Beyond the Threshold: Investing in Women-led Small & Growing Businesses

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Sponsors: Aspen Network of Development Entrepreneurs, Cherie Blair Foundation for Women, BiD Network and ING Bank Sustainability.

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Messages from Our Partners

"ING Bank Sustainability is proud to have sponsored this research because we see women in business as significant contributors to growth in the developing world. Stimulating economic empowerment of women has proven to be an important catalysts for development. Yet many women with great business ideas lack the funding and crucial non-financial support to help them get launched and succeed as businesswomen."

Maarten de Jongh, ING Bank Sustainability

"BiD Network has been organizing for four years a program specifically for women entrepreneurs in emerging markets focusing on their preparation and access to finance. This research gives us the assurance that we are on the right track and provides us with valuable information on how we should improve our services."

Maria Pontes, BiD Network

Acronyms

ANDE	Aspen Network of Development Entrepreneurs
CEO	Chief Operating Officer
GEM	Global Entrepreneurship Monitor
IFC	International Finance Corporation
LAC	Latin America and the Caribbean
M4	Most Missing of the Missing Middle Research Project
MFI	Microfinance Institution
SEAF	Small Enterprise Assistance Funds
SGB	Small and Growing Business
SME	Small and Medium Enterprises
USD	United States Dollar
WSGB	Women-led Small and Growing Business
YFE	Young Female Entrepreneur

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Executive Summary

Background and Motivation

Lack of investment in women-led small and growing businesses hinders economic growth and development. A third of all small and medium enterprises in developing countries are led by women, yet these firms receive a disproportionately small percentage of the already limited financing available for SMEs.[1] Improving investment and capacity of women-led small and growing businesses is therefore critical for growing economies. Research suggests that in addition to the benefits of job creation, successful women-led enterprise benefits children and families, as women tend to spend a greater share of their income on education and health.

Investors and capacity development organizations have an opportunity to support women-led small and growing businesses, but they lack information. The purpose of this collaborative research project is to provide information to capacity developers and investors who want to better understand and address the barriers to growth for women-led small and growing businesses (WSGBs). The research has been carried out in three phases: a literature review, interviews with experts who work with women entrepreneurs, and field work in Kenya and India including focus group discussions with women entrepreneurs and ecosystem design workshops engaging practitioners around potential solutions. Surveys on the effects of women's entrepreneurship complemented the rich discussion in the focus groups. The research also builds on the Most Missing of the Missing Middle research conducted in Latin America by Value for Women, Oxfam, BiD Network, Fonkoze, and Fundación Capital.

Findings

Women's entrepreneurship is good for women, families, and communities. The research found positive effects of women's entrepreneurship at various levels. Women experience increased self-confidence, improved ability to provide for their families, and greater respect in their communities. They also act as role models for the next generation of women business leaders and are often inspired to use their increased power to give back to their communities. Employees are another group that benefit, since some of the evidence also pointed to greater investment in employee growth and well being by women managers.

While WSGBs are not a homogenous group, in general they are more likely to be service oriented and prefer organic growth, largely financed by their own or family funds. The literature reviewed indicated that women-led enterprises have a tendency to be located in the service sector, possibly because these types of businesses do not require large up-front capital investments, which women are less likely to be able to access. Related to their limited access to finance, women in the focus groups corroborated the finding from expert interviews that they tend to grow their businesses in a slower, more incremental way, largely financed from their own pockets or family funds. The IFC has also found that women-led enterprises are growing at significantly lower rates than those led by men. These common characteristics shed light on how to best help WSGBs grow.

There's a gap in financing available for SGBs in general, and the finance that does exist is especially difficult for women to access. There are limited options for businesses seeking financing larger than microfinance loans (a few thousand dollars) but smaller than commercial bank small business loans (starting at USD 250,000) or typical equity investments (from half a million dollars). This gap applies to small and growing businesses led by men and women; however, women face particular challenges in accessing financing of this size for reasons related to culture, collateral, and capacity. While most investors and financial institutions do not intentionally discriminate based on gender, the "gender-neutral" supply of services and marketing mechanisms used tend to cater more toward men than women.

Women entrepreneurs need support beyond—but linked to—finance. The fact that investors continue to point to lack of capacity among women entrepreneurs despite numerous training and capacity development programs indicates a disconnect between skill building and finance. Women entrepreneurs need tailored support that links directly to the skills required to access finance and use it to grow strategically. Beyond training and technical assistance, there are at least four other types of non-financial support necessary for women entrepreneurs to succeed in growing their businesses: 1) the support of families and communities; 2) supportive messages in the media, as well as stories, role models, and examples of successful women entrepreneurs; 3) access to networks and mentors to share ideas, information, and contacts; and 4) soft skills, such as leadership development, pitching, negotiating, and time management, as well as building self-confidence and ability to deal with the extreme stress of juggling family life and the demands of running a business.

The business case for prioritizing investment in women-led enterprise has yet to be fully made. Addressing barriers to investment in women-led enterprise will require a prioritization of resources. Examples include

1 IFC, 2012; IFC, 2011

targeting outreach programs, incentivizing acquisition of women clients, and developing new products and services. For most financial institutions, this means there would need to be a clear payoff to this resource allocation. At present, there is insufficient data to make a business case detailing the financial benefits of accessing the untapped market of women entrepreneurs. There is a need to gather and analyze sex-disaggregated portfolio data to communicate the value proposition; this may also require gathering data along different metrics, such as the value of referrals to the bank or lifetime value of a client.

While these findings largely apply across contexts, some country-specific issues also emerged with particular relevance for Kenya and India. In Kenya, our sample of focus group and workshop participants reflected many of the characteristics of the global findings listed above, such as preferences for organic growth, limitations on access to finance, and formal and informal discrimination faced. Some specific themes also emerged as particularly salient for the Kenyan context: 1) emphasis on the lack of relatable role models and storytelling as a barrier to the growth of women-led enterprise; 2) discrimination among financial institutions; and 3) active youth entrepreneurship scene, with particular focus on social enterprise. It should be noted that the sample we drew from was not representative of Kenya as whole; most of the women we talked to were from urban areas and had a relatively high degree of education.

In India, most of the women entrepreneurs in the sample had joined or taken over family businesses. Barriers that emerged as particularly important in India were: 1) limited outreach and inclusiveness of capacity development programs; 2) social norms blocking access to participation in particular networking spaces; and 3) distinct family issues related to support of in-laws. Although the sample size in India was small (6 women), these findings were corroborated by the expert interviews and ecosystem design workshops, as well as through additional surveys conducted by the research team.

Recommendations and Conclusions

ANDE ecosystem actors can work together over time to alleviate the constraints on WSGBs. Recommendations for impact investors include identifying and communicating the reasons that women-led businesses are rejected for financing; building partnerships with capacity developers to help them tailor their services; considering different sizes and terms of investment; and taking a more inclusive approach to outreach and marketing.

For banks, we recommend implementing more gender-inclusive hiring and management processes; evaluating incentive structures; considering non-collateral risk mitigation; and developing financial products for service-based businesses.

Capacity developers can build partnerships with investors to make their services more market-responsive; improve soft skill development; broaden their outreach; address stress, time management, and mental health issues; and establish tiered mentoring programs with targeted matching of mentors and mentees in different stages of growth.

Finally, for ANDE, it will be important to continue to generate and disseminate new knowledge about the enabling environment for successful women entrepreneurs and advocate policies and practices that promote the enabling factors discovered. ANDE can also play an important role in aggregating and analyzing data to build the business case for prioritizing investment in women-led small and growing businesses.

The research process identified several areas for further investigation and action. This exploratory research process raised as many questions as it answered. Among areas identified for further research are effective marketing and outreach strategies for reaching women, the prevalence of sexual harassment and abuse of power, and data on the total value of women clients. Continuing to build the collective knowledge base on the factors for and impacts of successful women-led small business is essential for the ecosystem to address the critical lack of investment in this segment.

