from other IFC client banks with successful BoW programs.

**“I learn so much by interacting with other business women. Garanti Bank has created online platforms for us to engage. It really has created a community of women entrepreneurs for us here in Romania”**

—

**Women Entrepreneur and SME Banking Customer of Garanti Bank Romania**



## CASE STUDY 3

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**GARANTI BANK TURKEY:**

**COMBINING SME  
BANKING EXCELLENCE  
WITH A PROPOSITION FOR  
WOMEN ENTREPRENEURS IN TURKEY**



# LIST OF FIGURES

Figure 1	Comparing SME Sector in Turkey and EU
Figure 2	Standard SME Definition Adopted Across Turkey
Figure 3	Turkey Credit Gap for Formal SMEs by Gender (in \$ billion)
Figure 4	Entrepreneurial Perceptions for Women and Men
Figure 5	Garanti Bank: 3-Tiered Segmentation Approach
Figure 6	Garanti Bank: Opportunities of Same Pocket Model
Figure 7	Garanti Bank: Relationship Management Coverage Model by Segment
Figure 8	Examples of Cross Business Line & Group Synergies with SME Division
Figure 9	Examples of Product Bundles Offered by Garanti Bank
Figure 10	Garanti Bank: Customer Base: WE Shares in SME Segment
Figure 11	Garanti Bank's WE Product Package
Figure 12	Garanti Bank
Figure 13	Garanti Bank- Bogaziçi University: Mini-MBA Contents
Figure 14	Woman Entrepreneur of the Year Award: Nomination Categories
Figure 15	Garanti Bank: Women Entrepreneurs Ecosystem
Figure 16	Garanti's Facebook Page Dedicated to Women Entrepreneurs
Figure 17	Garanti: Customer Efficiency and Profitability: Women vs. SME

## A. INTRODUCTION

Garanti Bankası (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 businesses, 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 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.

## B. BACKGROUND

Established in 1946, Garanti is Turkey's second largest private bank, with consolidated assets exceeding \$104 billion.<sup>1</sup> 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's entrepreneurship.

<sup>1</sup> 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%.

## C. UNDERSTANDING THE CONTEXT IN TURKEY

### I) 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 creators and providers of economic value added to the Turkish economy. Concentration is also highest in the micro and small enterprise segments.

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

	Number of Enterprises			Employment			Value added		
	Turkey		EU27	Turkey		EU27	Turkey		EU27
	Number	Share	Share	Number	Share	Share	Number	Share	Share
Micro	2.327.524	94,4%	92,1%	2.821.329	38,5%	29,8%	48.286	45,0%	21,6%
Small	120.215	4,9%	6,6%	806.152	11,0%	20,4%	12.286	11,5%	18,9%
Medium-sized	14.030	0,6%	1,1%	1.436.191	19,6%	16,8%	16.412	15,3%	17,9%
<b>SMEs</b>	<b>2.461.768</b>	<b>99,9%</b>	<b>99,8%</b>	<b>5.063.672</b>	<b>69,2%</b>	<b>66,9%</b>	<b>76.984</b>	<b>71,8%</b>	<b>58,4%</b>
Large	3.023	0,1%	0,2%	2.257.320	30,8%	33,1%	44.751	41,7%	41,6%
Total	<b>2.464.792</b>	<b>100,0%</b>	<b>100,0%</b>	<b>7.320.991</b>	<b>100,0%</b>	<b>100,0%</b>	<b>107.232</b>	<b>100,0%</b>	<b>100,0%</b>

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

Turkey has adopted a standard definition for SMEs: 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, representing 99% of all businesses, 70% of all jobs, and almost 72% of business revenue, according to the 2012 EU SBA Factsheet on Turkey.

