

## Working Draft – For Discussion

# Exploring bank financing for women entrepreneurs in the MENA region

## A preliminary analysis of survey data on the financing practices of MENA banks

December 2013

*This draft report presents bank views and financing practices concerning women entrepreneurs operating in the MENA region. The aim of the report is to determine, if, and to what extent, this segment of the population could become a target group for bank lending policies.*

*The draft report was presented for discussion at an expert meeting co-organised by the OECD-MENA Women's Business Forum with the Union of Arab Banks in Beirut, Lebanon, on 13 November 2013. This report was subsequently revised according to the outcomes of the first meeting and is submitted to the OECD-MENA Women's Business Forum meeting on 2 December in Rabat, Morocco. Following the meeting the document will be revised in light of the discussion and subsequently prepared for publication.*

## ACKNOWLEDGMENTS

The OECD-MENA Women's Business Forum (WBF), which is coordinated by Mrs Nicola Ehlermann-Cache, Deputy Head, MENA-OECD Investment Programme in the OECD Global Relations Secretariat, seeks to identify mechanisms to reinforce access to finance for women entrepreneurs in the MENA region. Mrs Nicola Ehlermann-Cache, conceived and developed the project; she managed and supervised this report. Ms Parmjeet Bouffay, Analyst, MENA-OECD Investment Programme and Ms Audra Shallal, Managing Director, Boss Consulting, are the principal authors.

The study benefitted from the collaborative effort of the Union of Arab Banks (UAB) and some of its members, as well some participants of the local Task Forces of the OECD-MENA Women's Business Forum (WBF).

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## LIST OF ACRONYMS

- **AfDB** African Development Bank
- **ADEF** Abu Dhabi Entrepreneurship Forum
- **AED** United Arab Emirates Dirham
- **ATM** Automated Teller Machine
- **BHD** Bahraini Dinar
- **BLC** Banque libanaise pour le Commerce
- **BMCE** Banque Marocaine du Commerce Extérieur
- **BTS** Banque Tunisienne de Solidarité
- **CBJ** Capital Bank of Jordan
- **CEO** Chief Executive Officer
- **CSR** Corporate Social Responsibility
- **DBWC** Dubai Business Women Council
- **GCC** Gulf Cooperation Council
- **GDP** Gross domestic product
- **HSBC** Hong Kong & Shanghai Banking Corporation
- **IFI** International Financial Institution
- **MAD** Moroccan Dirham
- **NBAD** National Bank of Abu Dhabi
- **IFC** International Finance Corporation
- **JEDCO** Jordanian Enterprise Development Corporation
- **JIB** Jordan Islamic Bank
- **JIC** Jordan Innovation Centre
- **JOD** Jordanian Dinar
- **KHCB** Khaleeji Commercial Bank

- **MENA** Middle East and North Africa
- **NGO** Non-Governmental Organisation
- **OECD** Organization for Economic Co-Operation and Development
- **OPIC** United States Overseas Private Investment Corporation
- **SME** Small- and Medium-Sized Enterprises
- **UAB** Union of Arab Banks
- **UMB** Union Marocaine des Banques
- **USAID** United States Agency for International Development
- **USD** United States Dollar
- **WBF** OECD-MENA Women's Business Forum

## EXECUTIVE SUMMARY

The significant changes that have taken place across the MENA region<sup>1</sup>, combined with the global financial crisis, aggravate the conditions for the creation, survival and growth of small and medium-sized enterprises (SMEs). Yet with SMEs accounting for up to 90% of businesses in the region and creating more than half the jobs<sup>2</sup> securing financial access and support should be a priority to sustain economic growth. As women entrepreneurs remain underrepresented in the economies of the MENA region in comparison to other parts of the world<sup>3</sup>, harnessing their potential could lead to new avenues for economic growth<sup>4</sup>. Indeed studies illustrate a strong link between women's economic integration and broader economic development, growth and productivity<sup>5</sup>.

Testimonies illustrate that women entrepreneurs lack adequate funding to develop and grow their businesses. As notably highlighted during the OECD-MENA Women's Business Forum (WBF) meetings, women may confront both: demand side (access to finance) as well as supply side constraints (bank lending practices). To deepen the understanding of bankers' views and practices, the WBF embarked, in partnership with the Union of Arab Banks (UAB), on a questionnaire-based research study on women entrepreneurs' access to bank finance in the MENA region.

The present study and the underpinning questionnaire engage with banks to learn more of their financing practices, decision making processes and enterprise support services with a view to possibly determining where bottlenecks occur and identifying potential solutions to bridge the financing gap women entrepreneurs may face.

The study's preliminary findings show that banks could indeed play a larger, profitable, role in developing funding options for women entrepreneurs, notably because:

**Banks value the potential profit-making prospects of women-owned businesses**, but are slow to seize the prospects that this market offers with targeted products and tailored solutions. The financing policies and stringent risk assessment processes of banks fail to meet the unique circumstances of women entrepreneurs. In a changing global financial landscape, where alternative non-bank sources of SME

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<sup>1</sup> This paper follows the MENA-OECD Investment Programme's designation of the MENA region which comprises the following economies: Algeria, Bahrain, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Palestinian Authority, Qatar, Saudi Arabia, Tunisia, United Arab Emirates and Yemen.

<sup>2</sup> Saleem, Q (2013) *Overcoming constraints to SME Development in MENA Countries and Enhancing Access to Finance*, IFC, p.2; (2013) Kerr, S (2013) "Start-ups need more help from the region's lenders", FT Special Report Arab World Banking and Finance, p. 1

<sup>3</sup> According to the IFC (2013), MENA female entrepreneurship levels are between 12-15% as opposed to a global average of 35%

<sup>4</sup> OECD (2012) *Women in Business – Policies to support women's entrepreneurship development in the MENA region*.

<sup>5</sup> Doepke M et al (2011) *The Economics and Politics of Women's Rights*, NBER Working Paper Series



finance are becoming more prominent<sup>6</sup>, it is vital for banks to reposition and adapt to an emerging client base.

**There is a gap between bank perceptions and actions.** Banks report that they are motivated by potential profit to invest in women-led businesses, yet such businesses represent less than 10% of bank loan portfolios<sup>7</sup>. Unfortunately the questionnaire responses do not specify the exact percentage of those loans. If such loans are well below 10%, it could be arguable that they would serve far less than the level of women entrepreneurs, estimated to represent 10% to 15%, and thus hamper the potential of women entrepreneurship development.

While a majority of banks consider that loans dedicated to women-led businesses are important for entrepreneurship development and job creation, only three of the surveyed banks had annual credit strategy targets to increase financing to women entrepreneurs. There is thus a gap between bank perceptions of the potential of women-led businesses and bank actions to provide the support necessary to boost the growth of these businesses.

**Banks are gradually capturing a new market segment.** All of the banks surveyed<sup>8</sup> report offering finance to women-owned businesses, with some advising of their intention to develop targeted services and products for women business owners in the near future. In an increasingly competitive environment, where SMEs are starting to look beyond banks for different sources of finance, banks are exploring ways to adapt and reposition to capture a potentially lucrative market niche. In their quest to expand, banks are increasingly leveraging information and communication technologies to connect with under-served women business-owners. Nonetheless, some banks still question the need for programmes tailored to women entrepreneurs who are committed to growing their businesses sustainably over the long-term.

**Banks might wish to innovate to yield the rewards of serving women-owned businesses.** When making financing decisions, banks regard credit history (90%), collateral (80%) and business experience (80%) as the most important factors in their evaluation. The focus on such elements unfortunately risks excluding women entrepreneurs given their limited use of formal bank accounts, limited collateral options and restricted formal work experience. By creating innovative approaches to financing requirements and risk assessments adapted to the circumstances of women entrepreneurs, banks can proactively foster women business-owners' access to bank finance and cultivate a new market position.

**Opportunities exist for different stakeholders and banks to develop targeted approaches to reduce the financing gap for women entrepreneurs.** Building on the findings of the questionnaire as well as additional desk research, it is clear that innovations and the development of tailored products and services by banks can broaden financial inclusion for women-owned businesses. Banks can take actions to enhance transparency, improve information sharing and outreach efforts to deepen their penetration in this new market segment. At the same time, there is a need for women entrepreneurs to master specific skills to become "bank ready", meaning they meet the particular expectations of banks and master the capacity to pitch their projects in a positive, persuasive, manner. Further, women entrepreneurs need support beyond finance to help secure access to finance. Governments and regulators can play a role in improving the financial architecture, addressing legal uncertainties and cultivating a supportive business climate.

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<sup>6</sup> Refer to, OECD, forthcoming, *Entrepreneur's Guide to Bank and Non-Bank Financing for Women in the MENA Region*

<sup>7</sup> The overall response rate to the questionnaire is approximately 11% (19 of 172 banks contacted)

<sup>8</sup> While 19 banks completed the survey, 3 of the 19 did not have gender disaggregated data to respond to questions 10-30, so these 3 banks are excluded from calculations emanating from this section of the questionnaire

## DRAFT RECOMMENDATIONS

The draft recommendations below were revised in light of the advice of experts and bankers present at the meeting co-organised by the WBF and the UAB on 13 November 2013 in Beirut, Lebanon.

<b>Banks</b>	<ul style="list-style-type: none"> <li>▪ Establish innovative “bank-ready” loan packages tailored to the specific circumstances of women-led businesses, encompassing credit and non-credit options, such as, lending and advisory services with the objective of promoting awareness of bank lending requirements.</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Improve information flows directed towards women-led businesses and talented entrepreneurs to raise awareness of the range of bank financing options and the conditions under which they may be secured. The emphasis should be placed on the key criteria for obtaining a successful loan.</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Explore and develop creative collateral regimes, such as, collateral registries and credit guarantee schemes.</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Adopt strategies, such as, “gamification”<sup>9</sup>, which can contribute to developing a longer-term relationship between banks and women entrepreneurs, by rewarding diligent banking on the part of clients and creating incentives for longer-term partnerships.</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Participate in “bank ready” pitching events, competitions and training programmes where bankers could partake in interactive “role playing” sessions with SMEs.</li> </ul>
<b>UAB</b>	<ul style="list-style-type: none"> <li>▪ Explore ways of showcasing “bank-ready” women entrepreneurs to raise the profile of successful women entrepreneurs as role models and stimulate experience-sharing.</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Sponsor the development, the capacity-building and the training of “bank readiness”, in cooperation with UAB members and partner financial institutions.</li> </ul>
<b>MENA Governments</b>	<ul style="list-style-type: none"> <li>▪ Promote international good practices in extending access to financial products and services to meet the financing needs of women entrepreneurs and the growth strategy of banks.</li> </ul>

<sup>9</sup> “Gamification” is known as a system of points and rewards for customers in recognition for good banking practices, such as, making regular deposits into their accounts.

<b>and Policy Makers</b>	<ul style="list-style-type: none"> <li>▪ Incorporate measures aimed at promoting women-led businesses in national SME strategies, especially in the domain of financial access and credit guarantees.</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Develop gender sensitivity training programmes to be delivered to banks and financial literacy training to women entrepreneurs.</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Ensure that gender is included in the design of SME sample surveys carried out by national statistical offices and that gender-disaggregated data is systematically reported.</li> </ul>
<b>Women entrepreneurs</b>	<ul style="list-style-type: none"> <li>▪ Appreciate the importance of risk calculations in the bank decision-making process, and the significance of effective strategies to address them during the presentation of the business model.</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Understand that business plans should include detailed financial statements with projections over the short to medium-term, and key benchmarks. The goal is to emphasise the profitability of the business and the existence of a sound strategy to enhance this.</li> </ul>
<b>Women Business Associations</b>	<ul style="list-style-type: none"> <li>▪ Identify financial and non-financial barriers, building notably on case studies of women-owned enterprises, which impact the development of women-led businesses and advocate for enhanced access to finance for women-owned businesses. This should be undertaken with a view to identifying key obstacles and proposing effective solutions.</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Encourage various stakeholders to develop and design “bank ready packages” with guidelines and advice on how to meet bank lending requirements.</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Enhance data collection, analysis and research to increase the information available to banks on the profile, performance and potential of women entrepreneurs and women-owned businesses.</li> </ul>
<b>WBF</b>	<ul style="list-style-type: none"> <li>▪ Conduct further data collection, research and analysis to gather information on the characteristics of women entrepreneurs (the demand side) and their businesses to improve information flows and address information asymmetries which banks experience (the supply side).</li> </ul>

- Research alternative collateral and credit access regimes which may inspire innovative banking practices and models.