BACKGROUND AND MOTIVATION FOR THE RESEARCH

Lack of investment in women-led small and growing businesses hinders economic growth.

Meeting the challenge of creating the 600 million new jobs the World Bank estimates are needed worldwide by 2020 will require addressing barriers to growth for small and medium enterprises, which make up two-thirds of all full-time formal employment in developing countries. These enterprises not only create more jobs, they create better jobs. Compared to microenterprises, salaries in SMEs with 10-50 workers offer 10-30% higher wages on average, and those with 50+ workers offer 20-50% higher wages on average.[1] Employment in the formal sector also reduces risk and improves working conditions.

Women-led small businesses make up a significant portion of SMEs in emerging markets—about 35%.[2] Yet only based on an IFC study of their client institutions in 25 countries, just 16-18% of SME lending goes to women-led enterprises, [3] and women-led SMEs are on average 80% as profitable as their male counterparts.[4] Evidence shows that women entrepreneurs face significant additional structural and cultural barriers, including discrimination and violence, to starting and growing a business. The gap in investment and growth of women-led SGBs therefore represents a missed opportunity to drive economic development and job creation.

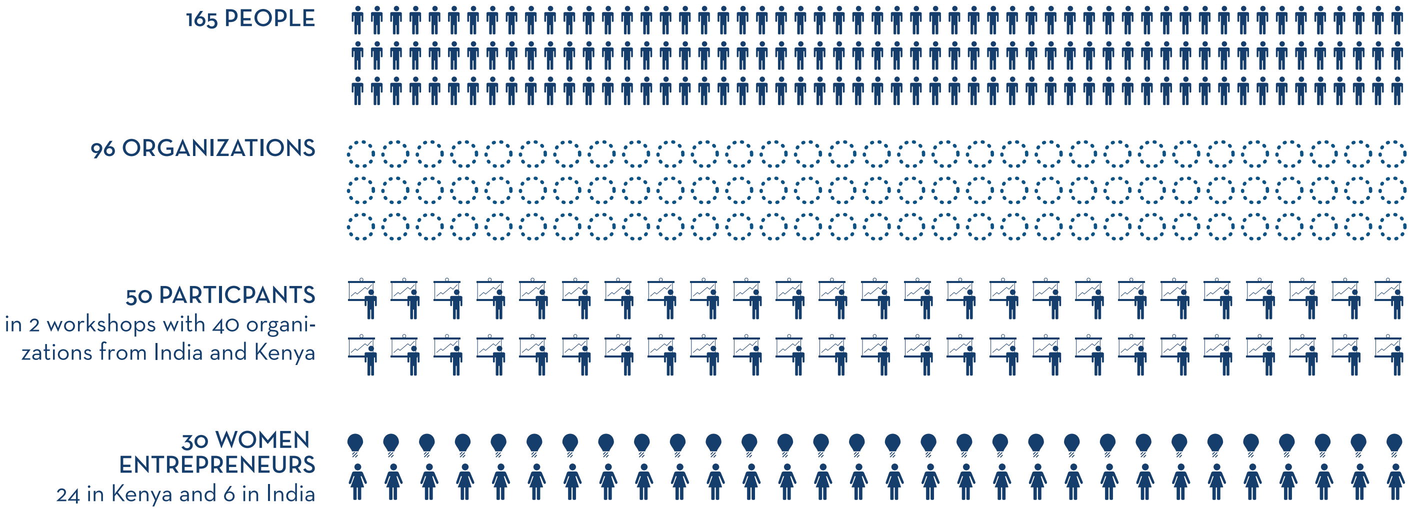
Young women face additional challenges and opportunities to starting and growing businesses. Younger women often enjoy the advantages of better education, a global perspective, greater technological skills, and comparatively less family responsibility. However, they face discrimination based on their age and marital status, and find it difficult to penetrate established business networks. The opportunity to create a new generation of successful entrepreneurs is being lost as a result of these barriers.

Investors and capacity development organizations have an opportunity to support WSGBs and young women entrepreneurs, but they lack information.

Currently, only an estimated 10% of entrepreneurs participating in ANDE member initiatives are young women (as estimated from conversations with ANDE members). Several ANDE members and other organizations are already significantly increasing that number by building funds and programs providing support to women (Calvert Foundation's WINWIN, Oxfam America's Women in Small Enterprise, ...Oxfam Great Britain's Enterprise Development Program, Fundación Capital's Little Big Money, the BiD Network, ING and Fonkoze's Zafen.org, Cherie Blair Foundation's mentoring program and work with investors and banks, among others). Others would like to put energy and resources toward better understanding the problem.

This collaborative research project was designed to address the need for greater depth, insight, and clarity on the problems of underinvestment in WSGBs, including those led by younger women (18-35 years old). It is an intentionally exploratory process intended to foster collaboration among ANDE members while also contributing to the existing body of knowledge and identifying areas for further exploration, study, and action. The research recognizes that women entrepreneurs are not a homogenous group, and attempts where possible to make distinctions based on other socioeconomic and demographic factors, as well as to acknowledge the variance in preferences even among those narrower groups.

1 IFC, 2013
2 IFC, 2011
3 IFC, 2012
4 World Bank, 2012



The research process directly reached 165 people from 96 organizations around the world and includes the input of 50 workshop participants from 40 organizations operating in Kenya and India, 30 women entrepreneurs as focus group participants (24 in Kenya and 6 in India), plus 22 entrepreneurs from Kenya and India as survey respondents.[1] Several key partners supported the process by providing on-the-ground guidance and access to informants:

- The Aspen Network of Development Entrepreneurs (ANDE)
- BiD Network
- ING Bank Sustainability
- Cherie Blair Foundation for Women
- Boston College
- ANDE Women's Working Group
- ANDE East Africa and India Chapters

This research follows a similar study conducted by Value for Women, Fonkoze, Fundación Capital, BiD Network, Oxfam America and Oxfam Great Britain in four countries in Latin America: Guatemala, Haiti, Colombia, and Mexico. Called the Most Missing of the Missing Middle (M4) project, the research documented challenges associated with growing women-led small and medium enterprises in the region through a process paralleling the methods described below. M4 found that women-led enterprises tended to be smaller, have lower profits, and operate in sectors with lower barriers to entry. The research also found discrepancies in access to financing and other resources, as well as cultural and social constraints such as expectations of household responsibilities and perceptions of women as riskier investments. M4 focused on a lower investment range than the current report (USD 5,000 to USD 50,000), and found that investors generally find it difficult to assess risk at this level, and also feel that this amount is too low to launch a high-growth business.[2] This report will include references to M4 wherever relevant, and those interested can find more information at http://v4w.org/our-work/r-d/item/m4.

1 The degree of overlap between the focus group participants is not known, but is estimated to be close to 50%.
2 Chambers et al, 2013.

RESEARCH METHODS

Building on the M4 research in Latin America, this research included three phases designed to bring together a global perspective on gender-related issues in investing and growing small businesses with in-depth country-level analysis in Kenya and India. The countries were chosen by ANDE members as hubs of SGB growth with a concentration of organizations that could provide logistical support on the ground. The three phases of this process are described below.

Phase 1
Literature Review

The research team reviewed 37 studies from around the world to achieve the following research objectives:

- Define the key characteristics of women-led small and growing business
- Identify the primary cultural barriers/facilitators to entry and growth of women-led small and growing business
- Identify key financial barriers/facilitators and risks within the missing middle that women face in the context of impact investment and banking
- Identify specific technical/knowledge/informational barriers/facilitators that women face in starting and growing a business
- Define the positive impacts associated with women-led enterprise
- Outline approaches that can be employed to support impact investors, other financial institutions, capacity developers and NGO's to improve their impact on women-led enterprise.

