የኢትዮጵያ ብሔራዊ ባንክ
NATIONAL BANK OF ETHIOPIA

THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP

GENDER INNOVATION LAB

National Conference on Making the Financial Sector Work for Women

Addis Ababa | **Thursday, March 28** | 9.00 am – 4.30 pm

National Conference on

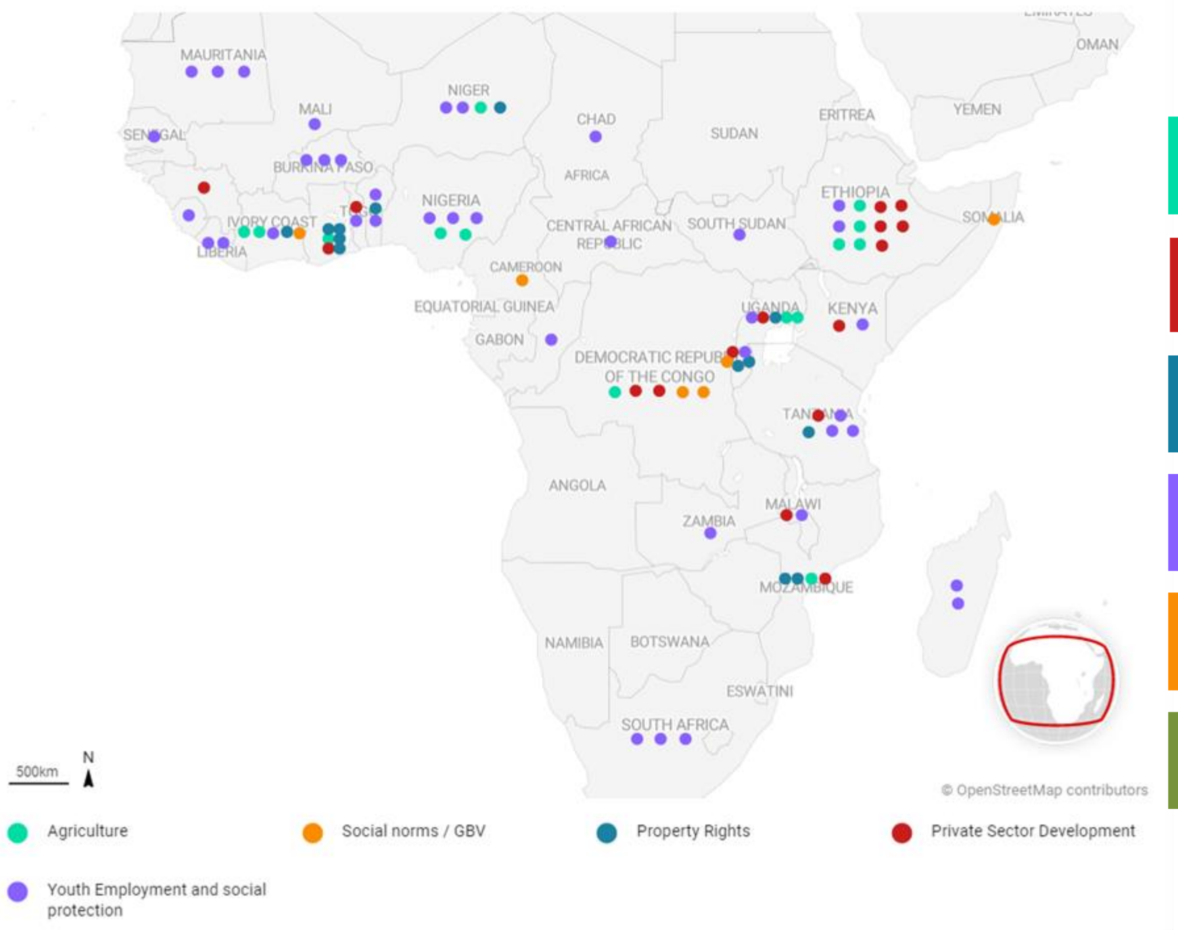
Making the Financial Sector Work for Women