**Figure 2: Standard SME Definition Adopted Across Turkey**

	Micro	Small	Medium
# of Employee	1-9	10-49	50-250
Annual Turnover	< TL 1 Mn (~S 573k)	TL 1 Mn > < TL 8 Mn (~S 4.6 Mn)	TL 8 Mn > < TL 40 Mn (~S 23 Mn)
Balance Sheet	< TL 1 Mn (~S 573k)	TL 1 Mn > < TL 8 Mn (~S 4.6 Mn)	TL 8 Mn > < TL 40 MM (~S 23 Mn)

Source: Garanti Bank, 2013

## 2) LOW FEMALE WORKFORCE PARTICIPATION IN TURKEY

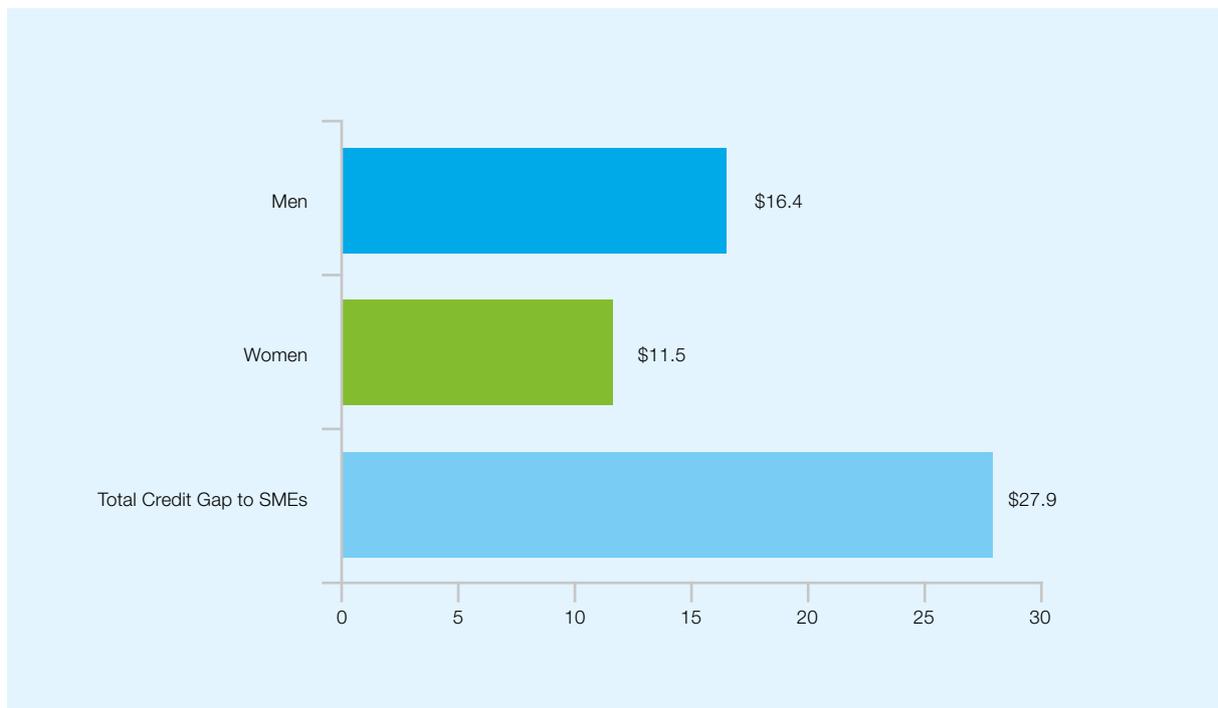
Turkey's female labor force participation has increased in recent years, but still lags. In 2012, less than 30% (29.5%) of working-age women in Turkey either had jobs or were looking for work, according to the Turkish Statistics Institute's Women in Statistics study. This represents the lowest figure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

The reality is that nearly half (49.8%<sup>2</sup>) of the women employed in Turkey are unpaid female family workers. This can be explained by the fact that close to 60% 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<sup>3</sup> 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.

According to the IFC Enterprise Finance Gap Database study (2011), over 200,000 formal SMEs in Turkey – 38% of the total – are owned and/or run by women. Of these firms, over 54% are either not served or are 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 3: Turkey Credit Gap for Formal SMEs by Gender (in \$ billion)**



Source: IFC Enterprise Finance Gap Database, 2011

<sup>2</sup> Women in Statistics 2012, Turkish Statistical Institute.