Phase 2
Expert Interviews

The research team then conducted expert interviews with 19 individuals who work with women entrepreneurs. Of the 19 experts, 12 work in Kenya, and 8 work in India (with one working in both). These interviews gave the research an analytical perspective from individuals who have worked with many different entrepreneurs directly. The main criterion used for choosing the experts was that they worked with at least some women entrepreneurs, albeit for different lengths of time and in different contexts. We limited the sample to investors and capacity development organizations to ensure clarity of data analysis.

Phase 3
Focus Groups

To complement the global perspective of the literature review and the macro perspective of the expert interviews, the research team conducted four focus groups with women entrepreneurs in India and Kenya during July and August 2013. The women entrepreneurs were selected on the following criteria:

- Women-led: A commercial organization led by a woman entrepreneur in the position of Director/CEO and/or consisting of at least one woman board member and/or where women are the majority shareholders/members
- SGB: The organization has at least 5 people and fewer than 250 working for/with the entrepreneur, and actively seeking USD 20,000-USD 2 million in investment capital.
- Formality: The organization is legally formalized or is actively seeking to become formalized.
- Age: Some of the entrepreneurs should be "young"- between 18-35.

The sample was drawn from participants in ANDE member organization programs, since the goal of the research was primarily to provide useful information for those organizations to better support women entrepreneurs. The sample included a wide variety of economic sectors, but was skewed toward urban-based businesses. The grouping variable was age. In each country, one focus group comprised women aged 18-35, while the other comprised women ages 35+. This allowed us to explore the youth dimension through analyzing a) the differences between the responses in each group, and b) the testimonies of the younger women as to how their age affects their access to resources, networks, finance, and other support.

The focus groups were three-hour discussions centered on five topic areas:

- Characteristics of women-led enterprises: goals and sectors chosen
- Barriers to growth and access to finance
- Effects of women's entrepreneurships on themselves, their families, and their communities
- Types and formats of technical assistance accessed and still needed
- Recommendations of women entrepreneurs to investors and capacity developers

The focus groups were complemented by a survey on the effects of women's entrepreneurship (which was administered during a break in the focus group discussions) and a survey about finance and capacity building used and needed. The second survey was taken electronically by 22 respondents after the workshops. It was used to supplement the information gathered in focus groups, particularly because the sample size in India was very small, with just six entrepreneurs in the Mumbai focus groups. There was likely overlap between the survey and the focus groups, but because the survey was anonymous, the extent of this overlap is not known.

In each country, two days after the focus groups, we held ecosystem design workshops that brought together ANDE members and others working in SGB/SME finance and entrepreneurship development. The preliminary research results were presented and discussed, and specific action steps were identified that could collaboratively work toward resolving the issues brought up. These have been documented in the Recommendations section.

Limitations of the Approach

The study was designed to be qualitative and exploratory in nature. This approach has significant advantages as well as some important limitations, which are noted here.

Sampling

The samples for the focus groups were drawn heavily from participants in ANDE member organization programs or funds. The research team requested referrals through the ANDE Women's Working Group mailing list as well as through other key individuals. While this was intentional, as the research is intended to be useful to ANDE member organizations, it also implies limits to the applicability of the research to women entrepreneurs outside that pool. Bias could also be introduced by the referral methodology—for example, perhaps women who are more outspoken or are near cities are more likely to be referred to participate. Most women in the sample were from urban areas and had a relatively high level of education (college degrees).

Qualitative methods and applied research

This research used qualitative methods to gather data. The aim of the research is not to generate statistically significant results that are broadly applicable, but rather to mine a greater depth of information and an understanding of the intangible ecosystemic factors leading to underinvestment in women-led enterprise. The small sample sizes in the focus groups (24 in Kenya, 6 in India) gave us the opportunity to have in-depth discussions and raise issues for debate, and should not necessarily be taken as representative of the countries as wholes or all women entrepreneurs.
The information gathered complements quantitative and macro-level studies such as those conducted by the IFC and others. The applied nature of the research provides information on issues for debate, discussion, and further research within the ANDE community. The process itself is intended to foster interactions and collaborations among ecosystem actors as they engage with the findings and begin to dig deeper into the issues raised.

The Value of an Exploratory Approach

The YFE research process was intentionally designed to stimulate debate and conversation among ANDE members and other organizations dedicated to supporting the growth of SMEs. The process fosters collaboration and learning along the way and encourages practitioners and entrepreneurs to engage with the data in real time as it is being generated and think about solutions to the questions raised.

FINDINGS ON BARRIERS AND OPPORTUNITIES FOR INVESTMENT IN WOMEN-LED BUSINESS

The literature review and the expert interviews were conducted on a global level, while the focus groups and design workshops added an in-country dimension. From the combined stages, certain findings emerged as broadly relevant across countries and contexts. They are presented here in the Global Findings section below. Following the global findings are findings that have specific relevance to Kenya and India, the two countries of focus for the Young Female Entrepreneur study. The country-specific findings come largely from the rich and lively discussions during the focus groups of women entrepreneurs.

Global Perspective

Women's entrepreneurship is good for women, families, and communities.

Of 27 women surveyed on the impacts of women's entrepreneurship, 26 identified positive impacts at the individual, household, and/or community level. The women noted financial independence, confidence, self-esteem, and role modeling for younger women and children, echoing themes from the literature reviewed.[1] The expert interviews also corroborated this view, with capacity developers indicating that women who participate in small and growing businesses increase their self-confidence and economic independence.

> *"When you help a woman, you are helping the community."*
> *Impact Investor*

The positive aspects highlighted by the survey respondents show that women entrepreneurs hope to benefit beyond themselves when engaged in business. In terms of impacts for families, recurring themes included financial stability, positive role model for children, improved quality of life and well being deriving from women's entrepreneurship. Both impact investors and capacity developers noted the broader societal impacts of women's business leadership in terms of greater bargaining power in the household, and greater investments in their family's health and education. The literature reviewed also provides evidence of the positive effects on children's education and household consumption.[2]

A study focusing on women entrepreneurs in the United States and South Africa found a number of positive effects for both the women and their children. Although the women and their children felt that owning a business disrupted family life, mothers indicated that they saw themselves as role models for their children. The children, at the same time, reported that they felt a sense of pride. Additional benefits included time flexibility and financial benefits to the family.

> *"When women are involved, economies grow, businesses grow, new markets are tapped, and different needs are served."*
> *Capacity Developer*

Ninety-three percent of 27 surveyed noted positive impacts on employees when women lead enterprises. Although we do not have a comparison group of male managers, it was the opinion of our survey respondents that women expend more effort on mentoring and caring for their employees. The focus groups, particularly in India, also supported the idea that women as managers might place more value and attention on employee growth, and may also be more attuned to issues outside the workplace that affect their employees, such as domestic violence.

While the positive impacts of women's entrepreneurship were noted by the majority of participants in the re-

INSIGHT

Passionate, opportunity-driven women entrepreneurs give back.
Women entrepreneurs in our sample were motivated by a passion to start something new, to solve social problems, or to provide better for their families. In Kenya, there was a particular emphasis on social enterprise, with entrepreneurs in the energy, education, health, eco-tourism, and sustainable agriculture sectors represented. In India, the women entrepreneurs in our groups had seized opportunities to turn around or expand family businesses or help the social sector work better.

1 ICRW 2008; Sen, 2008 cited in ICRW, 2008
2 ICRW, 2008; Kabeer, 2001; World Bank, 2008

search (experts, entrepreneurs, academics, and practitioners alike), evidence on the risks involved with women's entrepreneurship was more mixed. Increasing women's independence and confidence (as noted above) can challenge traditional roles and lead to a negative backlash from community or family members. The literature notes that women's economic empowerment has been linked to vulnerability and domestic violence,[3] and 37% of the women survey respondents knew of a case where a woman entrepreneur had been subject to humiliation, ridicule, or physical attack. Capacity developers in particular noted that changing social norms can be difficult and dangerous, and some noted that they make sure to include male family members in their programs as a means of mitigating the risks associated with challenging men's traditional roles.