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## SECTION 1: INTRODUCTION TO THE STUDY

### **The MENA region is in need of jobs and growth ...**

1. Recent historic events have sparked sweeping political, economic and social change across the MENA region, while also creating new challenges underscored by political uncertainty and an unfavourable global climate for investment. With the highest overall unemployment rate and the lowest integration of women in the formal labour market in the world<sup>10</sup>, the MENA region needs to uncover new sources of growth to stimulate job creation, drive productivity and enhance competitiveness.

### **... women are key to reviving economic growth in the region**

2. Women in the MENA region have achieved strong educational outcomes in the past twenty years, with gender parity in health and education a reality in the foreseeable future in most economies. In some economies, more women than men graduate from tertiary education in fields such as, science, technology, engineering and math<sup>11</sup>. However, such impressive educational outcomes have yet to transform the workforce. Despite a growing rank of highly qualified women, and the strong performance of women-led companies, women's entrepreneurship rates in MENA remain the lowest in the world at 12%<sup>12</sup>. Women thus represent the region's greatest untapped resource to fuel innovation and growth, with reports that increasing women's labour market integration could elevate gross domestic product (GDP) per capita by more than 25%<sup>13</sup>.

### **Entrepreneurship is a fundamental driver of economic growth ...**

3. Entrepreneurship and small and medium sized enterprises (SMEs) are vital drivers of economic activity, growth and innovation. It is estimated that SMEs in the MENA region "account for 60% of GDP" and half of the region's jobs"<sup>14</sup>. Yet MENA women entrepreneurs report greater obstacles compared with men in accessing finance to stimulate and sustain the growth of their businesses<sup>15</sup>. While fractured financial markets in MENA limit financing options for all SMEs, women-led businesses also confront gender-specific obstacles which further hamper their access to finance.

### **... yet challenges remain in harnessing the full potential of women entrepreneurs**

4. The Global Entrepreneurship Monitor classifies the MENA region as "entrepreneurially disadvantaged" based largely on the low integration of women in the formal workforce and as owners of businesses. While many factors inhibit women from successfully developing and growing their businesses, difficulties in accessing finance is frequently mentioned as a basic impediment.

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<sup>10</sup> ILO (2012) *Global Employment Trends for Women*

<sup>11</sup> World Bank World Development Indicators Database

<sup>12</sup> Forthcoming, OECD (2013) *Gender inequality in employment and entrepreneurship in the Middle East and North Africa: A statistical portrait*

<sup>13</sup> Booz, Allen and Hamilton (2013)

<sup>14</sup> OECD (2011) *The Impact of the Global Economic Crisis on SMEs in the MENA Region*, OECD-MENA Investment Programme

<sup>15</sup> Forthcoming, OECD (2013) *Gender inequality in employment and entrepreneurship in the Middle East and North Africa: A statistical portrait*

## **Banks are exploring new markets ...**

5. The banking industry is confronting large-scale shifts in landscapes, with banks increasingly pressured to reposition themselves strategically to proactively capture new client bases<sup>16</sup>. In a fragile business environment, with non-bank financial institutions progressively offering SME finance and customer loyalty gradually diminishing, under-served women business owners represent a potentially rewarding market segment. Nonetheless, cultural and behavioural shifts are necessary for banks to acquire the full potential of this market.

## **... and could capture the market of women-led businesses with tailored products and services**

6. Women-led businesses represent a growing and substantially under-banked<sup>17</sup> market segment. Such businesses could be a long-term, sustainable source of profits for banks, yet information asymmetries exist on both sides of the market. Sizeable synergies could be extracted and economic growth augmented as a result of banks better targeting their products and services to women entrepreneurs.

## **Structure of the report**

7. Following the introduction the second section of this draft report presents the findings which are divided into two broad parts: an examination of bank perceptions and financing practices in relation to women entrepreneurs; and an analysis of bank decision-making processes and their impact on women-owned businesses' access to bank finance. Conclusions derived from this study are contained in the Executive Summary and reflected at the end of the draft report.

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<sup>16</sup> Ernst and Young (2013) *Global Banking Outlook 2013-2014*, p. 5

<sup>17</sup> "Under-banked" refers to adults who do not use formal or semi-formal financial services as per The Financial Access Initiative (2009) *Half the world is unbanked*, FAI, New York

## SECTION 2: FINDINGS FROM THE SURVEY OF MENA BANKS

8. The findings of this draft report build on the responses of 19 MENA banks operating in 4 countries<sup>18</sup> to a questionnaire addressed to 172 banks operating in 18 MENA economies (see Annex 1 and 2 for the Project Methodology and the survey questionnaire). The objective of the questionnaire was to learn more, through banks responses, of their financing practices regarding women entrepreneurs operating in the MENA region and to determine, to what extent this segment of the population could become a target group in bank lending policies.

### **Bank financing: a gap between perceptions and actions?**

9. Banks state that they are primarily motivated by potential profit to invest in women-owned businesses, yet such businesses represent less than 10% of bank loan portfolios. There probably is a gap between bank perceptions and actions when it comes to financing women entrepreneurs. While recognition of the prospective profitability of women-led businesses is an important first step, much remains to be done for this to translate into action. Moreover, banks demonstrate little awareness of the characteristics of women entrepreneurs, all the while expressing an interest to infiltrate new markets and secure new client bases. At a time where bank customers, including SMEs, are starting to look beyond banks to alternative sources of finance, it is imperative for banks to adapt to the needs of its shifting clients bases<sup>19</sup>. Women-owned businesses therefore represent a fertile market segment for banks, which when targeted through innovative and customised strategies, could reap significant returns for banks and economies.

### **Banks consider women-led businesses as profitable ...**

10. Among respondent banks, 90%<sup>20</sup> consider potential **profitability** as the driving factor for investing in woman-led businesses. When asked if, by their standards, the investment in loans dedicated to women-led businesses was profitable for their institution, the majority of banks (90%) responded that it was **profitable** (1-3 on a scale of 1 to 5). Nearly one half of the banks surveyed assessed the impact of special loans dedicated to women-led businesses, with respect to entrepreneurship development and job creation, as moderately important and the other half (50%) as **important or very important** (1 and 2 on a scale 1 to 5). Such a positive response regarding the significance of women entrepreneurs, their potential profitability and economic impact, is an important foundational element, as perceptions have been shown to significantly influence bank financing decisions<sup>21</sup>. Further, this finding confirms other studies which observe that banks, of all sizes, are increasingly interested in serving the SME market<sup>22</sup>.

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<sup>18</sup> Bahrain, Jordan, Morocco and Tunisia

<sup>19</sup> Ernst and Young (2013) *Global Banking Outlook 2013-2014*

<sup>20</sup> Not all banks which completed the survey answered this specific question

<sup>21</sup> Wilson F et al (2007) "Bank Loan Officers' Perceptions of Business Owners: The Role of Gender", *British Journal of Management*, Vol 18, 154-171; Torre, A et al (2010) "Bank involvement with SMEs: Beyond relationship lending", *Journal of Banking and Finance*, Vol 34, 2280-2293

<sup>22</sup> Beck T et al (2008) "Bank Financing for SMEs around the World: Drivers, Obstacles, Business Models and Lending Practices", World Bank Policy Research Working Paper 4785

### ... yet women-owned enterprises account for less than 10% of bank loan portfolios

11. The volume of loans granted by MENA banks to women-led SMEs still represents a small fraction of the investment activity of banks. When questioned about their lending practices, all of the banks reported having provided loans to women-led businesses. However, among these banks, women-led businesses generally account for less than 10% of the **total loan portfolio**. The exception is banks centred on the development of SMEs, such as la Banque Tunisienne de Solidarité and Attawfiq Microfinance Bank from Morocco, where women-led businesses represent 31-60% of the total portfolio, plus, Bank al Etihad, from Jordan, a member of the Global Banking Alliance for Women<sup>23</sup>.

12. The financial products most often offered to women entrepreneurs by respondents include services and products designed to facilitate the day-to-day operations of businesses. The products, in general, include loans distributed across the three main time frames (short-term, medium-term and long-term), deposit and cash management products, payment and transfer facilities, lines of credit and trade finance. The core of these products relate to conventional SME lending, reaffirming the findings of earlier studies<sup>24</sup>. None of the banks having completed the questionnaire report having offering Sharia-compliant products (which tends to be more common in the GCC market), insurance products or technical advice to women entrepreneurs.

13. Interestingly, the majority of banks, including banks which reported to have not provided loans to women-owned businesses, state that they possess SME teams of varying sizes and capacity (the smallest comprising 1 person, the largest with 33 employees). The existence of such teams would suggest a corresponding SME strategy, possibly with customised internal scoring models and specialised products at the relevant banks<sup>25</sup>. Whether this also points to a higher rate of relationship lending is unclear based on existing data. Strengthening the knowledge, skills and tools of SME team members to better respond to market demands could be a fruitful strategy for banks, given that a related study notes that “68% of business owners indicated that banks staff members lacked adequate knowledge and experience to handle SME business customers effectively”<sup>26</sup>. Reinforced SME teams in banks may also lead to swifter decision-making and more flexibility in loan conditions, concerns repeatedly highlighted by women entrepreneurs<sup>27</sup>.

### Nonetheless banks seem to be gradually exploring a new market niche and new technologies ...

14. Echoing a growing awareness of the need to expand banking services to previously excluded population segments, some banks value investment in women-led businesses as part of a wider **expansion strategy** in the quest to access new markets, develop niche expertise and diversify risks<sup>28</sup>. All of the banks responded that they have previously financed or are currently financing businesses owned by women. For example, Khaleeji Commercial Bank of Bahrain reported investment in eleven projects involving women-led businesses, and considers these interests as part of its broader strategy to penetrate new market

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<sup>23</sup> The Global Banking Alliance for Women is a global network of financial institutions committed to increasing women entrepreneurs’ “access to capital, markets, education and training”, for more information refer to: <http://www.gbaforwomen.org/>

<sup>24</sup> Rocha R et al (2011) The Status of Bank Lending to SMEs in the Middle East and North Africa Region

<sup>25</sup> *Ibid.*

<sup>26</sup> Vital Voices (2013) p. 16

<sup>27</sup> *Ibid.*

<sup>28</sup> Ernst & Young (2013) *Global Banking Outlook 2013-2014*, p. 6



segments and expand its presence across the region. The Bank foresees many opportunities for growing its business, not only in its domestic market, but also in the wider MENA region<sup>29</sup>. The Banque Tunisienne de Solidarité (BTS) functions as an alternative to the classic banking system, cooperating closely with non-government organisations and offering interest rates at less than 50% of the market rate with progressive reimbursement schemes. The BTS also reports a focus on highly-educated youth exhibiting entrepreneurial zeal. One of the aims of Al Barid bank in Morocco is to extend banking services to rural and excluded segments of the population. Further, Jordan Ahli Bank notes in its Annual Report 2012, that the Bank aims to give “women business owners the support, information and knowledge they need to excel in their SME ventures”.

15. Even though Quds Bank, based in Palestine, did not complete the questionnaire it is one of the very few MENA banks which includes the financing of women entrepreneurs among its annual targets. The bank’s 2011 Annual Report states, that “the bank will launch a package of tailor-made personal loans ... benefitting currently untargeted sectors such as women, education, SME loans and others”<sup>30</sup>. BLC Bank, Lebanon, is another bank which is targeting women entrepreneurs, despite not having completed the questionnaire. With the support of the International Finance Corporation, BLC Bank has launched the Women’s Empowerment (WE) Initiative which aims to provide assistance to women entrepreneurs in any phase of the business cycle including procedural information, advice on business development, financial counselling, and networking opportunities through its Women’s Unit and Facebook page<sup>31</sup>. In a similar vein, Citi Maghreb announced in August 2013 that the U.S. Overseas Private Investment Corporation (OPIC) has provided its consent for a new USD 40 million, eight-year loan facility with Attijariwafa Bank to support loans to SMEs in Morocco under a risk sharing agreement between OPIC and Citi Maghreb<sup>32</sup>.