<sup>3</sup> 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):

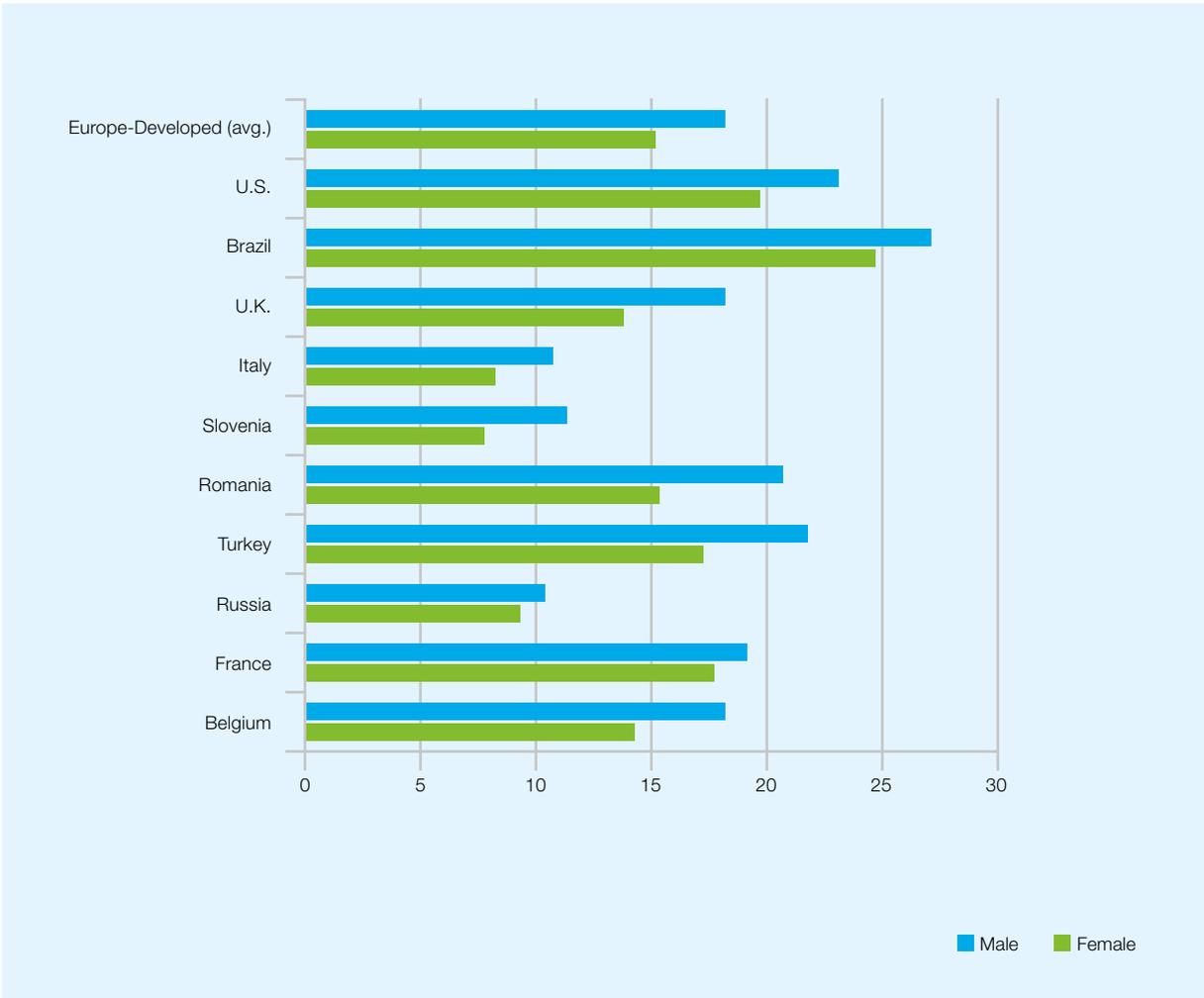
- Economic participation and opportunity – outcomes on salaries, participation levels and access to highly skilled employment
- Educational attainment – outcomes on access to basic and higher level education
- Political empowerment – outcomes on representation in decision-making structures
- Health and 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.

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.

**Figure 4: Entrepreneurial Perceptions for Women and Men: See Good Opportunity in Entrepreneurial Activity (in %)**



Source: GEM, 2012 Women and Entrepreneurship Report

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.