A majority of women in the survey sample (72%) said that relationships with male partners change as a result of becoming an entrepreneur. Some believe that it is difficult for women to succeed without men, as the male partner provides key support and guidance for the business. On the other hand, relationships can be threatened when men feel as if their authority has been challenged or "their role has been usurped" leading to feelings of mistrust and hostility but "mature men understand." From both the focus groups and surveys, it seemed that the impact on household dynamics depends to a large extent on the particular family or partner in question.

While WSGBs are not a homogenous group, they are more likely to be service oriented and prefer organic growth, largely financed by their own and family funds.

> *"If we are building a house, we will start with a room, then add another room and another. Men want to build a mansion at one go."*
> *Kenyan Woman Entrepreneur*

Women-led enterprises generally tend to be service oriented instead of product oriented.[4] A potential explanation for this may be that business ventures located in service sectors do not require large capital investments to establish.[5] While we did come across several WSGBs in the manufacturing sector, particularly in India, these tended to be cases where women took over an existing family business.

Related to this finding, the focus groups and interviews

> *"We work with what we have simply because the alternative is not an option."*
> *Kenyan Woman Entrepreneur*

indicated that women entrepreneurs preferred more organic or incremental growth paths, beginning with the assets they have available. Both practical and cultural reasons emerged for this. On the practical side, some women indicated that they preferred this growth path because it gave them greater independence and freed them from the potential external influence that accompanies external finance (particularly equity). Focus group participants also noted that the lack of alternatives drives women to finance their businesses from their own pockets. In terms of cultural reasons, others noted that men are encouraged by society to "think big" and envision large-scale growth, whereas women are more cautious and practical (finding from Kenya focus groups). One further possible explanation offered by the literature is that women business owners tend to strive for a balance between economic goals, such as profit and growth, and non-economic goals, such as product quality, personal enjoyment, and helping others; compromising the growth of their enterprise.[6]

QUESTION FOR DISCUSSION
Slow and steady or leaps and bounds?

Women have often been noted in global literature to be more "risk-averse" than men. More likely than not, this is related to cultural expectations, women's role in securing family stability, and access to resources for taking risks. Women in our sample said they get turned down for loans so much that they tend to stop applying and just use whatever cash they have.

Some would say they actually prefer the slow and steady path. One impact investor in the study noted that since equity necessarily dilutes ownership and most often comes from men, women owners risk losing control to men when they sell shares. But is this trend holding women back from achieving the growth rates of male-owned SMEs? Should women take more risks, or should financial institutions adapt their offerings, such as by providing investments in smaller chunks or with longer payback periods?

The expert interviews and focus groups confirmed the finding from the literature that family members are the most common source of initial financing for women

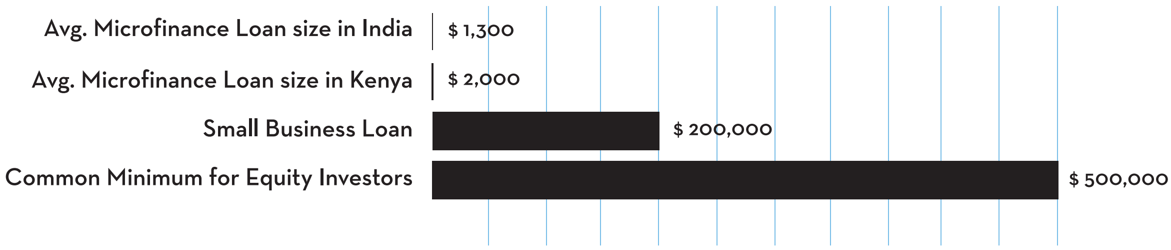
3 Sen, 2008 cited in ICRW, 2008
4 Thakur and Walsh, 2013
5 Carter et al, 2001 as cited in Javadian and Singh, 2012
6 Cliff, 1998 as cited in Javadian and Singh, 2012

entrepreneurs. This is especially important in cases where women have limited access to formal financial institutions.[7] The dependence on family and other personal connections is one strategy that women employ to cope with financing struggles. However, this strategy is not sustainable for business expansion.

There's a gap in financing available for SGBs, and the finance that does exist is especially difficult for women to access.

Although access to credit through microfinance has been largely applauded for empowering women and providing them with employment opportunities, it may have an unintended "glass ceiling" effect. Dina Lonescu writes that, "'women's entrepreneurship' is often still correlated to 'microfinancing,' which has a negative impact on general expectations of businesswomen and confines them to marginal projects".[8] The M4 research project found evidence of this phenomenon in Latin America. For example, a 2013 study of slums in Rio de Janeiro found that although women were approved for loans at the same rate as men, they also asked for and were consistently given smaller loans than their male counterparts; as they put it, "women ask for less money than men with the same characteristics, and get even less".[9]

The average microfinance loan size in Kenya is approximately USD 2,000, while in India it is around USD 1,300. [10] The next level of financing available for most entrepreneurs is through personal or SME loans at banks, or "social" investment from impact investing funds. This type of financing tends to be available in the range of USD 250,000 up to a few million. In the expert interviews, the average minimum for impact investors was USD 115,000. The M4 research found that financial institutions and investors find it challenging and expensive to assess risk in smaller amounts, and believe that USD 10,000 is a minimum for achieving any kind of meaningful return. For small and growing businesses that need more than a few thousand dollars in microfinance and less than a few hundred thousand dollars from a bank, options are few and far between. This gap is illustrated in the figure below.



QUESTION FOR DISCUSSION

How do we bridge the gap?

There is a clear need for financial services that fall between microfinance and small business lending. Should MFIs raise their caps, should banks build models to make smaller loans profitably, or is there a need for a more lenders targeting SMEs specifically?

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7 Doing Business and World Bank Gender Action Plan, 2008
8 Ionescu 2003/4, p. 85
9 Agier and Szafarz, p. 172
10 Based on data from Mix Market, www.mixmarketinfo.org

Debt

While women tend to be well served at the lower end of the spectrum by microlending, they face challenges above and beyond those faced by male entrepreneurs when seeking to acquire capital in installments above USD 10,000. In a study of five countries in the Middle East and North Africa, while 50-75% of women surveyed said they had sought external financing for their businesses, most had not received financing from a formal financial institution. Additionally, less than one-third of the women had bank credit.[1] While banks may not actively discriminate against women, the nature of their lending criteria and customer acquisition processes may inadvertently lead to the exclusion of women entrepreneurs. These two factors are further explained in the paragraphs below.

To disburse loans in this range, banks rely heavily on a collateral-based approach to risk mitigation. In plain terms, this means they require physical property in the name of the borrower to secure the loan. This often includes land or real estate, but could also be productive assets such as machinery, particularly if the loan is intended to cover its purchase. It is customary in many places around the world for property to be titled in the name of men rather than women, so that even if women do have their own property, it is likely to be titled in the name of their father, husband, or other male relative.[2] In many contexts, title to property is not formalized, rendering it useless as collateral.

EMERGING GOOD PRACTICE: ALTERNATIVES TO COLLATERAL-BASED LENDING

Innovative financing mechanisms that do not need to be secured by collateral are beginning to emerge, but have not yet become widespread. Some examples are:

- **Receivables-based. Root Capital uses future orders to secure its loans to agricultural SMEs.**
- **Demand dividends. Santa Clara University's John Kohler is developing a debt instrument secured by a claim on future e payments.**
- **Cash-flow lending is appropriate for more established small businesses that can demonstrate cash flow to borrow against.**

> *"In Mexico, financial institutions do not typically give credit to women on their own; they require husbands or fathers to co-sign loan applications."*
> *GEM Women's Report 2012*

Many women entrepreneurs rely on their male relatives to acquire debt as a result of banks' criteria around collateral and the lack of their own title to property. This reliance creates or perpetuates a dependency on men, limiting women's freedom and autonomy. Many women avoid formal debt altogether, preferring to rely on friends and relatives for loans. When we asked 22 women entrepreneurs how they funded the growth of their business, 18 cited personal and family funds, with just 7 taking external loans and 2 selling shares for equity.