16. Many banks from the GCC have been at the forefront in targeting market niches as such banks tend to have a regional, rather than international orientation, and offer Islamic financial products more as a means of branding and strengthening their competitive advantage, rather than being motivated by religious imperatives<sup>33</sup>.

17. The majority of banks (80%), report using their own **full service branches** to reach women entrepreneurs, thereby highlighting the importance of local level branches and, possibly, the role of relationship lending. Bank branches are an important avenue for banks to provide advice and to discuss more complex banking arrangements with clients. On the other hand, “time and mobility constraints affect women’s ability to interact with financial institutions”, thus foreshadowing the potential of new digital distribution channels for women in particular<sup>34</sup>. As a reflection of the surge in internet access and use in the MENA region<sup>35</sup>, 65% of banks report using the **internet, social media** and **phone banking** as marketing and distribution channels to connect with women business-owners. Such methods potentially open up new opportunities for banks and women entrepreneurs to engage with one another. Likewise, the potential of information and communication technologies will grow with the spread of digital literacy in

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<sup>29</sup> Khaleeji 2011, p. 13

<sup>30</sup> Quds Bank (2011) *Annual Report*

<sup>31</sup> BLC Bank (2012) *Annual Report*

<sup>32</sup> <http://www.citigroup.com/citi/news/2013/130807c.htm>

<sup>33</sup> Accenture (2011), p. 9

<sup>34</sup> World Bank and OECD/INFE (2013) *Women and Finance: Progress Report to the G20*, p.8

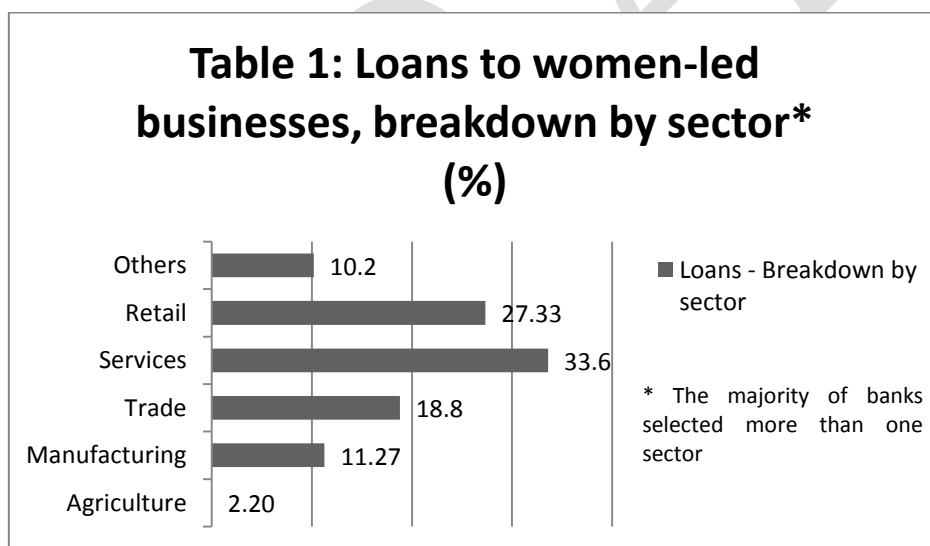
<sup>35</sup> Dubai School of Government (2013) *The Arab World Online: Trends in Internet Usage in the Arab Region*

MENA economies<sup>36</sup>. These technologies have the capacity to further reduce impediments to financing by helping to raise awareness of bank products, processes and services. Especially since some women entrepreneurs report that the process of applying for a loan appears “too complicated”<sup>37</sup>. In addition, the information sharing and networking possibilities generated by such technologies could further pave the way for innovation in the field of SME finance for women-owned businesses.

**... dominated by loans to businesses in the retail and services sector ...**

18. Of the women-led businesses banks offered loans to, over 50% of beneficiary enterprises operate in the **retail and services sector**, where firm size is generally smaller and growth rates more measured than other sectors, such as, manufacturing and information and communication technology<sup>38</sup>. When banks were asked to describe projects that they have recently financed, their responses mentioned residential and commercial projects, education, healthcare, cosmetics, beauty, fitness, and green projects. In particular, the Jordan Islamic Bank mentions a school, a pharmacy, a laser treatment centre, a special education centre and a residential student service. Bank Al Etihad, Jordan, reports having financed an event management company, a supermarket, and an arts shop, while Investbank, Jordan, has financed a jewellery store, a social magazine and a beauty centre. In Tunisia, la Banque Tunisienne de Solidarité reported providing finance for women-led SMEs in the domains of crafts, small-scale agriculture and services.

19. The businesses which obtained bank financing are overwhelmingly **urban** and **relatively young**. As women become more involved in consumer decision-making<sup>39</sup>, women-led SMEs are well-placed to provide for the needs of this emerging consumer group. Some banks mention loans for more high-tech projects, such as Jordan Ahli Bank, which financed architecture, civil engineering, technology and web design projects.



<sup>36</sup> Brack (2013), Annex

<sup>37</sup> Vital Voices (2013) *Ready for Growth*, p. viii

<sup>38</sup> OECD (2012) *New Entrepreneurs and High Growth Enterprises in MENA*

<sup>39</sup> Ernst & Young (2012), p.12

### ... of varying magnitude

20. The **size of the loans** granted to women-owned businesses varies significantly among the surveyed banks. Bank Al Etihad in Jordan reports having granted 17 loans to women-led businesses of an average size of JOD 338 000 (EUR 346 000)<sup>40</sup> each, while the Jordan Islamic Bank reports a total of approximately JOD 1.6 million (EUR 1.6 million) loans to women-led businesses, with an average loan size of JOD 90 000 (EUR 92 000). The Housing Bank for Trade and Finance in Jordan states it provided 79 loans of an average size of JOD 80 000 (EUR 82 000) each to women-led businesses in Jordan, Syria, Palestine, Bahrain and Algeria. Still in Jordan, the Capital Bank of Jordan (CBJ) reports having issued loans for 5 projects, each approximately valued around JOD 200 000 (EUR 205 000). In addition, the CBJ granted 25 loans, each of an average size of approximately JOD 60 000 (EUR 62 000) to co-owned (man/woman) businesses. In Tunisia, the Banque Tunisienne de Solidarité has provided, since its creation, 43 070 small loans of about EUR 3 500 each. In Bahrain, Khaleeji Commercial Bank granted loans valued around BHD 800 000 (EUR 1.5 million) to 11 SME projects. Some banks report offering loans to women-led businesses through microfinance institutions, for example, Banque Société Générale in Jordan offered USD 1 million through such a mechanism<sup>41</sup>. While the survey data indicates that the percentage of women-led businesses remains low in bank loan portfolios, it appears that banks are nevertheless gradually exploring a new market segment.

### Yet banks demonstrate little strategy to deepen expansion through a targeted approach ...

21. There is little evidence that banks use **targeted strategies** to reach women entrepreneurs, despite the majority of banks identifying women-owned businesses as potentially profitable and having dedicated SME teams. Further, the surveyed banks do not report offering **tailored programs, personalised services or customised products** aimed at women-led businesses. Only three of the surveyed banks (Attawfiq, Jordan Islamic Bank and Khaleeji Commercial Bank) reported the existence of targets in their annual credit strategies to increase financing to women-led businesses. This confirms the results of the Vital Voices survey conducted among MENA women business owners, where 50% related that their financial institutions had no programmes specifically targeted to women<sup>42</sup>.

22. At the same time, many banks acknowledged that **services, products and programmes** focused on financing women-led businesses remain premature. Jordan Ahli Bank stated that it was interested to learn more of the “needs and pains” of women entrepreneurs in accessing finance, running a business, and the data pertaining to it, as a prelude to launching a financing and advisory service dedicated to women entrepreneurs in Jordan. Whereas, Khaleeji Commercial Bank of Bahrain informed that it has made several attempts in the past to explore women-led markets by supporting the Bahrain Women’s Association and attending several Arab women’s conferences.

### ... with some questioning the need for tailored programmes

23. All of the banks surveyed stated that they only consider **business indicators** in their decisions to provide financing. A number of the surveyed banks specifically stated that they do not consider the gender of the loan applicants as a critical criterion for either granting or denying a loan. The absence of legal and

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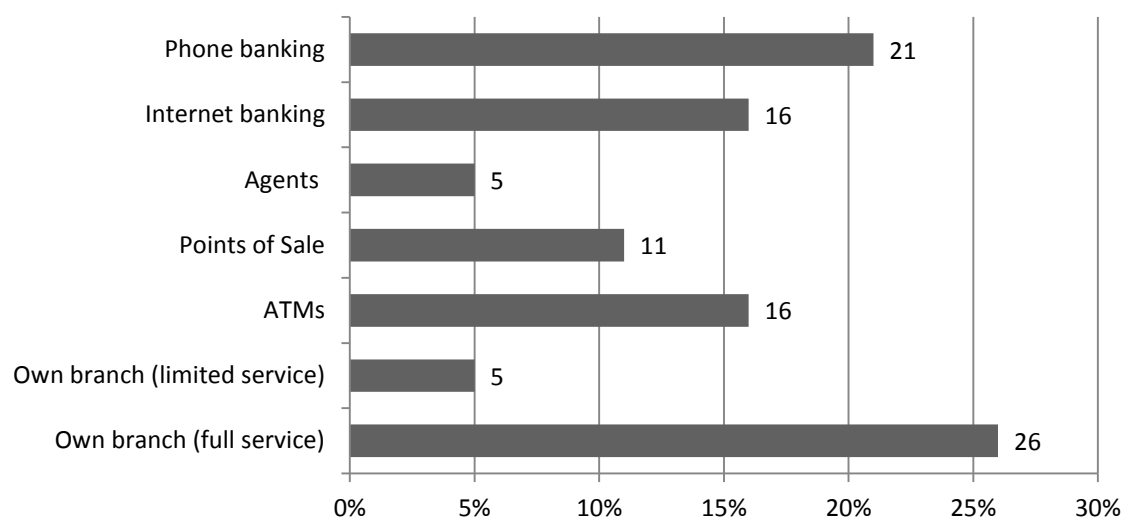
<sup>40</sup> All currencies were converted on 30 October 2013.

<sup>41</sup> In Jordan, there are five registered non-profit institutions and three commercial companies that are labelled Microfinance institutions specialized in micro-credit. Microfinance institutions are organised in a national level microfinance association called Tanmeyah, which has an official legal form, offices and employees, with the objective of sharing experiences and data, as well as to advocate, and collaborate to provide a more convenient environment for the development of new microfinance products. Source: Ministry of Planning and International Cooperation (2012), p. 8.

<sup>42</sup> Vital Voices (2013) *Ready for Growth*

procedural barriers is a necessary first step to enhancing women’s access to finance, however, such a perspective risks discounting the “gendered interpretation and implementation of gender-neutral economic laws”<sup>43</sup> and policies. Further, banks appear to demonstrate little awareness with respect to “culturally driven constraints faced by women entrepreneurs, such as their mobility and higher demands on their time, [which] may further limit their ability to access finance”<sup>44</sup>. Instead, some of the banks questioned the need to develop specific financial products targeting women entrepreneurs. It thus appears that banks do not conceive women-led businesses as a market with specific needs possibly requiring an innovative approach, the creation of new products or the adaptation of existing ones to alternative circumstances. Recognising the distinct characteristics of a potential new market segment will enable banks to reposition themselves, differentiated from their competitors, to better acquire and service an emerging client base.