## D. 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, having added 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%

### 1) 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 clients<sup>4</sup>), “small,” and “medium-sized” segments across three ownership

structure categories: corporations, sole traders and shareholders/individuals who own a business. The bank uses its own definition of SME as opposed to that of the regulators, and 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.

**Figure 5: Garanti Bank: 3-Tiered Segmentation Approach**

MEDIUM	
Annual Turnover	TL 3 - 10 Mln or
Banking Volume	TL 200 - 600k
Credit Limit	TL 200k - 2 Mln
SMALL	
Annual Turnover	TL 500k - 3 Mln or
Banking Volume	TL 30 - 250k
Credit Limit	TL 0 - 200k
MASS	
Annual Turnover	< TL 500k or
Banking Volume	< TL 30k
Credit Limit	TL 0

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

<sup>4</sup> A “Mass” category client typically is 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.

## 2) “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 (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 shows, banking volumes and customer retention are, by many multiples, significantly higher under this approach.

**Figure 6: Garanti Bank: Opportunities of Same Pocket Model**

Same Pocket Model	
Credits	X8,5
Deposits	X2,2
Banking Volume	X4,3
Retention - Same Pocket	6,79
Retention - Different Pocket	5,20

Source: Garanti Bank presentation, 2013

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**

Segment Tier	Role in Branch	Total Coverage (Customers per FTE)	Coverage (Customers per FTE) – Average Performer
Medium SME	ME Relationship Manager	242	50-70
Small SME	SE Relationship Manager	450	80-150
Mass	Customer Service - Branch	1275	500+

Source: Garanti Bank presentation, 2013 (Average Performer data is from IFC internal analysis of global clients portfolio)

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 supposed to make four sales calls to existing and potential clients every day, while a medium-segment RM makes three calls.

### 3) SYNERGIES LEVERAGED ACROSS GARANTI GROUP

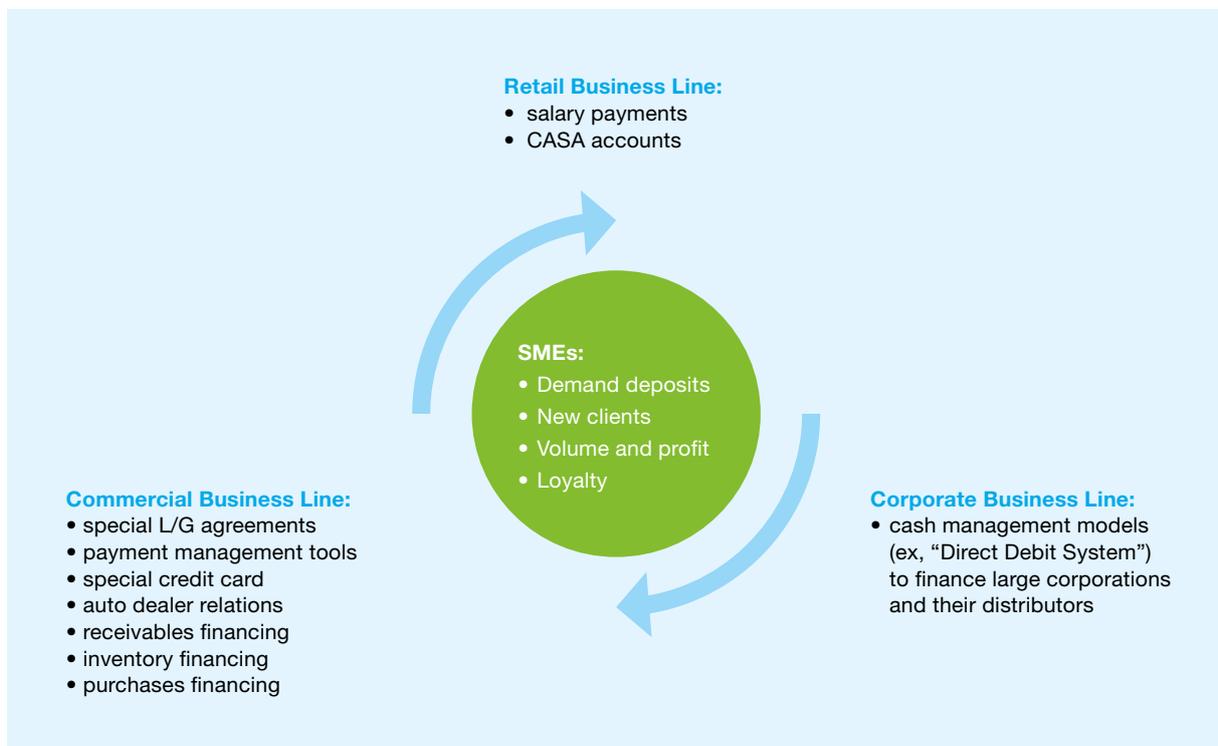
The ability to quickly develop and roll out convenient and effective products is at the core of Garanti's success with the SME segment.