Survey Responses on How Growth is Funded

Responses	Source
18/22	Personal & Immediate Family Funds
1/22	Spouse's Family Funds
7/22	External Debt (bank loans, SACCOs, etc)
2/22	External Equity (sold shares of the business)
0/22	Not applicable
3/22	Other

In addition to formal criteria that cause women to seem "riskier" because they cannot provide securities, the outreach and targets of many banks seems to favor acquisition of male clients. According to the focus groups and interviews, most front-line bank staff and loan officers are men. In some cases, this fact entails limited access because of cultural restrictions on interactions between men and women.[3] In other cases, bank outreach devised by men might miss women entrepreneurs because of the channels and networks they use, which are dominated by men as well. Experts interviewed pointed out that women value loyalty, and relational rather than transactional styles of banking might be more effective in reaching them as clients. In addition, most women entrepreneurs in the focus groups reported being judged based

1 Weeks 2009
2 Ganesan, IFC 2011.
3 Roomi, 2008

> “Banks see women-owned SMEs as higher-risk customers, which leads to not serving them or serving them at unattractive rates and terms.”
> *Capacity Developer*

on their marital status and asked about their husband’s employment, role in household finances, and responsibility for the loan—even when the husband is completely uninvolved in the business.

INSIGHT

Narrowing the gap

Experts interviewed and design workshop participants most often cited USD 10,000 to 50,000 as the critical gap in size of financing needed by WSGBs.

Equity

Equity markets for SMEs are underdeveloped around the world, and have tended to focus on tech enterprises more than service-oriented businesses because of the perceived greater scale potential. As a 2011 IFC report on SME access to finance puts it, “It is not a match for conventional private equity funds. Opportunities exist, but mainstream investors go elsewhere, where deals are bigger, conditions safer, and upsides easier to reach.”[1] However, many impact investing funds and related advisories are looking to serve this sector in particular (e.g., SEAF, Root Capital, Open Capital, Acumen, et al). Based on expert interviews and conversations with ANDE members, we know that existing portfolios are highly skewed toward male investees. Causes for this gap emerge largely from the demand side of the equation, although there are also likely limitations on the supply side in terms of outreach and awareness building among women in particular.

On the demand side, women entrepreneurs’ differing educational experiences, knowledge and skills likely play a role in reducing their investibility by conventional standards. Women who have less business education and experience may not be as well prepared to pitch their businesses for investors, or may simply lack awareness of how to reach those investors in the first place. One expert interviewed indicated that they take on the same percentage of women applicants as male applicants (10% of each), but there are simply far fewer women than men who approach them for investment support. Evidence emerging from the literature review suggests that, although women utilize social networks and business-related linkages, they tend to have fewer connections with business-oriented networks than men do. Indeed, a study conducted in 17 countries found that 43% of the men surveyed knew someone who started a business, versus 31% of women.[2] This relatively limited exposure likely reduces women’s understanding of and comfort with accessing equity investment.

1 IFC 2011, *Small and Medium Enterprises, Telling Our Story*. http://www.ifc.org/wps/wcm/connect/409734804c561178926edaf12db12449/TOS_SME.pdf?MOD=AJPERES

2 Koellinger 2011

Gender-neutral marketing misses women

Products and marketing intended to be "gender-neutral" often unintentionally exclude women. As illustrated by commonly heard statements like these, the research revealed a disconnect between how banks and investors see their services and how they are received by women entrepreneurs and the capacity developers working with them.

Financial Institutions

"Women are welcome to apply for loans and if they meet our criteria we would be happy to lend to them!"

"We invest the same percentage of male and female applicants, we just get fewer female applicants!"

"Our loan officers look for good clients —they can be more men or women."

Capacity Developers & Women Entrepreneur

"Women entrepreneurs have many competing demands on their time and resources."

"Male staff tend to reach out more to men than women."

"Women often can't meet banks' criteria, but that doesn't mean they are bad borrowers."

Women entrepreneurs need support beyond—but linked to—finance.

The capacity development services currently available to women leading SGBs address a range of needs, from general management to sector-specific technical assistance. Yet investors and banks continue to point to a lack of capacity among women entrepreneurs to meet their requirements. This disconnect is indicative of a missing link between capacity development and financing. Women entrepreneurs need support that is tailored to their particular financing and growth plans. This finding was confirmed not only through the interviews, focus groups, and workshops in this research, but was also a major theme of the ANDE Women's Working Group workshop held in London in April 2013.

INSIGHT

THE MISSING LINK BETWEEN CAPACITY DEVELOPMENT AND FINANCING

A range of capacity development services are available to women entrepreneurs and have been generally well-received, yet investors continue to point to a lack of capacity among these women to meet their requirements. Bridging this gap may require better collaboration between financiers and capacity developers to build the particular skills and knowledge that are lacking.

Beyond training and technical assistance, there are at least four other types of non-financial support necessary for women entrepreneurs to succeed in growing their businesses. First, the support of families and communities surrounding women often provides a critical push toward success. Conversely, when families and communities discourage entrepreneurship among women, it can be a major impediment. "Support" in this context largely refers to approval, moral support, and willingness to share household responsibilities and be flexible with the entrepreneur's adherence to standard gender roles. Of 22 women surveyed about the factors other than financing and training that were important for growing their business, the largest number selected family as most important (14, or 64% of the sample).

Second, the examples and messages propagated through the media are important factors in promoting entrepreneurship and growth among women. Broadly, media help convey and shape cultural expectations and social norms. But more specifically, many women in the sample and participants in the Kenya design workshop noted the absence of relatable examples of successful women entrepreneurs that they could look to for encouragement and practical advice. Meanwhile, there are plenty of male role models for entrepreneurship that get a lot of media attention. These types of real life how-to stories can help women leading SGBs understand the steps needed to plan growth and access financial and other resources to achieve it.

> *"I open a magazine, and it's the same person I have been seeing for the last 5-10 years on the cover.*
> *And the people they are showing me are people in corporate Kenya. How is that going to inspire me?"*
> *Kenyan Entrepreneur*

Third, women need access to networks and mentors to share ideas, information, and contacts. Particularly for younger women, it can be challenging to break into established networks (see quote). In some contexts, class and caste play an important role in determining access to networks and contacts (see more in the India section). Related to networks, mentorship was often cited as critical in the professional growth of women entrepreneurs. Whereas for women over 35, the need expressed was for specific advice targeted to the issue at hand (e.g., how to negotiate with a supplier), younger women are more likely to appreciate experienced mentors who can act as a sounding board for the day-to-day difficulties of building one's own business. Mentors can be local or international and can be engaged in the same line of business or a related one. Pros and cons of each are represented in the matrix below.

> *"There is money out there, but we don't know where to get it. In Kenya, there's a clique. If you are not part of that clique already, you have to find things on your own." Kenyan Entrepreneur*

> *"The people in the cliques all knew each other when they were starting."*
> *Kenyan Entrepreneur*

Comparison of Types of Mentors for Women Entrepreneurs

	Local	International
Same Industry as Mentee	✓ Can provide very targeted advice on issues related to supply chain, local marketing, regulation, finance, etc. ✗ May see mentee as a potential competitor; expertise limited to local context.	✓ Can provide targeted advice and tips related to the industry, as well as ideas and perspectives from beyond the local context. ✗ More limited understanding of local issues related to regulation, supply, and informal business practices.
Different Industry as Mentee	✓ No competing interests, and might be able to connect mentee with relevant actors in other industries. Experience with local issues relating to regulation and finance. ✗ Relatively limited ability to address industry-specific issues.	✓ Brings ideas, information, and connections from outside the industry and local context; can act as a sounding board for general issues. No competing interests. ✗ Relatively limited ability to address local and industry-specific issues.

Source: Author, based on expert interviews, focus groups, and design workshops

INSIGHT

When it comes to mentoring, matching is key

There is a need for tiered mentoring, with different levels depending on the maturity of the business and the needs of the entrepreneur. Programs that carefully match mentors and mentees based on needs and experience tend to be most useful for women entrepreneurs.