**Table 2: Multiple channels used by banks\* to reach female clients (%)**



\* Banks selected more than one channel

**Bank decision-making: an opportunity to close the gap**

24. Banks maintain that their policies and procedures related to lending are **gender-neutral** and non-discriminatory. Yet apparently gender-neutral policies and procedures can often have “unintended differential impact on men and women”<sup>45</sup>. Thus, the premium on collateral and credit history, as well as, business experience and strategy, in bank lending decisions, tends to unfairly disadvantage women entrepreneurs given their relatively low level of economic integration when compared to men. In addition, overly stringent risk management regimes may further obstruct banks from breaking into a lucrative market. Accordingly, opportunities exist for banks, women entrepreneurs and other stakeholders, to collectively tackle the mutually reinforcing obstacles to women’s access to finance to their shared benefit.

<sup>43</sup> Chamlou, N (2008) *The Environment for Women’s Entrepreneurship in the Middle East and North Africa*. World Bank, p xiii

<sup>44</sup> IFC (2011) *Strengthening Access to Finance for Women-Owned SMEs in Developing Countries*, IFC, p13

<sup>45</sup> World Bank and OECD/INFE (2013) *Women and Finance: Progress Report to the G20*, p.13

## Credit history and collateral are key to unlocking bank finance ...

25. Almost all of the surveyed banks indicated the existence of a **credit history** (90%) and **collateral** (80%) as the most important criteria for loan eligibility. The Islamic Bank of Jordan added that a risk report from the Central Bank is also a key element, while the Arab Bank mentioned the importance of sector and market studies. When asked about other important factors, 80% of banks rated as important the existence of a **business strategy** (e.g., **business plan**), prior **business experience** (80%), as well as the applicant's **qualifications** (75%). Among other reasons considered important by respondent banks are "salary slips and other proof of ability to repay", and other "financial statements". In this respect, women-led businesses may appear to face similar challenges as the majority of the SMEs in the region<sup>46</sup>. At the same time, it is worth noting that MENA women entrepreneurs also contend with peculiarly gender-specific complexities, such as the lowest participation rate in the formal labour market in the world which is linked to lower levels of formal bank account penetration. Further, legal barriers, such as limited inheritance rights for women, complicate women's ownership of assets, which when combined with limited financial literacy, can also weaken the credit profile of women entrepreneurs.

26. One of the spillover effects of the historically low integration of women in the formal workforce, such as, a limited professional network and mentorships, plus low self-confidence, may further inhibit women's access to finance<sup>47</sup>. Improved business education which focuses on preparing women to meet bank expectations in terms of financials and business strategy may contribute to bridging the gap between entrepreneurs and financial institutions<sup>48</sup>. Such measures, however, will not address the low levels of formal bank account penetration among women in the MENA region<sup>49</sup>, which calls for a coordinated approach by domestic authorities, financial institutions and other relevant stakeholders<sup>50</sup>.

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<sup>46</sup> On the relationship between lending and SMEs, see OECD (2012c)

<sup>47</sup> OECD (2012) *Women in Business: Policies to Support Women's Entrepreneurship Development in the MENA Region*

<sup>48</sup> According to Tarek El Bitar (see interview Annex A), "The financial education of an entrepreneur is the main key for success. For women entrepreneurs, it is a combination of work experience and education. So, they necessarily need to master this aspect in order to neutralise or at least minimize the risks of their projects (...) Do not forget, that the banks, as any investors, their main objective is to be paid back. So, the women entrepreneurs should master what is the expectation of any bank".

<sup>49</sup> Demirguc-Kunt, A and Klapper, L (2012) "Measuring Financial Inclusion", World Bank Policy Research Working Paper 6025, April 2012

<sup>50</sup> Ehlermann-Cache, N (2011) "Women's Access to Finance in the Middle East and North Africa (MENA) Region", Draft Issues Paper: OECD, 12

**Table 3: How important are the following criteria for you to offer a loan in general? Very important/important\* (%)**



\*Banks selected more than one option

### ... as risk management is of paramount concern to MENA banks

27. The most important reason for declining a loan is thus the perception of unusually **high risks** involved in comparison to what is deemed to be safer investment opportunities. According to this study, it is the single most important reason banks reported for declining a loan. An experienced banker observes that “banks understand numbers and require a proper business plan along with projections ... women still lack the negotiation skills to secure their capital and this makes banks nervous” (see full interview in Annex A).

28. Bank **risk management culture** and mechanisms are closely connected to financial and non-financial infrastructure and incentives, which in turn, cross domestic regulatory, legal, cultural and historical dynamics<sup>51</sup>. It is widely accepted that MENA banks<sup>52</sup> are considered to be especially risk averse with more rigorous due diligence requirements for SMEs than banks in other regions<sup>52</sup>. Yet, such an overtly risk averse outlook jeopardises prospective business opportunities for banks, as the IFC reveals that “leading banks report that more than 60% of their SME revenues come from non-credit products”<sup>53</sup>. Accordingly, risk-adjusted pricing models, credit guarantees and the establishment of credit bureaus could be vital in facilitating the management and mitigation of the perceived and real risks of banks<sup>54</sup>. Likewise, by cultivating innovative approaches to collateral requirements and measurement, as well as expanding into non-credit services, such as, enterprise development support,<sup>55</sup> banks can proactively foster women business-owners’ access to bank finance and cultivate a new market position<sup>56</sup>. Such diversification can

<sup>51</sup>Brack, E (2011) Access to finance in the MENA region: A multi-pronged approach

<sup>52</sup>Allam, A (2013) “Small business remains reliant on friends and family for funds”, *FT Special Report*, 28 May, p4

<sup>53</sup>IFC (2010) The SME Banking Knowledge Guide, p. 6

<sup>54</sup> For more information on the role of credit guarantees, refer to: Storm, L (2013) *Unlocking Growth Through Credit Guarantees: An overview analysis of loans to women-owned SMEs*, March 2013

<sup>55</sup> Enterprise development support services could include, business coaching, accounting and financial planning advice, business intelligence, business tools and value chain networking

<sup>56</sup> World Bank and OECD/INFE (2013) *Women and Finance: Progress Report to the G20*

help banks to improve customer profitability, build internal expertise, strengthen client loyalty and generate new business, as SMEs often have needs beyond the provision of financial services.

### **Incomplete applications and limited business experience restrict access to finance ...**

29. It is noteworthy that 75% of banks voiced concern about the importance of a coherent business strategy (e.g. business plan). In addition, banks mention missing information and the poor quality of applications, factors closely related to strategy, as reasons for declining loans. The Capital Bank of Jordan and Cairo Amman Bank both specifically mentioned “lack of experience” as reasons for declining loans. It is therefore possible to consider the lack of a coherent strategy, inexperience and missing information as mutually reinforcing, conceivably attributed to the lack of adequate financial skills, business experience and professional networks of women entrepreneurs, a corollary of the low integration of women in the formal workforce.

### **... revealing the potential for complementary capacity-building programmes for women**

30. According to a recent OECD survey, “financial literacy for women is particularly relevant to this domain, especially in societies where women’s economic participation outside the home is limited to the typical context of small-scale, informal household enterprise”<sup>57</sup>. This highlights again the relative **inexperience** of women entrepreneurs when faced with the necessity of developing a solid business case and then persuasively pitching their project to investors with realistic forecasts for the growth and evolution of the company.

31. Banks insist on the necessity for SMEs to develop **business plans** demonstrating their strategy in the short to medium-term, as well as to track financial records, such as, balance sheets or audits. However a judiciously prepared business plan may require expert tools and professional advice which may be inaccessible for many women entrepreneurs. According to Tania Moussalem, Head of Strategic Development and Financial Management group, BLC Bank, Lebanon (see full interview in Annex A), this problem “can be definitely alleviated through proper education and training because, though graduating from universities, they [women] still lack some managerial and financial skills”.

32. Various organisations, such as, banks and chambers of commerce, are well placed to propose **training** solutions as a non-credit service to inexperienced entrepreneurs. Especially since previous studies demonstrate that women entrepreneurs cite a strong preference for banks to be “partners” rather than dealing with them in a merely transactional relationship<sup>58</sup>.

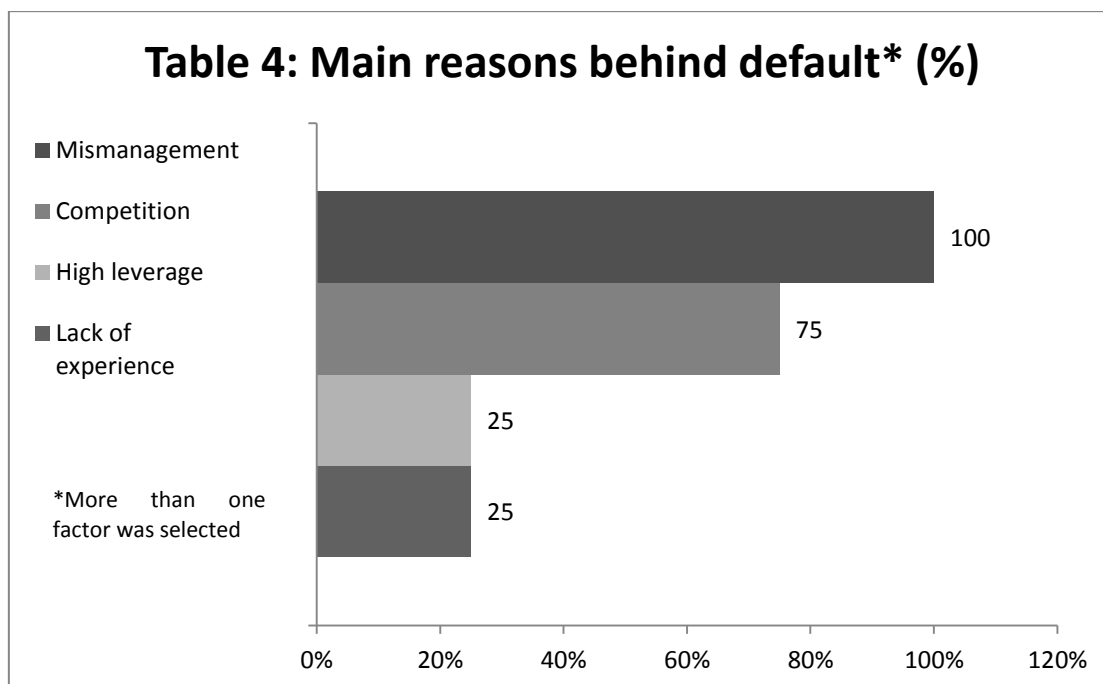
### **Banks view default as a result of internal mismanagement ...**

33. Most respondents did not provide precise or detailed data regarding the number and magnitude of **defaults** among the women-led businesses which obtained financing from them. There is either a difficulty to retrieve these figures or they are considered confidential. Capital Bank of Jordan stated that less than 1% of businesses which obtained financing via the bank have defaulted. Successful businesses do not appear to have serious problems to pay their loans on time, as the typical repayment time is between 1 to 30 days maximum, for 90% of the surveyed banks. Nevertheless, the majority of respondent banks answered that the single most important reason behind the defaults is overall **mismanagement**, followed closely by **competition** (75%). Among other reasons considered relatively important is **high leverage** (25%) and **lack of experience** (25%).

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<sup>57</sup> Financial Literacy and Education (2013), p 25

<sup>58</sup> Vital Voices (2012) *Ready for Growth*, p. 20



**... while also recognising the impact of external factors**

34. In a post-financial crisis context and an evolving transition period in many MENA countries, banks are increasingly aware of the impact of the local impact of global financial trends and shocks. Indeed, the OECD's *SME Finance Scoreboard*<sup>59</sup> shows that SME finance stagnated or declined in 24 of the 25 countries covered, while the IFC reports continued caution in bank lending in light of the financial crisis<sup>60</sup>. Both Cairo Amman Bank and Jordan Ahli Bank specifically mentioned the adverse effects of the global economic crisis as a contributing factor towards default.

35. Other external forces, such as, political instability, inadequate financial infrastructure, legal uncertainty, competition and the economic climate can exert a powerful influence on SME durability and life cycle. Even so, microeconomic factors, such as **market competition** point to the necessity of a careful market assessment by women-led businesses incorporating supply-side and demand-side dynamics, with assessments on potential market evolution and an evaluation of the size, strengths and weaknesses of the competition.