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**



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 among its subsidiaries has helped the bank significantly increase profits through its SME segment:

- Insurance Products: SMEs represent over 20% of the bank's insurance commissions.
- Commercial Credit Cards: SMEs represent 84% of new card sales.
- Salary Payments: 58% of salary payments come from SMEs.
- POS – Cash Management: 67% of SMEs banked at Garanti have POS terminal services.

#### 4) CUSTOMIZED PRODUCT PACKAGES FOR DIFFERENT SECTORS OF SME

The majority of SMEs in Garanti Bank's portfolio fall into the mass and small segments. Financing requirements for over 90% of firms 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**

SME product bundles			
Segment	Proposition	Loans	Services
Women	<ul style="list-style-type: none"> <li>Improve company's production capacity or improve its service</li> <li>Brand new package for women</li> </ul>	<ul style="list-style-type: none"> <li>Women entrepreneur loan</li> <li>Business premises loan</li> <li>Auto loan</li> <li>Cash loan</li> <li>SME project finance loan</li> </ul>	<ul style="list-style-type: none"> <li>Checking acc, OD ACC, POS, credit card, LG's, foreign trade services, SME pension plan, insurance factoring</li> </ul>
Tourism	<ul style="list-style-type: none"> <li>Flexible cashflow and FX support for agencies, suppliers, cafés, and restaurants</li> </ul>	<ul style="list-style-type: none"> <li>Tourism support loan</li> <li>Business premises loan</li> <li>Commercial vehicle loan</li> <li>Fuel management system</li> </ul>	<ul style="list-style-type: none"> <li>Checking acc, OD ACC, POS, credit card, LG's</li> </ul>
Manufacturing	<ul style="list-style-type: none"> <li>Support for those that want to grow and expand abroad</li> </ul>	<ul style="list-style-type: none"> <li>Machinery loan</li> <li>Cash loans</li> <li>Expo participation loan</li> <li>Certificate acquisition loan</li> <li>Business premises loan</li> <li>SME support loan</li> </ul>	<ul style="list-style-type: none"> <li>Checking acc, OD ACC, POS, credit card, LGs, foreign trade services, SME pension plan, export insurance</li> </ul>
Agriculture	<ul style="list-style-type: none"> <li>Investment and production financing on tens that suit the harvest period</li> </ul>	<ul style="list-style-type: none"> <li>Tractor and harvester loan</li> <li>ST production loan</li> <li>M and LT support loan</li> <li>Greenhouse loan</li> <li>Warehouse receipt loan</li> </ul>	<ul style="list-style-type: none"> <li>Ekin card, agriculture insurance, SME pension for farmers</li> </ul>
Tradesmen	<ul style="list-style-type: none"> <li>Use loans at discounted rates</li> <li>Meet client's financing needs as well as collections and payments</li> </ul>	<ul style="list-style-type: none"> <li>Tradesmen support loan</li> <li>Loan via POS</li> <li>Commercial vehicle loan</li> </ul>	<ul style="list-style-type: none"> <li>Checking acc, SME insurance, tax collection</li> </ul>

Source: Garanti Bankasi website



## 5) 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 the 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.

# E. FORMATION OF GARANTI PROPOSITION TO WOMEN ENTREPRENEURS

## 1) GARANTI'S DECISION 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 them "the managerial and consultancy support needed to help them reach a competitive level in global markets." (citation?)

