MSME Growth and Access to Finance: Bridging the Gap for Women-Led MSMEs

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Women’s World Banking
Where are women in the MSME segment?

MEDIUM

SMALL ENTERPRISE
Growing—registered at Registrar, tax compliance cert, may pay salaries through bank, can produce financial statements

ESTABLISHED MICROENTERPRISE
Improved business organization - trading license or registration, record-keeping, taxation, employees

EMERGING MICROENTERPRISE
Micro-enterprise. Often family business, no employees, may not required an RM

INCOME GENERATING MICRO
Petty trade, home-based business.
Barriers to borrowing perceived by MSMEs

**Barriers are collateral, turnover and time**

*I could grow my business more if I got more money, but I cannot because of collateral.* – Woman MSME  

*Your turnover might not be enough to fetch you the amount you want. That is a hindrance.* – Man MSME  

*Processing time… if you do not have a good account officer it could be three months.* – Man MSME  

**Lack information about procedures**

*It depends on the relationship between you and your account officer. Now that my business has growth then they start to come. You need that information, how else are you going to grow?* – Woman MSME  

**MSMEs are cautious about borrowing due to perceived costs and risks**

*You must know what you are going to invest in.* – Man MSME  

*I see it as a risk so I plan ahead – what kind of goods will I buy, how am I going to sell it, so you can pay.* – Woman MSME

*They should introduce an easier way to source funds for your business. Of course we would be interested if all these barriers were settled.* – Woman MSME

Women’s World Banking & Diamond Bank, customer research 2014
Serving MSMEs requires a specialized model

**Challenges**

1. Lack of formal accounting
2. Low levels of investment
3. Limited availability of traditional collateral
4. Dependency on owner/manager

**Opportunities**

1. Resilience
2. Entrepreneurial capacity
3. Risk diversification
4. Large, untapped market
What do women-led MSMEs want from banks?

- ‘treat me like the boss I am’
- understand my business
- tailored package of products
- privacy & confidentiality
- fast & clear loan approval process
- training & networking
- women-focused branding
- fee transparency
What does that imply for banks?

To serve women MSMEs well, banks need to offer three things:

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<tr>
<th>Access to finance</th>
<th>Access to knowledge</th>
<th>Access to networks</th>
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<tr>
<td>• Simple, transparent, and competitive offerings with flexible collateral</td>
<td>• Business advisory services</td>
<td>• Seminars and workshops</td>
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<td>• Dedicated Relationship managers for serving MSMEs</td>
<td>• Strategic alliances for training</td>
<td>• Networking events</td>
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<td>• MSME clubs</td>
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Relationship management model as the foundation
What do banks need to deliver on this?

- Specialized Model for Risk
- Operations & Processes for Relationship Management
- 360-Degree View on Customer, including Gender
- Accountability & Internal Communications