<sup>59</sup> OECD (2012) *Financing SMEs and Entrepreneurship: An OECD Scoreboard*

<sup>60</sup> IFC and GPFI (2013) *SME Finance: New Findings, Trends and G20/Global Partnership for Financial Inclusion Progress*, p. 10



### SECTION 3: CONCLUSIONS

36. The picture which emerges from this study suggests a number of trends, raises a few questions and implies possible avenues for action. It is clear that bridging the financing gap is in the interests of both banks and women entrepreneurs, and that actions are required from both sides. Banks are looking for new markets, and women business owners are looking to sustainably grow their businesses over the long-term. A coordinated and strategic approach is therefore necessary to match the power of women-led businesses with the financing fuel from banks.

DRAFT

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## ANNEX I : PROJECT METHODOLOGY

### Objective of the study

37. The objective of this study and the underlying questionnaire is to learn more of the financing practices of the MENA banks. This report is based on the survey responses of 19 MENA banks in 4 economies (Bahrain, Jordan, Morocco and Tunisia), out of a total of 172 banks. The study questionnaire was circulated to MENA banks by the OECD and the UAB over the period June-October 2013. The UAB played a vital role in disseminating the questionnaire widely and was critical in the follow-up phase by answering queries, collecting responses and raising awareness of the study. The survey data is complemented by a number of interviews undertaken with banking professionals, as well as desk research. The percentages used in the paper are calculated on the basis of the number of banks which completed the questionnaires and then rounded to the nearest whole number.

38. It is not the aim of this study to collect statistically significant results for wider application. Rather, it is envisaged that this inquiry would serve as a necessary first step towards a deeper appreciation of the supply-side practices and perspectives in relation to the financing of women entrepreneurs and guide further research in this domain. This in turn will support evidence-based policy reforms and actions to correct market failures, and thus reinforce the growth and development of women-owned businesses in the MENA region.

39. Even though this study stresses the common practices of the surveyed banks, it is important to recognise that the MENA region encompasses a diversity of economies. The range of macroeconomic structures, legal regimes, regulatory architectures, socio-cultural practices and the contrasts in the depth of financial and technological integration in MENA necessarily impacts and differentiates the practices of banks and women entrepreneurs across economies.

40. The methodological decision to adopt a questionnaire approach to collect data in this study arises from the general lack of data, especially gender-disaggregated and SME-related data, available from national statistical offices and otherwise across the MENA region. This study's aim was to move towards developing a qualitative snapshot of the environment for women-owned businesses and banks in the MENA region. Qualitative and quantitative studies are necessary to build the intellectual groundwork to support policymaking in this domain.

### Questionnaire Design

41. The questionnaire is divided into three sections: (1) The practices of financial institutions, (2) The practices of beneficiary enterprises, and (3) Personal evaluation. The first section represents the major part of the questionnaire, while the last two segments comprise eight of the total 31 questions (for further detail, please refer to the questionnaire in Annex F). The questionnaire includes both closed and open-ended questions. While designed in English, the questionnaire was subsequently translated into French, however, not into Arabic.

42. As there is no commonly accepted definition of SMEs across the MENA region, the questionnaire does not provide one, and banks used their own classifications. Like other regions<sup>61</sup>, MENA economies diverge in their criteria for defining SMEs, which includes a potentially broad range of enterprises. Even though micro-enterprises perform a vital economic role across the MENA area, they have

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<sup>61</sup> OECD (2011) *Entrepreneurship at a Glance 2010*, OECD, Paris

been excluded from the scope of this study. In the MENA region, like elsewhere, official definitions of SMEs often include capital needs, number of employees, revenue levels and fixed assets of the company; however these elements may also vary according to sector and the growth dynamics of the enterprise<sup>62</sup>. The most common factor, notwithstanding, appears to be the number-of-employees criterion<sup>63</sup>.

43. For the purposes of this study, a business is deemed as “women-led” when women make up more than 50% of the partners or the directors responsible for the day-to-day control of the business, or where the sole proprietor is a woman. Such a definition encompasses businesses which are women-owned, women co-owned and women-managed.

### ***Population and sample***

44. The target population for this study is banks operating in the MENA region offering finance to SMEs. While other sources of formal financing for women entrepreneurs, such as, venture capital funds, angel investing and microfinance institutions are increasingly common<sup>64</sup>, banks remain nonetheless the principal source of formal financing for the majority of aspiring women entrepreneurs<sup>65</sup>.

45. In total, 19 banks responded to the questionnaire, although in several cases not all questions were answered. Banks which completed the questionnaire are ABC Bank, Al Barid Bank, Al Etihad Bank, Arab Bank, Attawfiq Micro-Finance (Fondation Banque Populaire Pour le Micro-Crédit), Banque Audi, Banque Tunisienne de Solidarité, Cairo Amman Bank, Capital Bank of Jordan, Citibank Maghreb, Gulf International Bank, Investbank, Jordan Ahli Bank, Jordan Commercial Bank, Jordan Islamic Bank, Khaleeji Commercial Bank, Société Générale, Standard Chartered Bank and The Housing Bank for Trade and Finance. The countries from which responses came are Bahrain, Jordan, Morocco and Tunisia.

46. Consequently, the very low response rate (11%) limits the capacity of this study to develop far-reaching conclusions (please refer to *Limitations to the study*, below, for more detail).

### ***Data Collection***

47. The banks were surveyed between June and September 2013, with questionnaires circulated primarily by email. Interviews were conducted with the following 4 bankers in the month of October: Mr Tarek El Bitar, Head of Correspondent Banking, Banque Palatine, Groupe BCE (France); Ms Tania Azar, Former Vice President and Relationship Manager, MENA, Deutsche Bank (Lebanon); Ms Nathalie de Gaulle, founder of Baynuna Economic Consulting (United Arab Emirates); as well as, Ms Tania Moussalem, Head of Strategic Development and Financial Management Group, BLC Bank (Lebanon). An interview with Ms Hana Uraidi, Director Cross Cutting Support Services, Jordan Enterprise Development Corporation (JEDCO) was undertaken as JEDCO was instrumental in attaining the high number of responses from banks in Jordan. The purpose of these interviews, plus desk research, was to obtain complementary information on the experiences of MENA banks and bankers in working with women-led

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<sup>62</sup> The European Commission specifies SMEs as having between 1 and 249 employees, annual turnover of up to EUR 50 million and a balance sheet of no more than EUR 43 million, while the United States Small Business Administration classifies SMEs according to industry-specific standards. Source: OECD (2012)

<sup>63</sup> See Brack (2013), part IV on the necessity of a harmonized definition of SMEs in the MENA region

<sup>64</sup> OECD (2013c), p. 27-30; OECD forthcoming, *Entrepreneur's Guide to Bank and Non-Bank Financing for Women in the MENA Region*

<sup>65</sup> The following definition of informal financial institutions can be considered: “By informal financial institutions, we refer to the entire gamut of non-market institutions such as credit cooperatives, moneylenders, etc. that do not rely on formal contractual obligations enforced through a codified legal system”: Ayyagari (2008), p. 2. It can be also added that any recourse to family and friends as a source of financing also falls within this category



businesses given the very low response rate of banks to the questionnaire. The texts of the interviews are provided in Annex A.

### *Limitations to the study*

48. The chief limitation of the study is the low response rate (11%) and the fact that banks from only four MENA economies participated in the study. Moreover, of the 19 questionnaires received, the vast majority (70%) originate from banks in Jordan, which may skew results, impedes cross-country comparisons and means that the study is not representative of the MENA region.

49. The low response rate could be ascribed to a variety of different factors. Foremost, the challenges of engaging with large institutions, like banks, in surveys are well documented, especially in terms of the inherent organisational and bureaucratic limitations<sup>66</sup>. Further, a number of banks stated that the absence of gender-disaggregated data and an inability to share confidential information precludes their participation. In addition, while the survey targeted bank directors and managers responsible for SME policy decisions and loans, the instrument was often addressed to high-level executives, including CEOs, who often did not have the time to distribute it to the appropriate parties. Related, there is perhaps a reluctance to share data which has not been cleared with the hierarchy and which could potentially call an institution or an official into disrepute.

50. The timing of the questionnaire, over summer and coinciding with the holy month of Ramadan, may have further frustrated the response rate. The design of the survey instrument itself may have contributed to the low response rate, along with uncertainty regarding the ultimate purpose of the questionnaire<sup>67</sup> and measured interest related to the challenges of financing women-led businesses, as well as little recognition of the OECD as an organisation. These factors were undoubtedly compounded by the repercussions of the global financial crisis and the socio-political turmoil that some parts of the region are experiencing. In retrospect, country-focussed fact finding missions with face-to-face interviews could have proved effective in raising awareness and boosting the response rate.<sup>68</sup>

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<sup>66</sup> Kelley K et al (2003) Good practices in the conduct and reporting of survey research, *International Journal for Quality in Health Care*, Vol 15:3, p.261-266

<sup>67</sup> OECD-MENA local Task Force member in Jordan, Ms Hana Uraidi, notes that “some banks felt that they needed further information, [as] many thought it was a prelude to a project where they will be requested to allocate money/resources to participate” (see full interview in Annex).

<sup>68</sup> With respect to the low response rate to the survey, banking experts who attended the November 13<sup>th</sup> Meeting of the OECD-UAB in Beirut on Financing options for women entrepreneurs in the MENA region suggested that task forces with country expertise could be created to actively contact banks on a face-to-face level and meet with them to discuss the objectives of the survey and collect data, rather than distributing surveys electronically. They have also indicated that the size of the Questionnaire (three parts, 31 questions) might have also contributed to this low response rate.

**ANNEX II: SURVEY QUESTIONNAIRE**

**Name of financial institution (please print):**

\_\_\_\_\_

**Name of expert(s) completing the questionnaire (please print):**

\_\_\_\_\_

**Title/position:**

\_\_\_\_\_

**Contact details of expert(s) completing the questionnaire**

**Address:** \_\_\_\_\_

**Email:** \_\_\_\_\_

**Telephone number:** \_\_\_\_\_

**Website:** \_\_\_\_\_



<b>I. Practices of partner financial institution</b>	
1. What is the size of your institution?	<input type="checkbox"/> < 50 employees <input type="checkbox"/> Between 50 and 500 employees <input type="checkbox"/> > 500 employees
2. On what level does your institution operate?	<input type="checkbox"/> local <input type="checkbox"/> regional <input type="checkbox"/> international (It is possible to check more than one box)
3. In which MENA countries does your institution operate?	
4. How important are the following criteria for you to offer a loan in general?	<i>Please indicate on a scale from 1 to five (1: very important; 5: not important)</i>
Collateral	1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/>
Credit history	1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/>
Qualifications (e.g. university degree)	1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/>
Business strategy (e.g. business plan)	1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/>
Experience in business (e.g. prior management position/Industry expertise)	1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/>
Insurance	1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/>
Other documents (please specify): _____	1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/>
5. Has your bank put in place targeted measures to increase financing to women entrepreneurs before?	<input type="checkbox"/> yes <input type="checkbox"/> no
6. If yes what kind of financial products/services did you offer to women-led businesses?	<input type="checkbox"/> Deposit and cash management products <input type="checkbox"/> Short term loans (< 1 year) <input type="checkbox"/> Medium term loans (1-5 years) <input type="checkbox"/> Long term loans (> 5 years) <input type="checkbox"/> Lines of credit/overdrafts <input type="checkbox"/> Trade finance <input type="checkbox"/> Leasing products <input type="checkbox"/> Payments and transfers <input type="checkbox"/> Insurance products <input type="checkbox"/> Sharia-compliant products <input type="checkbox"/> Banking Window Services (Standard Apps Form) <input type="checkbox"/> Advice, technical assistance if yes, please specify: _____ _____ <input type="checkbox"/> Other, please specify: _____