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 is needed, including creating a partnership.
- Better understanding is expected of WE's needs and differentiated solution delivery.
- Banking business processes should be as simple as possible.
- Low interest rates and service fees should be available for price-sensitive WEs.

### 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 businesses.
- WEs are more focused on long-term sustainability.

## 2) 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% 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.



# KADIN GİRİŞİMCİ BULUŞMALARI

Garanti



Panelists seated at the table: **Selin Gü**, **Hande Yılmaz**, **Michael Kızılcı**, **Burcu Kızılcı**



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

# of Women Owned Companies	34,662	Profit	12%
# of Sole-Trader and Self-Employed	105,551	Deposit	10%
<b>TOTAL WEs</b>	<b>140,213</b>	Customer Loan	11%
		# of Customers	12.5%

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.

**3) 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.<sup>5</sup> 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 potential scale of the opportunity for the bank in this sector and the typical need for dedicated resources in marketing and communications support.

**4) 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 in small pricing concessions (see Figure 11).

**Figure 11: Garanti Bank’s WE Product Package**

<ul style="list-style-type: none"> <li>• Women Entrepreneur commercial loan</li> <li>• SME project loan</li> <li>• Overdraft</li> <li>• Foreign trade services</li> <li>• Letter of credit</li> </ul>	<ul style="list-style-type: none"> <li>• POS</li> <li>• Pension program for women entrepreneurs</li> <li>• Leasing</li> <li>• Business credit card</li> <li>• e-commerce (vPOS)</li> </ul>	<ul style="list-style-type: none"> <li>• Insurance (covers critical illness)</li> <li>• Gold secured loans for WEs</li> <li>• Factoring</li> </ul>
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Source: Garanti Bank, 2013

<sup>5</sup> 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.

Contrary to IFC’s global observations, Garanti has found that women are just as price sensitive as their male counterparts. This is different from 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 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 1 to 1½ 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 habits 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	
Non-Life Insurance	41%
Life Insurance	60%
Credit Card	62%
Internet	58%
ATM	88%
POS	23%
Overdraft	17%

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

**Women Entrepreneur Gatherings** provide a sustainable method of providing 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 five 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%

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)
- Ways to embrace the digital platform (e-commerce)

Over the past five years, the gatherings have been held successfully 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 1½ 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.

**Figure 13: Garanti Bank- Boğaziçi University: Mini-MBA Contents**

Subject / Module	Hours
Institutional and individual motivation	5
A financial perspective on managing a company	10
Institutionalization	5
Positive Thinking	5
Innovative Management Skills and Entrepreneurship	5
Turning Problems into non-Problems	5
Equal Practices / Good Practices in Companies	5
Management’s place in the Global Village	5
Corporate Management and Human Resources	5
Legal Matters in SMEs	10
Stress Management under Uncertainty	5
Continuity in Customer Relations	5
Success Factors in International Trade	10
Problems in Family Businesses	10
Change Management	5
Visionary Identity in Organizations	5
<b>TOTAL</b>	<b>100</b>

Source: Garanti Bank, 2013

As of November 2013, more than 467 businesswomen – about 70% 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 represent a strong business development component of the initiative. After two years, Bogazici plans to carry out 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 50% cost-shared by an IFI as part of a \$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 (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 KAGIDER and the local Economist 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**



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 for the competition by offering a one-on-one lunch with the SME banking EVP. Some 75% of competition applicants are already Garanti Bank clients.