Finally, there is a need to develop soft skills, such as pitching, negotiating, and time management, as well as building women's self-esteem and ability to deal with the extreme stress of balancing family life and work. While all of these are also necessary for men, our research found that the deficit is likely greater for women, since they must bear the lion's share of the household work. There is a greater need to build self-esteem and negotiating power since in many contexts there are deeply rooted expectations of female demureness that often contradict the requirements of successful business dealings. The Global Entrepreneurship Monitor found that in all 99 countries in its 2012 study, a smaller percentage of women than men believe they have the skills and knowledge required to start a business. This is true even in countries where women have higher education levels than men, such as in the United States and countries in Europe.[1] Of the

1 GEM Women's Report 2012

22 women survey respondents, more than half selected leadership development as a service they would like to have access to for the growth of their business, more than any of the other options given (which included business plan development, business coaching, legal services, human resources management, and other)

INSIGHT

Demystifying Banks

Design workshop participants emphasized the need for a holistic approach to preparing women to meet banks' needs. Capacity developers can help ensure that women have all their documentation together and are aware of what they will be asked and what they can provide to support their case. This helps them break through the intimidation or fear of rejection associated with applying for loans, and improves their chances of getting approved.

The business case for prioritizing investment in women-led enterprise has yet to be fully made.

Investing in women entrepreneurs requires a business case to be made, since investments of resources and time are needed to develop new outreach methods, ways of measuring customer value, as well as potentially adaptation to make products and services more inclusive. For banks and investors to make these investments, they will need a solid financial rationale as to the payoffs for these investments.

For investors, WSGBs can be a way to diversify into new sectors and make more profitable investments. One impact investor focusing on small businesses in the study reported that women-managed companies in their portfolio (at least 20% ownership by women) outperformed male-managed firms in terms of gross internal rates of return. Research coming out of Emory University's Goizueta Business School on social ventures found that ventures with women on the founding teams are 15% more likely to be profitable than those without, but are 40% less likely to attract equity investments.[2]

Experience indicates that, on average, banks may need to exert greater effort to acquire women borrowers, but once acquired, they tend to be loyal clients who refer their friends and take up a variety of new products and services.[3] Some banks have begun to measure this type of value through metrics such as a net promoter score that takes into account indicators other than repayment. If banks want to attain greater gender balance in their loan portfolios, they may wish to incentivize loan officers along such lines in addition to traditional measure of loan portfolio quality. Capturing this type of data at the bank level and industry level is necessary for creating the right incentives to prioritize investment in women-led enterprise.

QUESTION FOR DISCUSSION

Wife, Mother, Entrepreneur?

Across the world, women still bear the majority of the burden of household responsibilities such as childcare, cooking, and cleaning. These competing demands on women's time and energy put them at a disadvantage for coping with the exertions of entrepreneurial careers and also block them from attending networking events or business meetings held in the evening. This is a well-known barrier, but what can be done? Are there ways to address or change this within the scope of our work?

INSIGHT

Making the Case

Participants in the ecosystem design workshops noted the need for solid figures and results indicating the growth and scale of women-led enterprise. It is crucial to generate and disseminate additional and more detailed data on women-led enterprise that is broken down by a number of factors such as sector and educational background.

Kenya: Key Themes

In addition to the globally relevant findings above, a few themes emerged with particular salience in Kenya: 1) emphasis on the lack of relatable role models and storytelling as a barrier to the growth of women-led enterprise; 2) discrimination among financial institutions; and 3) active youth entrepreneurship scene with barriers specific to youth. These are described below.

2 Roberts, 2013

3 Global Banking Alliance, The Business Case, http://www.gbaforwomen.com/index.php/our-work/business-case

There was a strong emphasis in the focus groups and workshop in Kenya on the need for role models for women entrepreneurs that are more relatable. Numerous participants reported that the "women entrepreneurs" highlighted in the media tend to be drawn from a small pool who had typically achieved success in the corporate sector before starting their own business. In addition, there was a general consensus that it would be helpful to hear about the whole experience—both positive and negative—that successful women entrepreneurs went through to achieve their success. There is a need for stories about the challenges overcome and practical advice from women who overcame them.

INSIGHT

Stories to Inspire

Women entrepreneurs need to see more examples of others who have started successful businesses from scratch, and how they overcame the challenges of being a woman entrepreneur. This theme came through loud and clear during the focus groups and design workshop group activities in Kenya.

A second salient feature of the Kenyan landscape was the experience of discrimination in access to finance for women. Discrimination reported was both institutionalized and informal. Many women in the sample said that sexual favors are often expected in exchange for loan approvals. More common still is questioning related to the husband's work and financial responsibilities, even when the husband is not involved in the business. This was reported for both personal and business loans, and reflects the persistence of the stereotype that women cannot be financially independent.

INSIGHT

Descrimination, both formal and informal

Focus group participants reported facing both formal discrimination, such as requirements for a male relative to co-sign a loan, and informal discrimination such as being questioned about their husband's role in the business and household finances.

The younger generation of Kenyans (18-35 years old) is increasingly interested in pursuing entrepreneurial paths. Many are connected to the relatively well-developed social enterprise scene in Nairobi (emerging as a regional hub), and others are engaged in technology and media, among other sectors. This younger set often brings the advantage of high levels of education and experiences abroad that have broadened their knowledge and ideas, as well as a greater facility to use social media as a tool for information gathering and marketing.

> *"I applied for a loan and my husband had to sign that loan. He was not a guarantor and has nothing to do with my business." Kenyan Entrepreneur*

However, the younger entrepreneurs we spoke with also noted certain disadvantages associated with youth. One young entrepreneur noted, "Being young is like a disease," and young entrepreneurs struggle to be taken seriously due to age. Since younger women are less likely to be married, marital status also plays into this judgment, as investors and banks often prefer to involve a woman's husband in the financial processes, as noted above. Young women in Kenya also noted that it is difficult to access established networks, and they indicated a desire to build their own networks for sharing information and contacts.

INSIGHT

Looking for a Ring

Design workshop participants emphasized the need for a holistic approach to preparing women to meet banks' needs. Capacity developers can help ensure that women have all their documentation together and are aware of what they will be asked and what they can provide to support their case. This helps them break through the intimidation or fear of rejection associated with applying for loans, and improves their chances of getting approved.

> *"Until people can see you with your husband, they don't take you seriously."*
> *Kenyan Entrepreneur*

India: Key Themes

In India, most of the women entrepreneurs we spoke with were joining a family business or starting a business in partnership with a male relative, indicating a possible difference in common characteristics of WSGBs there. Four of the women interviewed took over failing family businesses and turned them around, demonstrating a high level of resilience and resourcefulness. One of the women in the sample diversified her family's business away from its traditional focus on software development to take advantage of growing demand for business process outsourcing. Another left her own successful maternal health practice when she had children, and later took over sales and marketing for her husband's manufacturing business. She now owns a majority share of the business.

Some specific challenges came up with particular frequency or relevance in India: 1) outreach and inclusiveness issues; 2) social norms blocking access to participation in certain spaces; and 3) distinct family issues related to support of in-laws.

> *"From one program to the other program, if you look at the database, it's the same people everywhere."*
> *Indian Entrepreneur*

In terms of outreach, India's geography, density, and complexity make getting the word out challenging for anyone, but there are specific challenges related to women's limited access to information. This particularly applies to government and commercial bank schemes, which could be beneficial to women entrepreneurs. According to a recent report on technology and women's entrepreneurship in India, "A recent study found that although nearly all public sector banks have special loan schemes for women entrepreneurs, 'low awareness and a passive mindset ensure that there are very few takers.' "[4] In both rural and urban settings, access to information for women might be more limited than men due to the fact that they spend more time in the home.