<p>7. Does your bank have trained personnel and/or a dedicated team to deal with small and medium-sized enterprises (SMEs)?</p>	<p><input type="checkbox"/> yes    <input type="checkbox"/> no</p> <p><i>If yes, please indicate the number of trained personnel:</i></p> <p>_____</p>
<p>8. Does your bank have a target in its annual credit strategy to increase financing to women-led businesses?</p>	<p><input type="checkbox"/> yes    <input type="checkbox"/> no</p>
<p>9. What are the marketing and distribution channels your institution uses to reach female clients?</p>	<p><input type="checkbox"/> Own branches (full service)</p> <p><input type="checkbox"/> Own branches (limited service)</p> <p><input type="checkbox"/> Mobile branches</p> <p><input type="checkbox"/> ATMs</p> <p><input type="checkbox"/> Points of Sale</p> <p><input type="checkbox"/> Agents (post office, retail outlets, other non-bank entities)</p> <p><input type="checkbox"/> Internet banking</p> <p><input type="checkbox"/> Self-service automated banking</p> <p><input type="checkbox"/> Phone banking</p> <p><input type="checkbox"/> Social Media</p>
<p>10. What was the total volume of products you offered to women-led businesses?</p>	<p>_____</p>
<p>11. Of your bank's total loan portfolio, what percentage do <u>women-managed or women-owned enterprises</u> account for?</p>	<p><input type="checkbox"/> &lt;10%</p> <p><input type="checkbox"/> 10-30%</p> <p><input type="checkbox"/> 31-60 %</p> <p><input type="checkbox"/> 61-100 %</p> <p><input type="checkbox"/> not applicable/it is not measured</p>
<p>12. Of your bank's total loan portfolio, what percentage does <u>co-owned (man/woman) enterprises</u> account for?</p>	<p><input type="checkbox"/> &lt;10%</p> <p><input type="checkbox"/> 10-30%</p> <p><input type="checkbox"/> 31-60 %</p> <p><input type="checkbox"/> 61-100 %</p> <p><input type="checkbox"/> not applicable/it is not measured</p>
<p>13. In which countries did you offer loans to women-led businesses?</p>	<p><input type="checkbox"/> Egypt</p> <p><input type="checkbox"/> Jordan</p> <p><input type="checkbox"/> Morocco</p>

	<input type="checkbox"/> Tunisia <input type="checkbox"/> Saudi Arabia
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<p>14. Have you granted any loans to <u>women-led businesses</u>?</p>   <p>15. a) How many requests for loans did you receive from <u>women-led businesses</u>?</p> <p>b) How many did you grant?</p> <p>c) What was the average size of loans you granted?</p>	<input type="checkbox"/> yes <input type="checkbox"/> no  <p><i>If yes, please indicate:</i>  <i>The average size of loans offered</i> _____  <i>The number of loans</i> _____</p> <p><i>Please indicate the number:</i> _____</p> <p><i>Please indicate the number:</i> _____</p> <p><i>Please indicate the average size:</i> _____</p>
<p>16. Have you granted any loans to <u>co-owned (man/woman) businesses</u>?</p>   <p>17. a) How many requests for loans did you receive from <u>co-owned (man/woman) businesses</u>?</p> <p>b) How many did you grant?</p> <p>c) What was the average size of loans you granted?</p>	<input type="checkbox"/> yes <input type="checkbox"/> no  <p><i>If yes, please indicate:</i>  <i>The average size of loans offered</i> _____  <i>The number of loans</i> _____</p> <p><i>Please indicate the number:</i> _____</p> <p><i>Please indicate the number:</i> _____</p> <p><i>Please indicate the average size :</i> _____</p>

<p>18. Please briefly describe the projects you offered to finance.</p>	
<p>19.a) Did the women you offered loans to already receive funding from you before?</p> <p>b) If yes, what was the size of their enterprise at that time?</p> <p>c) What is the size of their enterprise now?</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/> yes</p> <p>no</p> <p><input type="checkbox"/> &lt; 50 employees</p> <p><input type="checkbox"/> Between 50 and 500 employees</p> <p><input type="checkbox"/> &gt; 500 employees</p> <p><input type="checkbox"/> &lt; 50 employees</p> <p><input type="checkbox"/> Between 50 and 500 employees</p> <p><input type="checkbox"/> &gt; 500 employees</p>
<p>20. What are the reasons for declining loans?</p>	<p><input type="checkbox"/> No collateral</p> <p><input type="checkbox"/> High risk</p> <p><input type="checkbox"/> No credit history</p> <p><input type="checkbox"/> Missing information</p> <p><input type="checkbox"/> Concerns about business strategy (e.g. no business plan)</p> <p><input type="checkbox"/> Quality of application</p> <p><input type="checkbox"/> Other, please specify _____</p> <p>(It is possible to check more than one box)</p>
<p>21. a) What percentage of loans issued to women-led businesses defaulted? (A default being defined according to your country's Central Bank)</p> <p>b) What were the main reasons behind the default?</p>	<p><i>Please indicate number: __</i></p> <p><input type="checkbox"/> Lack of experience</p> <p><input type="checkbox"/> Competition</p> <p><input type="checkbox"/> Under-capitalization</p> <p><input type="checkbox"/> Mismanagement</p> <p><input type="checkbox"/> High leverage</p> <p><input type="checkbox"/> Other, please specify _____</p> <p>(It is possible to check more than one box)</p>
<p>22. Of the loans that were already due, what was the typical repayment time?</p>	<p><input type="checkbox"/> On time</p> <p><input type="checkbox"/> Between 1-30 days after due date</p> <p><input type="checkbox"/> Between 30-60 days after due date</p> <p><input type="checkbox"/> Between 60-90 days after due date</p> <p><input type="checkbox"/> Above 90 days after due date</p>

23. Please briefly describe 3 successful projects you offered to finance	
24. By how many employees did the women-led businesses you offered loans to grow on average?	<i>Please indicate number: __</i>
<b>II. Practices of beneficiary enterprise</b>	
25. What was the average size of women-led enterprises you offered loans to?	<input type="checkbox"/> < 50 employees <input type="checkbox"/> Between 50 and 500 employees <input type="checkbox"/> > 500 employees
26. Of the women-led businesses you offered loans to, what was the breakdown of their businesses by sector?  Agriculture Manufacturing Trade Services Retail Other (please specify)	<i>Please indicate number: _____</i>  <input type="checkbox"/> % <input type="checkbox"/> % <input type="checkbox"/> % <input type="checkbox"/> % <input type="checkbox"/> % <input type="checkbox"/> %
27. What is the extent of the female finance applicant's experience in the business and/or industry within which finance is being sought?	<input type="checkbox"/> < 5 years <input type="checkbox"/> Between 5 and 10 years <input type="checkbox"/> > 10 years
<b>III. Personal evaluation</b>	
28. By your own standards, was the investment in loans dedicated to women-led businesses profitable for your institution?	<i>Please indicate on a scale from 1 to 5 (1: very profitable; 5: not profitable)</i> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/>
29. How significant do you assess the impact of special loans dedicated to women-led businesses in regard to entrepreneurship development and job creation?	<i>Please indicate on a scale from 1 to 5 (1: very significant impact; 5: no impact)</i> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/>
30. What specific reasons motivate your investment in women-led businesses?	<i>Please indicate on a scale from 1 to 5 (1: very important; 5: not important)</i> Profit: 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> CSR performance: 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> Access to external finance (e.g. EU): 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> Other (please specify): _____ 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/>

31. Please feel free to make any other comments, remarks or suggestions.	
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**Would your institution be interested in being further involved in this project:**

- a) in future consultations  yes  no
- b) in providing complementary information  yes  no
- c) in delivering answers to follow-up questionnaires  yes  no

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## ANNEX III: INTERVIEWS – THE BANKER’S PERSPECTIVES

### **1. Interview with Mr Tarek Al Bitar, Head of Correspondent Banking, Banque Palatine, Groupe BCE (France)**

*A.S.: Did the Banque Palatine put in place specific targets concerning women entrepreneurs as apart from SMEs schemes, or consider such? If not why?*

T.B.: There is no target at all for women entrepreneurs. Banque Palatine, the BPCE group’s bank for SMEs and high net-worth individuals, makes its know-how available to individuals and mid-sized companies. In synergy with its expert divisions (private banking, corporate finance, real estate, international, trading floor). So once again, whatever the entrepreneur, our principal mission is to provide help to our customers in their development.

*A.S.: Do specific financial products exist, and What is specific about them?*

T.B.: Banque Palatine makes its expertise available to mid-sized companies and establishes a true partnership with each of its customers. From financing of the operating cycle to cash management to real-estate engineering, Banque Palatine offers a full range of high-value-added skills and services to meet all its customers’ needs. It is organised to offer its customers cutting-edge expertise in whatever field required, while constantly adhering to high quality standards... So, we are an “advisory” banker for company managers.

*A.S.: How can risk be alleviated through financial education?*

T.B.: Yes, indeed. The financial education of an entrepreneur is the main key for success. For women entrepreneurs, it is a combination of work experience and education. So, they necessarily need to master this aspect in order to neutralise or at least minimise the risks of their projects. I believe that one of the principal missions of OECD in this project should be in providing help to women entrepreneur at MENA zone (commercial and financial educations). Do not forget, that the banks, as any investors, their main objective is to be paid back. So, the women entrepreneurs should master what is the expectation of any bank. Personally, I will be pleased to be one of the volunteers in this honourable project to provide help.

### **2. Interview with Tania Azar, former VP/Senior Relationship Manager/MENA, Deutsche Bank**

Tania Azar presently resides in Lebanon. She worked with Levant/Egypt with focus on Lebanon and Jordan covering private institutional clients and family offices, and she started a similar strategy for ladies market in Qatar and Saudi. She is a member of the Arab International Women

Forum that organises events in the UK and UAE with royal families, heads of state and conglomerates.

*A.S.: What are the specific obstacles to the financing of women entrepreneurs by banks in the Gulf region?*

T.A.: Be it in the GCC or internationally, Banks with a local presence have a similar tainted view of financing women entrepreneurs. The issues tend to be cultural. In the past, women in the region were not seen at the forefront of family businesses and most of their wealth were run by their brother, husband or father and as such not independent to make their own decisions.

They were not seen as business owners despite running some of the most successful conglomerates and I was privileged enough to meet some of those ladies even grandmothers who are phenomenal business minds while still remaining hands-on mothers and wives. Institutions worry that, due to the cultural limitations, women do not have the decision-making powers in the business and hence unable to develop it rendering it a loss and potentially unable to repay a loan. In the Private Banking world I come from, 10 years ago the concept of a Ladies desk specifically targeting these women and providing them with bespoke products and platforms was received with a lot of scepticism and shelved within a year.

Over the last 5 years this has dramatically shifted since women were now able to open and run their own bank accounts. Most banks now wish to have a dedicated desk to cater for the needs of these ultra-wealthy women who have become much more vocal about their business acumen and their successes. However, Banks remain extremely cautious before granting a loan or supporting a project for a woman entrepreneur as they worry about default and the non-repayment or that another member of the family decides to interfere and if they happen to be existing clients then the embarrassment is greater and more costly. Banks feel they will not be able to go after a woman in same way they would a man if he defaulted due to cultural sensitivities. They worry that these women will use the cultural religious frameworks to hide should their business fail. Unfortunately, this is more a matter of time and educating these same Banks and that is why they now try to hire women relationship managers who have the insight in how the region operates.

A major obstacle is women approach financing in a more emotional way and do not present the banks with a bullet-proof proposal when requiring a loan or project finance. Banks understand numbers and require a proper business plan along with projections and the guarantee of repayment and a personal/corporate guarantee depending on the nature of the deal. These limitations are not gender-specific as such. Men entrepreneurs would have encountered the same issues if they did not provide the Banks with all the checklists. Women still lack the negotiation skills to secure their capital and that makes banks nervous.

