

2016



**GARANTI BANK ROMANIA:
STRIVING TO LEAD -
A STUDY ON WOMEN
IN BANKING**

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

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FOREWORD



Xavier Reille

EMENA FIG Advisory Manager,
International Finance Corporation

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 women 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
International Finance Corporation

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 women¹. Yet on average only about 10 percent² 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 women 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.

¹ IFC Enterprise Finance Gap Database (2011).

² 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

BoW	Banking On Women
CAEN	Clasificare Activitatilor Din Economia Nationala A Romaniei
CVP	Customer Value Proposition
EBRD	European Bank for Reconstruction and Development
EMENA	Europe, Middle-East And North Africa
IFC	International Finance Corporation
IRR	Internal Rate Of Return
IS	IFC's Investment Services
KPI	Key Performance Indicators
MIS	Management Information System
NFS	Non-financial service
NPL	Non-Performing Loans
NPS	Net Promoter Score
ROA	Return On Assets
ROI	Return On Investment
TGB	Turkiye Garanti Bankasi
SME	Small And Medium Enterprises
ROT	Return on Turnover
WE	Women Entrepreneurs

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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
Segment Performance and Profitability	
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	✓
Segment Growth and Sustainability	
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)	✓
Bank Capacity	
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	
TOTAL GARANTI BANK ROMANIA BoW CAPACITY	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

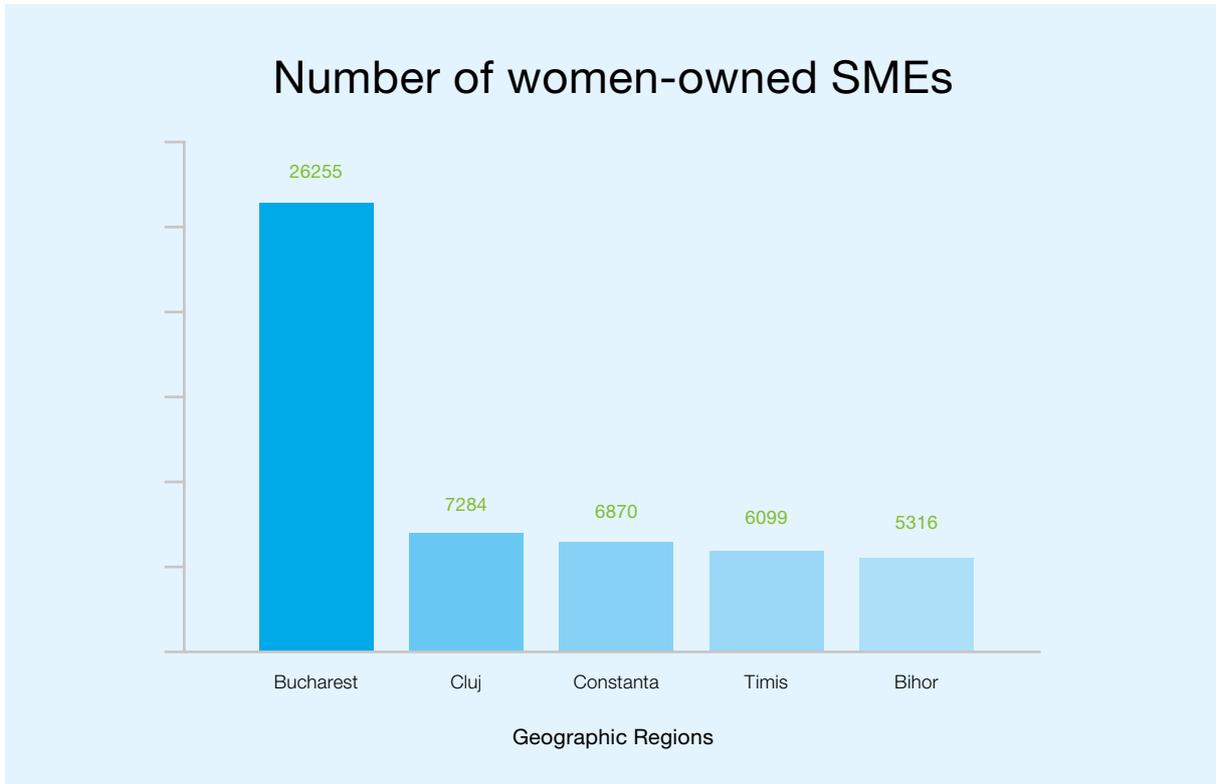
based on partial ownership of companies translates into 160,109 women owning shares in companies. This represents 36% of total shareholders in Romania. This number is close to World Bank data, which puts the share of firms with full and partial women ownership at 47%. Both numbers represent a very sizeable 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.