Another dimension of the outreach challenge is the specific types of outreach and marketing methods used by incubators and other capacity developers to reach participants in their programs. It seems that many entrepreneurs participate in multiple mentorship, training, and incubation programs, and that these participants are drawn from a relatively small pool that does not extend far past those who are already "in the know." Broader and more creative marketing could address this issue, such as through fairs (melas), more creative use of media, and changing the timings of events to make them more accessible to women.

In India, powerful social norms related to gender, caste, and class block access to participation in certain spaces. For both men and women, the traditional occupations of castes continue to play important roles in determining an individual's occupation. Certain communities have historically engaged in business, and people from outside those communities face challenges in pursuing entrepreneurial paths. Women must confront these obstacles in addition to norms prohibiting their presence in the places where business transactions generally occur. [5]

> According to a report by the International Commission for Research on Women, in India, "there are many official and public spaces that are not considered appropriate for women to frequent, or where they feel discomfort or suffer harassment. There are distances that women are not expected to travel alone, and most women need permission and cooperation from family members to undertake a job or start a business." – Connectivity: How Mobile Phones, Computers, and the Internet Can Catalyze Women's Entrepreneurship

As noted in the box above, the permission, cooperation, and support of family members is often needed for women to start and grow businesses.[6] In particular, married women often need the support of their in-laws, since it is common for Indian women to join their husbands' families after marriage, hence becoming subject to the decision-making structures of that family. Women in the focus groups also noted they are taken less seriously if going into business with their fathers or brothers than with their in-laws, since it is expected that loyalties are to one's husband's family.

> **INSIGHT**
>
> **Supportive Families**
>
> The permission and support of family members is typically more important for women's success in entrepreneurship than men's. For married women in India, the support of in-laws is particularly crucial, since in the majority of communities women join their husband's families after marriage.

4 Muralidharan (2009), as cited on ICRW report pg. 14

5 Malhotra, 2012

6 Malhotra, 2012

RECOMMENDATIONS FOR ECOSYSTEM ACTORS

The key findings in this report represent exciting opportunities for ANDE members to take action.

This section will outline recommendations from the research team stemming from the research process. Recommendations are provided for impact investors, lenders, capacity developers, and for ANDE. While some of the solutions would work for SGBs led by entrepreneurs of any gender, they target the problems stemming from the gender divide and thus address the issues raised in this document.

Recommendations for Impact Investors

- ***Identify and communicate the reasons for not investing.*** To increase the number of women investees, we need to understand the reasons they do not qualify for investment. Several impact investors noted the quality of business plans, the technical support required, and the perceived risk as barriers to investing in women-led businesses. Impact investors have an opportunity to boost support for women entrepreneurs by more specifically and systematically identifying these limitations. There would be great value in aggregated information pointing to common reasons women entrepreneurs have been rejected over time.

- ***Build partnerships with capacity developers to help them develop programs tailored to financing needs.*** Your help is needed to identify the capacity gaps of women in particular. Notice and communicate the skill deficits among women entrepreneurs you meet. Refer them to capacity developers who can build what they are lacking. These partnerships can also benefit impact investors if they are able to get a more viable pipeline coming out of capacity developer programs. As noted in the ANDE Women's Working Group meeting in London, impact investors can also work together with one another to identify and share this information.

- ***Consider different investment sizes, incremental investment instruments, or specialized funds focused on women entrepreneurs.*** Women entrepreneurs tend to grow their businesses in a more organic and steady manner, and might be more likely to shy away from large capital investments that carry risk of losing control of the business. Impact investors might find profitable investments among WSGBs if they are willing to consider different sizes and increments for their investments.

EMERGING GOOD PRACTICE: GENDER PREMIUMS

One impact investor is planning to explore weighting the "gender lens" by 10% for its next fund based on a recent finding that women-led social enterprises are 15% more likely to be profitable. A manager of the fund has stated that they expect to see the bonus in profitability arising from better vendor terms based on relational business dealings, greater customer loyalty, better employee retention, and good will created through the network of partners with which women-led investee companies engage[1].

- ***Take a more inclusive approach to outreach and marketing.*** Use women's networks and spaces to recruit women applicants, and take care to articulate the benefits of taking on external finance. The lower number of women applicants might have to do with the channels being used to raise awareness and meet potential investees. Investment funds tend to have male directors and male staff, which might also limit interactions with women entrepreneurs. To correct for this, impact investors can a) hire more women; b) incentivize their male staff to seek out women for the pipeline; and c) take account of cultural factors that might be barriers for women, for example by holding meetings and pitch events during the day rather than at night.

Recommendations for Banks

- ***Implement inclusive hiring and management practices.*** Banks and other financial institutions could likely reach more women if they hired more female loan officers. Other

1 Jones, 2013

practices to improve the gender balance of portfolios include gender sensitivity training and the implementation and enforcement of strict anti-harassment and non-discrimination policies.

EMERGING GOOD PRACTICE: CURBING FRAUD AND HARASSMENT

According to microfinance professionals, rotating loan officers can be one way of uncovering fraud and abuse of power by loan officers. The root of the problem is that one officer controls communication and discretion with clients; rotation ends this monopolized control. When a new loan officer comes into a community where fraud or harassment has been taking place, he or she is able to discover it and report it to the financial institution, which can then trace the problem and address it with the perpetrator. It should be noted that there are tradeoffs to this approach in terms of building long-term relationships.

- ***Evaluate incentive structures.*** Whether loan officers decide to approve loans depends on criteria and rules they are given, as well as their motivations and perceptions. Banks can make changes to influence officers along all of these lines. While criteria and rules might be difficult to change, motivations can be influenced by evaluating officers based on more than the traditional measures of portfolio quality, such as the net promoter score—or how likely a customer is to recommend the bank to others. Such measures can help capture the value of women clients. Banks could also award points or bonuses for acquiring women clients, which would incentivize officers to be more effective in finding viable women candidates. Note that care should be taken to mitigate the possible unintended consequence of overselling loans to women clients.

EMERGING GOOD PRACTICE: DFCU'S WOMEN IN BUSINESS PROGRAM

DFCU's Women in Business Program places an officer in each of the Bank's 31 branches across Uganda. That staff member has a responsibility to identify potential female customers. WIB staff collaborate with local women's associations and organizations to get the word out. The program was started with a USD 2 million loan from the International Finance Corporation, but has been so successful that the bank has paid back the loan and funded the program on its own. The program, which also includes a training component, has lent to 1,200 women since its inception in 2007. Loan sizes range from USD 5,000 to 300,000, but most are not more than USD 50,000.

- ***Consider non-collateral risk mitigation and tailored repayment terms.*** Some banks have established mechanisms for securing loans that do not require property to be used as collateral. Examples of other securities include future cash flow and purchase order contracts or accounts receivables. Banks and institutions can further explore models that use the strength of the business plan and likelihood of future returns to evaluate risk.

EMERGING GOOD PRACTICE: NO COLLATERAL? NO PROBLEM.

IntelleGrow Finance is a new fund offering more flexible financial products to meet the needs of small businesses. They offer customized financial products and fast processing times, as well as skills support. Perhaps most important, lack of security (such as physical property or assets) is not a disqualifier, as IntelleGrow uses a viability-based approach to lending.

- Develop products for the services sector. As mentioned above, the lower initial investment requirements in the services sector make it more attractive for women to enter given their limited access to finance. Given this situation, banks and financial institutions seeking to better serve women-led SGBs can explore new financial products for the services sector as a whole. These would provide access to more SGBs led by people of any gender, but would especially affect women, since a large proportion of WSGBs operate in that sector.

Recommendations for Capacity Developers

- ***Develop partnerships with investors and financial institutions***. Better connection and communication with investors would help to develop the specific capacities in women entrepreneurs needed to meet investors' requirements. Growth plans should identify both the financial and human resources necessary, and then capacity development should focus on meeting those identified needs to ensure successful completing of the plan.