*A.S.: How do banks view women entrepreneurs?*

T.A.: I cannot speak for all banks. My background is specifically Private Banking and part of my mandate was to try to grow the ladies' market (Qatar & KSA ). I targeted women entrepreneurs as well as high net-worth women who started very successful businesses with their inheritance or family-backed wealth. The banks that I worked with and the ones who try to cater for a Ladies

desk tend to view women entrepreneurs as a hit and miss as they feel that they lack the mentorship and networking to develop their business. They feel that the powers still remain with their male counterparts and at any point in time they might take over the business but again in my experience that is more a lack of understanding of the cultures. As over the last 5 years, women entrepreneurs have made their presence known and are industry drivers especially in the financial world & retail. It is estimated that there is over USD 7 billion in cash in KSA held by women and banks want a part of it but still don't believe that these same women are able to run their assets or their business single-handedly.

*A.S.: Are there specific financial products targeted to them ?*

T.A.: None exist that are specific to them in the private banking world that I am aware of. Most are developing a desk for succession planning and wealth preservation specifically aimed at the region and can help women organize their businesses and wealth better in the long term and avoid any claim on their business from family members. Banks who aim to cover that market segment are trying to hire females with the cultural knowledge and Arabic-speakers in order to get a better understanding and create products that meet their needs.

*A.S.: What would be your advice to them besides looking to relatives and friends for financing?*

T.A.: The funds are there for the taking. Certain local banks have offerings for SMEs and most will provide the funding if they are convinced and provided with all the proper documentations. I would advise them to build-up their financial knowledge on what is out there, be it loans, interest rates and competition. Banks react when they hear their peers are backing a project and they missed an opportunity. Building-up your GCC connections is crucial as it is one of the most powerful drivers and again Banks both locally and abroad take into account your ability to pack a room with influencers that they might need themselves one day. I would also urge women to ask for mentorship/advice on how best to access capital and how to present a strong case.

### **3. Interview with Ms Nathalie de Gaulle, founder of Baynuna Economic Consulting (United Arab Emirates)**

While Gulf country banks did not respond to the questionnaire, it does not mean that women-led businesses in these countries are not looking for investments. The following interview with Nathalie de Gaulle, founder of an economic consulting company that operates in the UAE (for more about the situation with women-led businesses in the UAE, see Annex B).

*AS: Please tell us briefly about your professional experience in the Gulf region*

NDG: I graduated from Sciences-Po Paris and from HEC Business School with a Masters degree in Macro-finance and International Politics, as well as a Masters degree in International finance. I started my professional career on the financial markets, working as junior originator (sales role) for Société Générale Corporate and Investment Banking, in London. In 2009 I joined GDF SUEZ, as a mergers & acquisitions advisor, which brought me to live in Dubai, UAE. In September of 2012, I had the opportunity to create my own economic consulting firm.

*AS: What are according to you the main obstacles to the financing of women entrepreneurs in the Gulf region?*

NDG: First of all, I can only talk about my personal experience of being a woman entrepreneur in the UAE. Rules differ whether you are starting a business in Qatar, in Bahrain, or in the UAE. As per a study conducted by the Dubai Business Women Council and IFC in December 2007, only 19% of women entrepreneurs are starting their businesses with commercial bank loans. Most of the women are using their savings (44%), earnings (39%) or credit cards (21%). Family money is as well often involved. The reasons for the lack of financing vary, but most of the women reported that they found interest rates too high, as well as administrative processes to open an account and ask for loans quite tedious. I would tend to agree with that.

*AS: Can you describe the profiles of women entrepreneurs in the UAE?*

NDG: Typically, women entrepreneurs are young in the UAE, with 26% of them being between 25-34 years of age, and 44% being between 35-44 years of age. Half of the women entrepreneurs are Emirati, a quarter European, and the other quarter is from a wide variety of other nationalities (American, Lebanese, South African, etc.) Most of these women are very well educated, with 73% having a college degree or a post graduate degree. They mostly own a business in services or in retail (*Source: IFC (2007), Dubai Business Women Council and Abu Dhabi Business Women Council*)

*AS: How do banks view women entrepreneurs? Why don't banks take seriously financing of women-led businesses?*

NDG: Entrepreneurship is quite encouraged in the UAE, regardless of the gender. As a result, there are currently over 175 000 SMEs in the UAE, with most of the businesses being under 5-years of age. Women tend to specialize in services (business & personal), as well as in import/export of retail products. In the same study (IFC 2007) I referred to in the previous question, 92% of the women surveyed felt that being a woman entrepreneur did not have any negative influence on their businesses. Personally, I've never felt discriminated by banks, or by any other institutions because I was a woman: I actually found that being a woman is often an advantage in business discussions. The UAE is a very business oriented country, and men are always respectful.

As far as Emirati banks are concerned, I think that financial institutions, in general, have to get more familiar with the needs and issues faced by the SMEs and the entrepreneurs. However, one should not forget that the Emirati economy and its banking system are very new compared to the ones in France or in the US: the country was only created in 1971. I don't see it as a problem of banks dealing with women entrepreneurs, rather than a problem of a less mature financial industry dealing with the reality of a new business environment, having to take entrepreneurship into account.

*AS: Are there specific financial products targeted to women?*

NDG: I am not aware of any particular financial products targeted to women yet, but I've read that the Dubai Business Women Council has held discussions with the National Bank of Abu Dhabi (NBAD) to explore ways of supporting female entrepreneurs in the UAE.

*AS: What would be your advice to women entrepreneurs besides looking to relatives and friends for financing?*

NDG: I would advise them to go see banks which are currently offering targeted products for SMEs/entrepreneurs, such as HSBC, Emirates NBD, NBAD or Mashreq Bank. If they are Emiratis, they could also count on the support of the Khalifa Fund for Enterprise Development. Crowd funding is as well slowly developing in the Gulf.

One of the challenges faced by women entrepreneurs is to learn financial management skills, and gain access to technology. I would suggest them to join the courses offered by the Dubai Women Business Council, as well as by the Abu Dhabi Women Business Council. Websites such as [www.wamda.com](http://www.wamda.com) are also giving very helpful advices on how to become a successful woman entrepreneur.

#### **4. Interview with Tania Moussalem, Head of Strategic Development and Financial Management group, BLC Bank, Lebanon.**

*A.S.: Did the bank put in place specific targets concerning women entrepreneurs as apart from SMEs schemes, or consider such? If not, why?*

T.M.: The bank did put in place targets for women entrepreneurs, as it is one of the main drivers for a successful project.

*A.S.: Do specific financial products exist, and what is specific about them?*

T.M.: Generally speaking our products are all gender blind i.e. dedicated to all customers regardless of their gender. However, some products though offered to both genders, were created to cater for women's specific needs (such as a collateral free loan that caters for the fact women own fewer assets than men). The only product specific to women that has been created is the Mothers Fiduciary account, which is a deposit account for her minor child as the Lebanese law does not allow for a classical deposit opened by a mother for her minor child.

*A.S.: How can risk be alleviated through financial education?*

T.M.: It can be definitely alleviated through proper education and training because, though graduating from universities, they still lack some managerial and financial skills. This is why the program we launched has a training component.

*A.S.: What is the impact of crisis and instability on the issue?*

T.M.: Crisis and instability both affect negatively the performance of the business community in a specific environment but women are known, through several studies conducted in different parts of the world, to be more risk averse and tend to default less. They are hence a safer bet.

## ANNEX IV: GOOD PRACTICES IN THE UNITED ARAB EMIRATES - THE NATIONAL BANK OF ABU DHABI

In the United Arab Emirates (UAE), small and medium-sized enterprises (SMEs) comprise around 80% of the overall economy, and its support became a national priority. Nevertheless, small businesses account for less than 2% of banks' lending portfolios here, compared to an average of 12-15% in some more developed countries. Government, women business organisation and banks are working together to create an environment propitious for the development of women-led businesses. The National Bank of Abu Dhabi plays a leading role in this effort.

In the UAE, women entrepreneurs are voicing the same concerns as the other SMEs in the country. For many of them, establishing a SME is not just a problem of finding loan, it is also about culture, more specifically a "risk culture". Managing an SME involves taking risks and making mistakes. In the first years in particular, SMEs are likely to experience ups and downs and banks need to know more about the life-cycle of a start-up. Legal issues are also at stake, as the UAE laws for setting up a company as a free zone required a USD 81 674 cash deposit.

### *Current practices of UAE Banks*

There is a growing awareness among the banks of the region that SMEs are becoming an important contributor to economic growth, and therefore interesting for the banks. However, the existing policies are insufficient. According to an official from Mashreq Bank, every bank has its own individual criteria for assessing risk before a loan is given. Banks would like to see the track record of financial and other business performance as part of their credit assessment. Additionally, banks generally support established businesses, and are reluctant about venture capital or angel funding. They like to diversify their portfolios and SMEs offer a large and diversified base of customers. This helps in overall risk management of the lending portfolio.

Nicholas Levitt, head of commercial banking at HSBC UAE, believes banks should ignore them at their peril: "There are in the region of 175,000 SMEs in the UAE. If a bank only lends to businesses involved in these initiatives [SME 100 and Khalifa] it will have a tiny market share"<sup>69</sup>. HSBC launched its dedicated SME business banking department around eight years ago. In 2010, it signed a memorandum of understanding with the UAE Ministry of Economy, committing \$100 million towards SMEs and extended it to a further \$100

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<sup>69</sup> Atkinson (2012)

million this year. Another UAE bank, Mashreq Bank, offers a free business account with no minimum balance, business credit and debit cards, access to its internet banking service for businesses and a dedicated relationship manager. Banks in the UAE have similar concerns to the Banks that participated in this Questionnaire: insolvency, good corporate government of SMEs. Some are calling for the creation of credit bureau ratings and reforms of current insolvency laws, as access to other forms of finance such as business angels, private venture and private equity.

### *Encouragements to SMEs and Women-Led Businesses in the UAE*

Government initiatives to encourage small businesses include the SME 100, a ranking of the 100 top-performing small businesses based on a number of financial and non-financial evaluation criteria, and Abu Dhabi's Khalifa Fund for Enterprise Development, designed to foster Emirati entrepreneurship through training, development and consultation. The Khalifa Fund for Enterprise Development was initiated in June 2007 as an independent agency of the Government of Abu Dhabi, and has now amassed AED 2 Billion in capital to fulfil the various requirements of entrepreneurs. The Fund has established a comprehensive program to expand entrepreneurs' business projects, in order to cultivate an appropriate business-enabling environment and to enhance the capabilities of potential entrepreneurs.

The Khalifa Fund for Enterprise Development has revealed that an overwhelming volume of applications and enquiries have been received from a broad range of institutions, governmental agencies, SMEs, influential decision-makers and numerous others seeking to participate in the Abu Dhabi Entrepreneurship Forum (ADEF) 2013. According to the latest figures, over 1000 applications have so far been received, but this number is constantly on the rise. The ADEF was held on the 8-9 October, and was dedicated to the understanding and reducing small business failure, as well as to the benefits of a healthy SME Ecosystem.

### *The role of women business associations*

The Dubai Business Women Council (DBWC) is among the most active business associations in the UAE. In 2013 it held a meeting with senior management officials from the NBAD that explored various ways to support female entrepreneurs in the UAE through banking services provided by NBAD to SMEs. DBWC organizes the high-profile monthly event 'Majlis Business' to provide information about the latest knowledge, skills and best practices for women entrepreneurs and leaders.

### *The leading role of the NBAD*

The NBAD supports women entrepreneurship through trend-setting, coordination and the development of specific programs destined to women-led businesses. It also participates in consulting activities in cooperation with the DBWC. The National Bank of Abu Dhabi is the oldest and second largest (by assets) bank in the United Arab Emirates. Founded in 1968, and today NBAD operates in 13 countries across four continents and is publicly traded on the Abu Dhabi stock exchange. NBAD has two formal women's programs, both launched in 2012. These programs were developed in close cooperation with women business associations such as the DBWC. "Velvet", exclusively for women, combines personalized

global private banking with commercial banking services. Velvet aims to empower women with financial knowledge and investment tools. It offers onshore and offshore banking services including savings accounts, wealth management, and inheritance planning in line with cultural sensitivities. Last but not least, Velvet private advisers are also female.