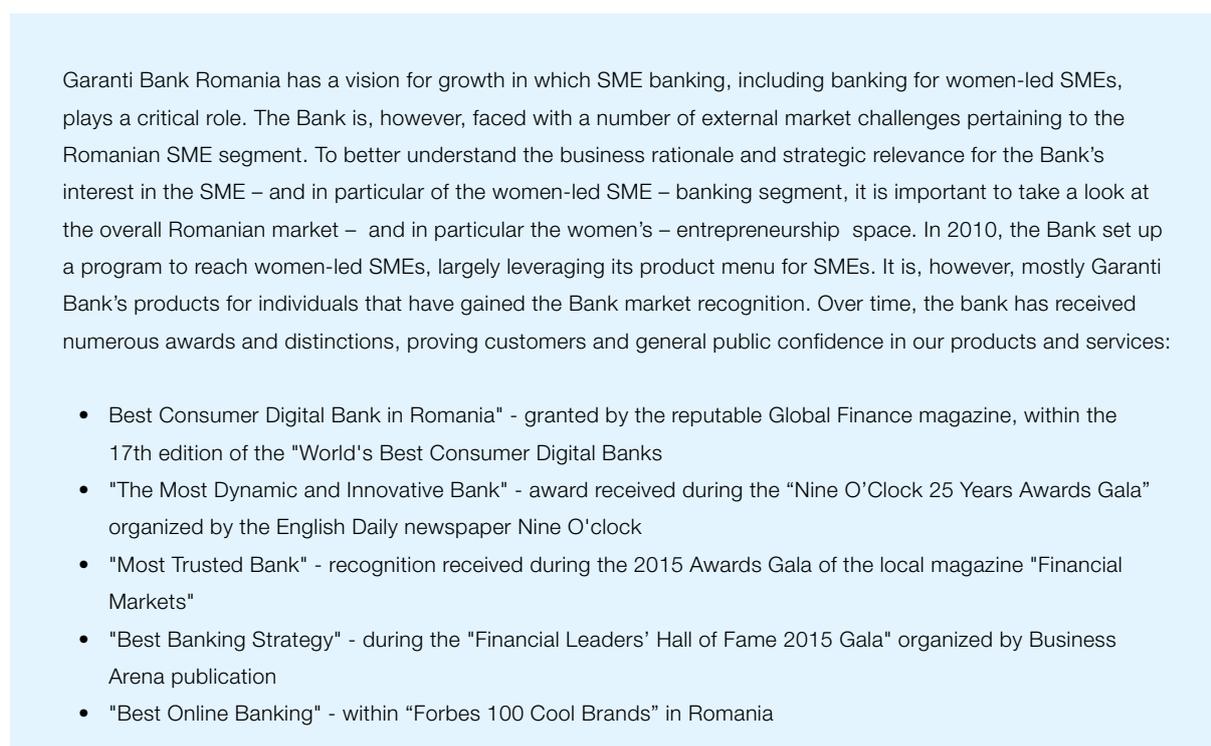
Therefore, part of its growth strategy is an expansion of the Bank's branch network. The Bank sees its current smaller size as an important advantage for its growth strategy, where being smaller has allowed the Bank to build and maintain a healthy portfolio. The Bank's growth targets include increasing 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 SMEs³. 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 support⁴ and (2) non-financial services⁵ (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

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

⁴ 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.