## 5) DEVELOPING PARTNERSHIPS TO SUPPORT WOMEN ENTREPRENEURS

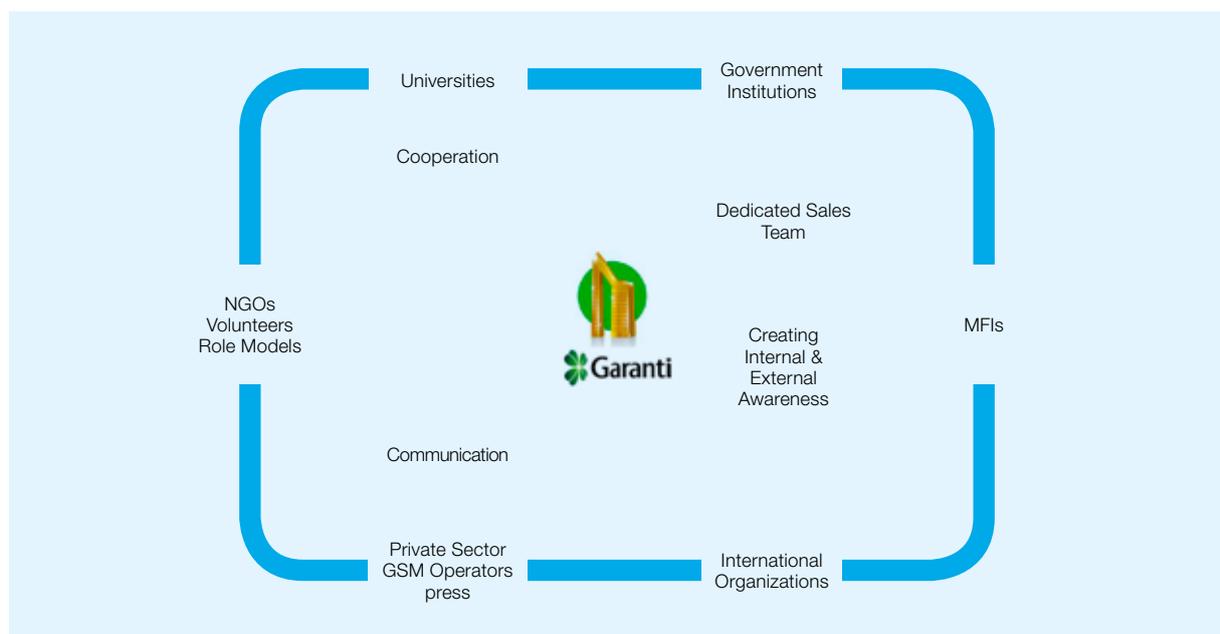
Central to Garanti Bank's strategy is the concept of the WE ecosystem, in which the bank is at the center of an extensive network that supports and promotes WE in Turkey (Figure 15). Garanti Bank has a close affiliation with KAGİTDER, jointly organizing

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, Garanti 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

## 6) 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% of Garanti's 18,000 employees are women. This is one of the highest proportions IFC has come across. Further, after a 2012 audit<sup>6</sup>, PricewaterhouseCoopers found no gender discrimination at the bank.

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% , managerial positions at 50% and top management at 20%.

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 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 the management team and directors. These are then used to better address employee needs going forward.