EMERGING GOOD PRACTICE: INVESTOR-RESPONSIVE CAPACITY DEVELOPMENT

Some investors and capacity developers are starting to work together to better link capacity with financing needs. Open Capital Advisors works on a success fee model, connecting their advisory clients with investors. Since their success depends on investment being secured, they have a real incentive to ensure that their advisor services provide what investors are looking for in investees. Although not currently tailored for women-led SGBs, this type of connection could serve to bridge the gap in capacities needed among women entrepreneurs.

Agora Partnerships and the Eleos Foundation have teamed up to create a Women's Fund that combines investment-readiness consulting with connections to investors through the Eleos Foundation. This provides women entrepreneurs with a formal mechanism for receiving capital and gives Eleos and its network of investors access to high-quality entrepreneurs.

- ***Build leadership and negotiation capacities, as well as other soft skills.*** Related to the point above, soft skills are critical to convincing investors of the merit of one's business, as well as to navigating dealings with suppliers, buyers, and other business contacts. Given cultural expectations for women to be less assertive, building confidence in pitching and negotiating is particularly important for women entrepreneurs. Women entrepreneurs in the surveys also expressed a desire for more opportunities for leadership development, with 64% citing this as a capacity development service they would like to access to grow their business.

- ***Broaden outreach***. Capacity development programs can make efforts to be more inclusive for women through their outreach and marketing efforts, as well as timing and location of events. For example, holding events during the evening can be problematic for women juggling responsibilities at home. To recruit new program participants, the databases used by other organizations can be a great starting point. But it is critical to reach beyond this starting point, for example through holding promotional events or meetings in non-urban settings. Capacity developers should work together to think creatively about how to further diversify their participant bases.

- ***Address stress, time management, and mental health issues.*** More attention clearly needs to be paid to the extreme stress and mental health concerns that can arise from trying to balance the demands of entrepreneurship with those of the home, given women's majority responsibility for household duties. These can be addressed by capacity developers through information, training, and counseling on time management and methods of dealing with stress. This is clearly a short-term approach to dealing with the underlying issue of unequal division of household labor. We also recommend that capacity development organizations put the issue on the agenda and seek longer-term solutions that involve raising awareness and engaging men in the discussion on how women's time constraints affect their ability to become successful entrepreneurs.

- ***Establish tiered mentorship programs with targeted matching.*** Mentoring serves different purposes for entrepreneurs at different stages in the maturation of their business. Programs that include various types of mentors and carefully match them with the entrepreneur's stated needs may be more likely to be successful. One program in the study lets the entrepreneurs choose their mentors based on profiles; and this was generally well received by the mentors and mentees alike. However, there may also be downsides to giving total choice to the mentees, as they may choose the most famous or accomplished mentors, even if they are not the right fit for their particular needs. In general, it is important that both mentor and mentee feel you have involved them in the process by taking their needs and skills into account in the application, and then making the best match where the mentor can help the mentee make changes to her business.

Mentoring and networking programs may also have an opportunity to support younger entrepreneurs by creating long-term networks and recurring forums for interaction among youth, with the possibility of linking and connecting with other established networks. This could give young entrepreneurs a way to create their own networks and break into those established ones that may otherwise seem closed off to them.

Recommendations for ANDE

- ***Support research and development to build the business case for investing in women-led SGBs.*** The research should focus on the positive effects of investing in women-led enterprise for specific actors and sectors. The research can make use of aggregated, anonymized data from financial institution members, for example to understand whether there are differences in key indicators by gender. This can help to prove the value and investibility of women-led SGBs in a quantitative way. ANDE can also gather further data from capacity developers on the gender breakdown of their client bases, and the reasons behind any disparities that exist, and then support innovation to address these disparities. There are several metrics in the Impact Reporting and Investing Standards (IRIS) that relate to gender, but there is currently no way to benchmark performance across organizations using IRIS. ANDE can advocate reporting along these lines and work with IRIS to aggregate data from their registry.

EMERGING GOOD PRACTICE: COLLABOARTIVE R&D IN MEXICO

Fueled largely by findings from the M4 and YFE project, the ANDE Mexico Women´s Working group formed to further its members´ interest in supporting WSGBs. The group is improving the way investors, capacity developers, and NGOs support WSGBs in Mexico by mapping the enabling environment and existing services, identifying investment gaps, by developing case studies, gender-metrics, and an ecosystem gender sensitivity training.

- ***Generate and disseminate new knowledge about the enabling environment for successful women entrepreneurs.*** Share stories and examples that women entrepreneurs can relate to, particularly of women who have started their businesses from scratch. Highlight their successes as well as the practical tips they can share for overcoming challenges. One specific idea that came out of the design workshops was a checklist of good practices for gender inclusion in banks. Another related idea was to create a ratings system to assess the level of inclusiveness or "woman-friendliness" of lenders and investors.

- ***Advocate policies that promote that enabling environment.*** Beyond regulation against overt discrimination, this can include public policies such as regulations and provision of childcare, and health care for the elderly, which can help women meet the challenges of multiple responsibilities inside and outside the home.

EMERGING GOOD PRACTICE: COLLABOARTIVE R&D IN MEXICO

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CONCLUSIONS AND WAY FORWARD

This research process has uncovered many new insights about underlying reasons for limited investment in women-led small and growing businesses. It has provided new evidence about the nature and growth preferences of WSGs, as well as the limitations of "gender-neutral" financing to reach women entrepreneurs. The research has also highlighted the need to better link capacity development and other support with financing, and to build a business case for prioritizing investment in women-led business. However, this process has also raised many questions along the way. We have identified a number of areas for further investigation and action. These areas require targeted research and development of new services through collaboration among sets of ANDE members.

Areas for further research:

- ***Designing effective marketing and outreach strategies for women.*** At present there is too little information about what works and what doesn't in terms of client acquisition methods for institutions, and outreach and communication for capacity developers. We have a few examples, like DFCU Bank in Uganda, highlighted earlier, which seem effective at improving the gender balance of portfolios. As a community, ANDE can build its knowledge of what practices work well to get the message out to women entrepreneurs. From a policy perspective, this can also include auditing government-sponsored programs to ensure that they are effective at reaching women rather than just providing "token" services. In both Kenya and India, participants in the research noted the ineffectiveness of these set-aside programs in delivering services and reaching WSGBs.

- ***Investigating the incidence of sexual harassment and abuse of power at financial institutions.*** Some Kenya focus group participants related alarming anecdotes of abuse by loan officers. These merit further exploration to determine whether these are a few isolated incidents or if the problem is more widespread, as well as to draw out how this affects access to finance. When the issue was raised during the ecosystem design workshop in Kenya, participants suggested methods of exposing suspected abuse such as sending "mystery shoppers" to apply for loans and recording their experience with loan officers.

- ***Data on the total value of women clients.*** Anecdotal evidence indicates that women borrowers are reliable, loyal, and good references for bringing in additional clients. Analyzing sex-disaggregated portfolio data from banks could help to prove this value and communicate the business case for prioritizing lending to women among commercial banks. For investors, some data is starting to emerge that women are more profitable investments. Research from Emory University's Goizueta Business School shows that female-run, early stage, post-accelerator enterprises are 15% more likely to be profitable than male-run businesses, though they are 40% less likely to get funded.[1] This type of data can have a sharp impact, convincing investors to work harder to include women in their portfolios.

The research process itself has been productive in engaging people around these questions, as well as the other topics discussed throughout this report. The action-oriented research methodology enabled people from different parts of the ecosystem to dialogue throughout the data-gathering process, and to identify ways in which their organizations could collaborate. The conversation has inspired entrepreneurs, investors, and capacity developers to get more involved, and the Aspen Network of Development Entrepreneurs has emerged as a clear platform for such engagement. We hope that the momentum started by this project continues through further action on the recommendations and areas for research above. Only through collaboration can we truly tackle the problem of underinvestment in women-led small and growing businesses. Such investment will provide immeasurable benefits not just for women entrepreneurs but also for investors, families, communities, and economies around the world.

1 Jones, 2013