⁵ 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

Good Internal Capacities
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
Long Experience with Various Segments
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
Good Market Position and Favourable Market Perception
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 segment⁶. 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

⁶ 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 clients⁷ 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

⁷ 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 %)
Customers and Loans					
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				
NPLS					
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
Deposits					
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 SMEs⁸ 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

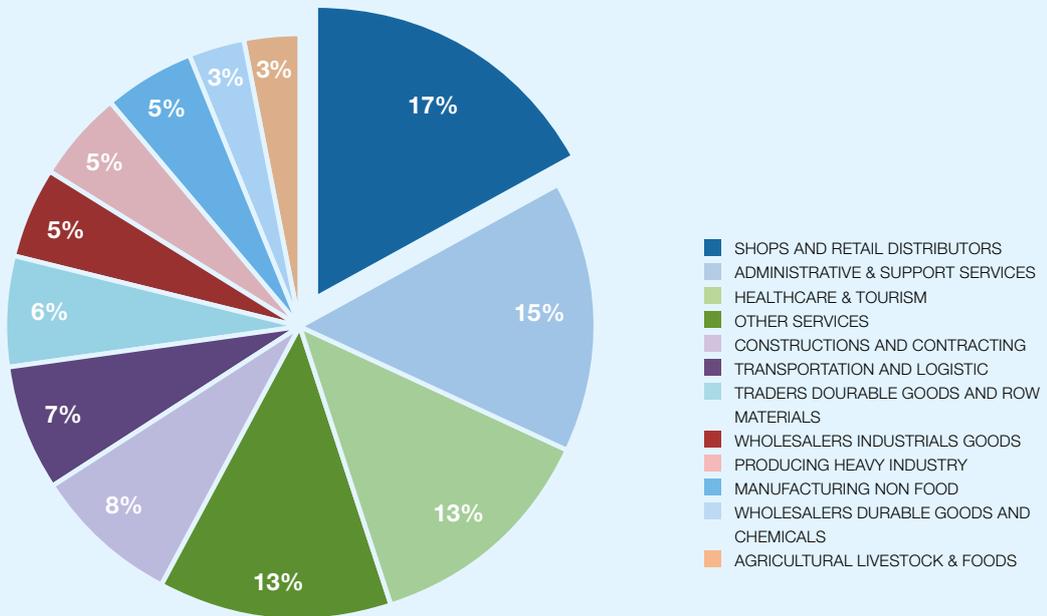
(25%) and administrative support services (15%).

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.

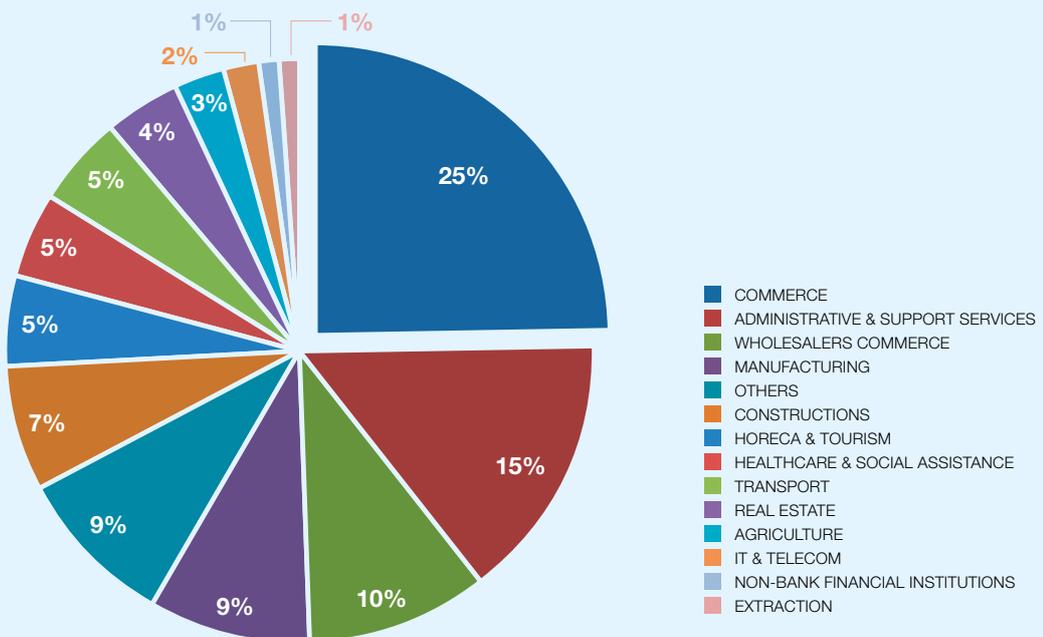
⁸ run by men and/or women

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
Segment Performance and Profitability	
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	✓
Segment Growth and Sustainability	
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)	✓
Bank Capacity	
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

Enjoy The Quality

Business Arena

Admin Value at Work



Enjoy The Quality Business

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 %)
NPLS					
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**

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