## 7) 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).

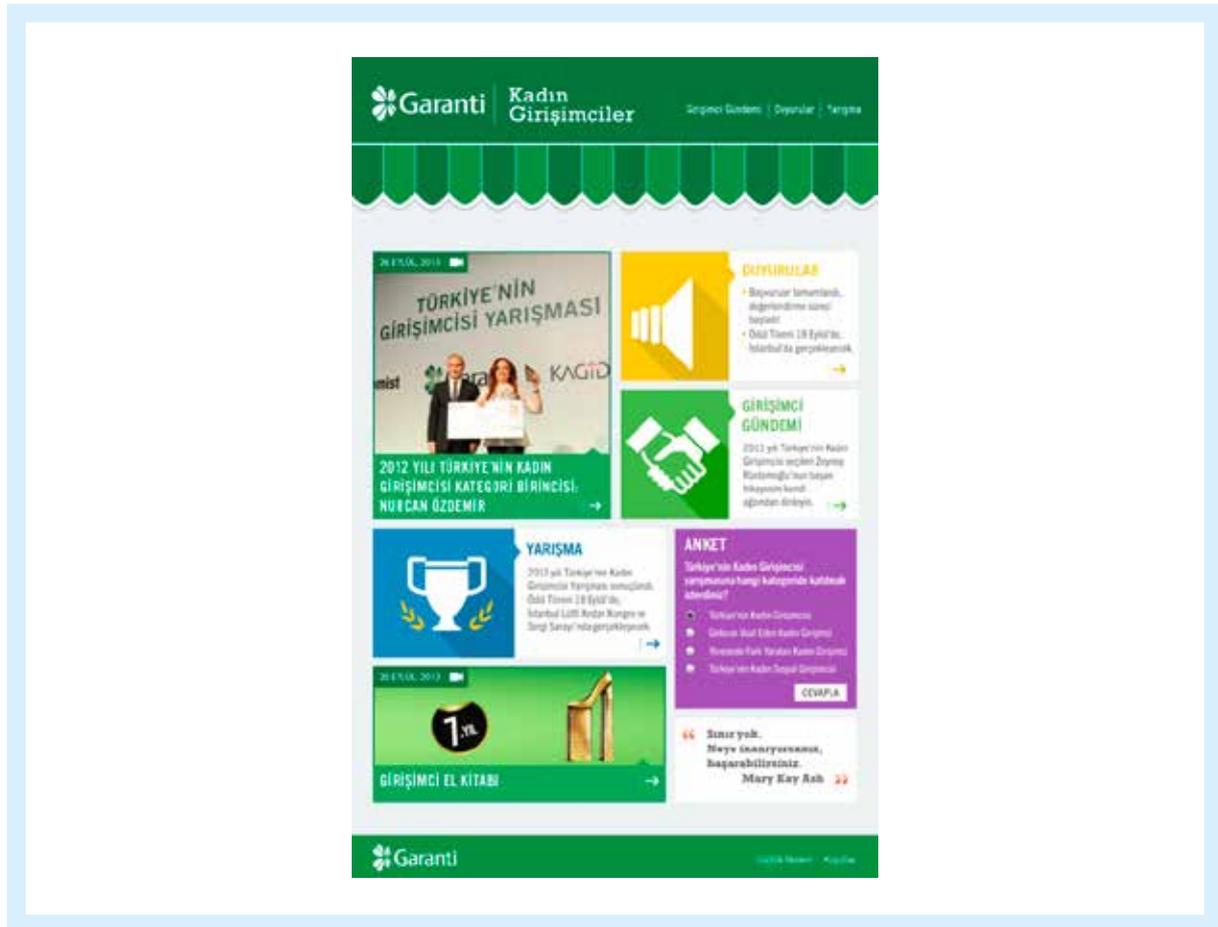
Women are a key focus for CSR, with the program designed as a role model in combining a CSR program with business targets. A number of initiatives performed to date have been joint initiatives between the CSR and the SME Banking teams. This includes, for example, the Boğaziçi University Mini-MBA program 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 KAGIDER, 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.

<sup>6</sup> Under the Technical Assistance of the World Bank, KAGIDER (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 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 promote equal opportunity procedures in the business world.

Figure 16: Garanti's Facebook Page Dedicated to Women Entrepreneurs



Source: Garanti Bank, Competition Web Site 2013

## 8) PERFORMANCE OF WOMEN ENTREPRENEUR'S BUSINESSES TO DATE

As of September 2013, the Bank had 140,213 customers enrolled in the WE Program, representing just less than 10% (9.35%) 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 very strongly correlated with the size of entrepreneur, so that as a woman 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 completely clear what the main drivers 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 Figure 17 below). The efficiency ratio represents an internally defined ratio, based around product usage across the ten main 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. SME**

	Women	SME
Efficiency Ratio	2.31	2.16
Medium	4.36	3.71
Small	3.29	2.93
Mass	1.91	1.74

	Women	SME
Av. Profit per SME	TL3,539	TL3,440
Medium	TL12,467	TL9,213
Small	TL3,706	TL3,165
Mass	TL1,512	TL1,427

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.

## F. CONCLUSIONS AND RECOMMENDATIONS FROM IFC

1. 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 offer 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.**

2. Garanti Bank has understood the importance of moving beyond solely an access-to-finance view of the WE market to also providing 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 the 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.

3. 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.**
4. 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 preparing to go to print, Garanti Bank became the partner of WE Connect International, opening its doors to greater supplier diversity and inclusion.



**T.C.  
Boğaziçi Üniversitesi**  
YETERLİLİK BELGESİ

Öğretim Üyesi

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Eğitim Yılı: 2011-2012

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