The “Fursati” (which means “my opportunity” in Arabic) program is run in collaboration with the Dubai Businesswomen's Council. Fursati offers women customers topic-specific seminars to meet the needs of women in business. The objective is to support the development of entrepreneurship and investment skills while also giving women valuable opportunities to network. The first program launched on 18th November was "The Venture Tool Box," a foundation exercise/ course for business owners and managers who wanted to gain further understanding of some of the fundamental principles associated with owning and operating a start-up or established business.

In sum, while the business culture of the UAE is in many respects unique in the MENA region (a highly developed business culture, a comparatively more liberal legal environment for women, and a strong financial sector) its problems are the same as those of the other countries. Today it is an example of a virtuous circle created through a joint initiative between policy-makers, women business associations and the NBAD.



## ANNEX V: TWO BANKS IN JORDAN: A COMPARISON

The practices of two local Jordanian banks, Capital Bank of Jordan and Jordan Islamic Bank, may provide clues about the current situation with access to finance of women-led businesses in Jordan.

Since its inception in 1995, Capital Bank has grown to become one of the top financial institutions in Jordan, offering the Jordanian market a comprehensive set of commercial and investment banking services tailored to the needs of individuals and corporate clients alike. Capital Bank provides its banking services through its main branch located in Shmeisani in Amman, as well as its 10 other branches distributed across the country. Capital Bank is currently channelling the bulk of its activities towards providing services to its customers in the Jordanian and Iraqi markets whilst also expanding its business both locally and regionally through an ambitious long-term plan that entails strategic partnerships and alliances throughout the region.

The Jordan Islamic Bank was established in 1978 as a public shareholding limited company to carry out all kinds of banking, financing and investment business operations in compliance with the Sharia. The Bank offers its banking, financing and investment services through its 65 branches and 15 cash offices in different locations in the country, as well as through the Bonded office. The Bank also presents services through 133 ATMs all over the country<sup>70</sup>.

According to a study conducted by the World Bank in 2013<sup>71</sup>, job creation and economic inclusion are the main priorities for Jordan today. In this context, the encouragement of women-led business becomes a policy of public interest. The major contributors for the Jordanian economy are SMEs, since they are the greatest employment generators.

While banks are the main source of loans in Jordan (77%), only 11% of bank loans are directed to SMEs, compared to 25% in emerging markets. Women still represent an untapped resource in Jordan: the female labour force participation rate in Jordan is among the lowest in the region and in the world, at around 15%. “While access to finance remains a business constraint for both men and women, evidence suggests that women face higher hurdles (...) Women suffer more from constrained access to finance compared to men in the cost of finance, in gaining approval for financing, or in legal disputes and conflict resolution in case of bankruptcy. In addition, banks request stricter collateral requirements when dealing with women who are perceived as higher risk. (...) In the credit market, limited access by women precludes learning about their potential performance as borrowers, including their ability to repay. Social norms exacerbate this problem. Through its gender mainstreaming, the MSME Development for Inclusive Growth Project will contribute to promoting women’s economic empowerment. This is especially important in the microfinance sector, as women

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<sup>70</sup> Source: <http://www.jordanislamicbank.com>, <http://www.capitalbank.jo>

<sup>71</sup> Ministry of Planning and International Cooperation (2011), p. 118

entrepreneurs account for 71 per cent of all microfinance clients.

The project both mainstreams gender through the main components, as well as, directly targets women through some innovative sub-components such as designing new products that target women, encouraging banks to have special windows for women, especially in the marginalized governorates where there are more social barriers. Other new products such as Islamic financing will also significantly benefit women. Enhancing the active participation of women in entrepreneurship activities and giving them access to markets is essential, as it leads to a rise in the number of economically active members in the society and will ultimately result in long-run economic prosperity<sup>72</sup>.

For the moment, banks are slow to realise the potential represented by women-led businesses. Capital Bank of Jordan stated in the Questionnaire that “generally banks in Jordan do not have specific products for women but there are no limitations or any barriers to finance any women project through bank normal products and programmes within bank policies”. The policy of the banks towards women-led business is the same as towards SMEs in general. The World Bank study indicates that smaller firms in Jordan grow at faster rates than larger ones and create more new job opportunities; however, they are confronted with numerous hurdles such as inadequate access to finance.

Both Capital Bank of Jordan and Jordan Islamic Bank are providing loans to women-led businesses. For CBJ, the most important criteria to offer a loan in general are credit history and the existence of a business strategy, as well as insurance. It also looks closely at collaterals, qualifications and experience in business, since most women-led businesses it finances have less than 5 years of business experience. It indicates the recent origin of most projects, and these enterprises represent less than 10% of the total portfolio. Market share, financial position and equity are also considered to be important. The bank considers its investment in women-led businesses as being moderately profitable. The loans are part of a CSR performance policy.

For the bank, experience is the most important factor for declining a loan, together with risk, concerns for business strategy and inadequate information about the business project. From an organisational standpoint, the advantage of CBJ is a separate SME department with 13 trained employees. While the bank does not have a target in its annual credit strategy to increase financing to women-led businesses, the bank expresses willingness to finance women business, if projects are acceptable to its overall strategy. The three most successful projects it offered to finance are generic programs to finance account receivables and purchasing, a financing program for residential and commercial projects and financing 2 employees of a drugstore and a pharmacy.

JIB is actively involved in Islamic banking and Sharia-compliant products. It considers credit history, qualifications and business strategy as criteria for obtaining a loan. In addition to classic products such as loans, payments and transfers, cash management products it also provides consultation services to third parties. Among the projects it offered financing the bank mentions a school, a pharmacy, a laser treatment centre, a special education centre and

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<sup>72</sup> World Bank (2013), p. 4.

a student residential centre. Among its most successful projects it mentions a dentist, an optic centre and a language centre. As with CBJ, the loans are part of a CSR performance policy.

Both CBJ and JIB are examples of new opportunities for women entrepreneurs represented by the willingness of local banks to introduce schemes and products to finance women-led businesses on a small scale. Both banks however do not foresee the development of specific financial products designed for women-led businesses in the near future and continue to consider them as part of a larger scheme of SME's financing.

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## ANNEX VI : INTERVIEW – SUCCESSFULLY ENGAGING BANKS TO ANSWER THE QUESTIONNAIRE IN JORDAN

### **Interview with Ms. Hana Uraidi, Director Cross Cutting Support, Jordan Enterprise Development Corporation**

*A.S.: What are the factors that contributed to a successful circulation of the questionnaire and the high response rate from Jordanian banks?*

H.U.: Factors that contributed were an official cover letter explaining the purpose of this survey that was circulated to the Central Bank of Jordan and the Banks Association in addition to all the banks. This communication was then persistently followed up by myself, a dedicated researcher and a volunteer consultant via emails, telephone calls and prompting and/or reminder arrangements. Although the questions were very clear, still some banks felt that they needed further information, many thought it was a prelude to a project where they will be requested to allocate money/resources to participate. However, it's a fact that if you want a high response to surveys, time and resources for a hands-on approach should be allocated and available.

*A.S.: What is the role of the government and public sector institutions in the successful circulation of the questionnaire in Jordan?*

H.U.: Government and public sector institutions further enhance the credibility of the survey. The fact that there is an umbrella public sector organization involved assures legitimacy and confidentiality of output, especially when the outcome of the surveys may have policy and planning implications.

*A.S.: What are the main obstacles for successful cooperation between private banks, women business associations and governmental institutions?*

H.U.: I would not name them as obstacles as there are none especially as each organization clearly understands its mandate and what they wish to achieve from any relationship with another organization. It is critical though to have clear and articulate communications at all time and reinforce that all parties are working towards an aligned or common objective and results oriented. It is very important for these interactions to be successful as these are the partners that can facilitate change and transformation in the future.

*A.S.: What are the lessons banks can draw from the Jordanian case?*

H.U.: The willingness to invest time in establishing a clear, responsible and continuous

communication channel based on an underlying agreement that collective efforts and partnerships are needed at all times in order for achievements to evolve.

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## ANNEX VII: LIST OF BANKS CONTACTED BY THE OECD AND UAB

### **Bahrain**

ABC Islamic Bank E.C.  
Addax Bank  
Ahli United Bank  
Al Baraka Bank  
Al UBAF Arab International Bank  
Arab Banking Corporation B.S.C.  
Bahrain Development Bank  
Bahrain Islamic Bank  
Eskan Bank  
Family Bank  
Gulf International Bank  
Khaleeji Commercial Bank  
National Bank of Bahrain  
United Gulf Bank B.S.C

### **France**

BNP Paribas  
Banque Palatine  
Groupe Caisse des Dépôts  
National Bank of Abu Dhabi  
Qatar National Bank

## **Jordan**

Al Etihad Bank

ALRajhi Bank

Arab Bank

Arab Banking Corporation

Arab Jordan Investment Bank

Bank Audi Sardar Audi Group

Bank of Jordan

Blom Bank

Cairo Amman Bank

Capital Bank of Jordan

Citi Bank

Egyptian Arab Land Bank

HSBC Bank Middle East

Jordan Alhi Bank

Jordan Commercial Bank

Jordan Dubai Islamic Bank

Jordan Kuwait Bank

Jordan Islamic Bank for Finance and Investment

Jordan Investment and Finance Bank

Jordan Kuwait Bank

HSBC Bank Middle East

Investbank

Islamic International Arab Bank

Rafidian Bank

Société Générale de Basque

Standard Chartered Bank

The Housing Bank for Trade and Finance

Union Bank for Saving & Investment

### **Kingdom of Saudi Arabia**

Alinma Bank

Arab National Bank

Bank Al-Jazira

Banque Saudi Fransi

Samba Financial Group

Saudi Credit & Savings Bank

Saudi Hollandi Bank

Saudi Investment Bank

The National Commercial Bank

The Saudi Fund for Development - Saudi Export Program

### **Kuwait**

Al-Ahli Bank of Kuwait

Boubyan Bank

Burgan Bank

Commercial Bank of Kuwait

Global Investment House

Industrial Bank of Kuwait

Kuwait Investment Company

Mashreq BankNational Bank of Kuwait

National Bank of Kuwait



## **Lebanon**

Al-Bilad Islamic Bank For Investment & Finance PSC

Arab African International Bank

Arab Investment Bank

Arab Finance House

Audi Saradar Investment Bank

Banque De L'Industrie Et Du Travail

Banque Du Liban

Banque Libano-Francaise

Banque Misr Liban

Banque Pharaon & Chiha

BBAC

BLC Bank

Blom Development Bank

BLOM BANK

Byblos Bank

Credilease

Credit Libanais

CSC Bank

Federal Bank of Lebanon

Fenicia Bank

Fransabank

IBL Bank

Jammal Trust Bank

Lebanese Swiss Bank

Lebanon and Gulf Bank

Société Générale de Banque au Liban

Syrian Lebanese Commercial Bank

## **Morocco**

Al Barid Bank

Arab Bank

Attawfiq Micro-Finance

Attijariwafa Bank

Banque Marocaine du Commerce Extérieur

BNP Paribas

CDG Capital

Citibank Maghreb

Crédit Agricole

Crédit du Maroc

Crédit Immobilier et Hôtelier

Crédit Populaire du Maroc

Dar Tawfir

Fond d'Equipement Communal

La Caixa

Poste Maroc

Société Générale

Union Marocaine des Banques

## **Qatar**

Ahlibank (Q.S.C)

Al Khaleji Commercial Bank

Doha Bank

Masraf Al Rayan

Qatar Development Bank

Qatar National Bank

The Commercial Bank

### **Sultanate of Oman**

Bank Dhofar SAOG

Bank Nizwa

### **Tunisia**

Banque Tunisienne de Solidarité

United Arab Emirates

Abu Dhabi Commercial Bank

Abu Dhabi Islamic Bank

Al Hilal Bank

Bank of America Merrill Lynch

Barclays

Commercial Bank International

Commercial Bank of Dubai

Deutsche Bank

Dubai Islamic Bank

Dunia Bank

Emirates NBD

HSBC Bank Middle East

National Bank of Abu Dhabi

Noors Islamic Bank

Sharjah Islamic Bank

Standard Chartered Bank

Union National Bank

United Arab Bank P.J.S.C

**UK**

Barclays

HSBC

Standard Chartered Bank

**USA**

Citi Bank

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