Tackling Ethiopia's Growing Gender Gap in Financial Inclusion

SESSION 1

Presenter : Michael O'Sullivan

The World Bank's Africa Gender Innovation Lab conducts impact evaluations & other rigorous research **to identify what works & what doesn't for women's economic empowerment — & to use these insights to shape policy.**



Agriculture

Private Sector Development

Property Rights

Youth Employment

Social Norms/GBV

Social Protection

National Conference on
Making the Financial Sector Work for Women

THE AFRICA GENDER INNOVATION LAB (GIL) IN ETHIOPIA

With more than a decade of engagement in Ethiopia, the Africa GIL supports the design of innovative, scalable interventions to address gender inequality in the productive economic sectors across the country (and the region).

- Conducts rigorous impact evaluations & other research to build evidence on what works & what does not to boost women's economic empowerment
- Works directly with governments, private sector, & NGOs to design interventions and policies directly targeting key drivers of gender gaps, based on rigorous evidence
- In Ethiopia, GIL's **Innovations in Financing Women Entrepreneurs (IFWE)** initiative has partnered with more than a dozen banks, MFIs to test and scale innovations
- Supports WB-funded **Women Entrepreneurship Development Project (WEDP)**, which has provided loan financing & skills training to 50k+ Ethiopian entrepreneurs.

WHY IS WOMEN'S FINANCIAL INCLUSION VITAL

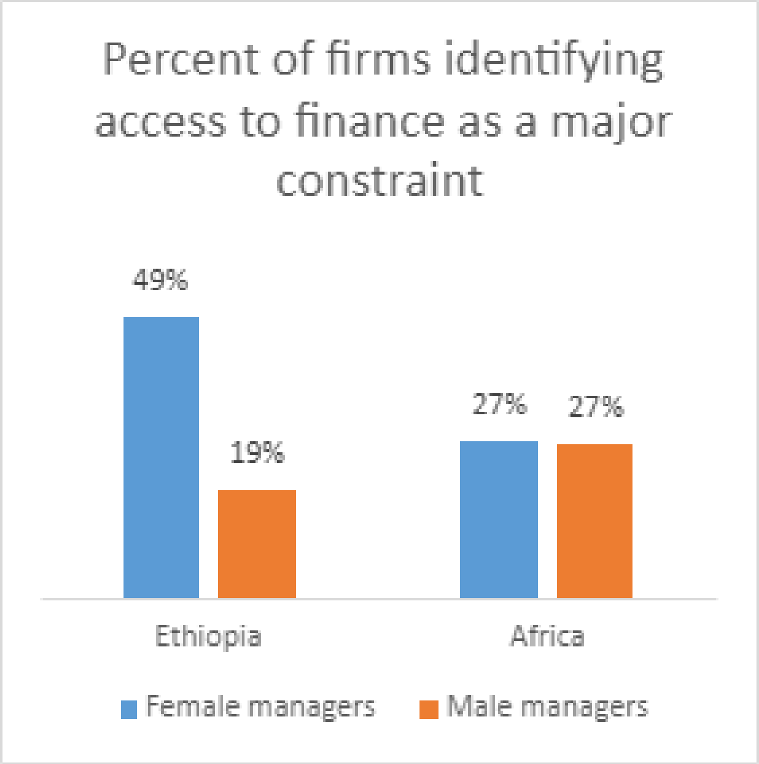
A financial sector that delivers for women is crucial for boosting women's economic empowerment and achieving gender equality more broadly.

- Equal access to financial services is the basis for social & economic inclusion
- Closes gender gaps in poverty, income, investment, asset ownership, financial security
- Can leverage women's economic potential and unlock new growth: GIL's Gender Innovation Policy Initiative for Ethiopia estimates that closing key gender gaps, including through financial inclusion, can yield an additional **US$3.7b in annual GDP gains**
- Is a key priority for National Bank of Ethiopia (NBE), who can provide leadership, coordination, and accountability in accordance with the **NFIS-II** (2021-25)

GENDER GAP IN CREDIT ACCESS IS BIGGER THAN WHEN COMPARED TO OTHER COUNTRIES IN THE REGION

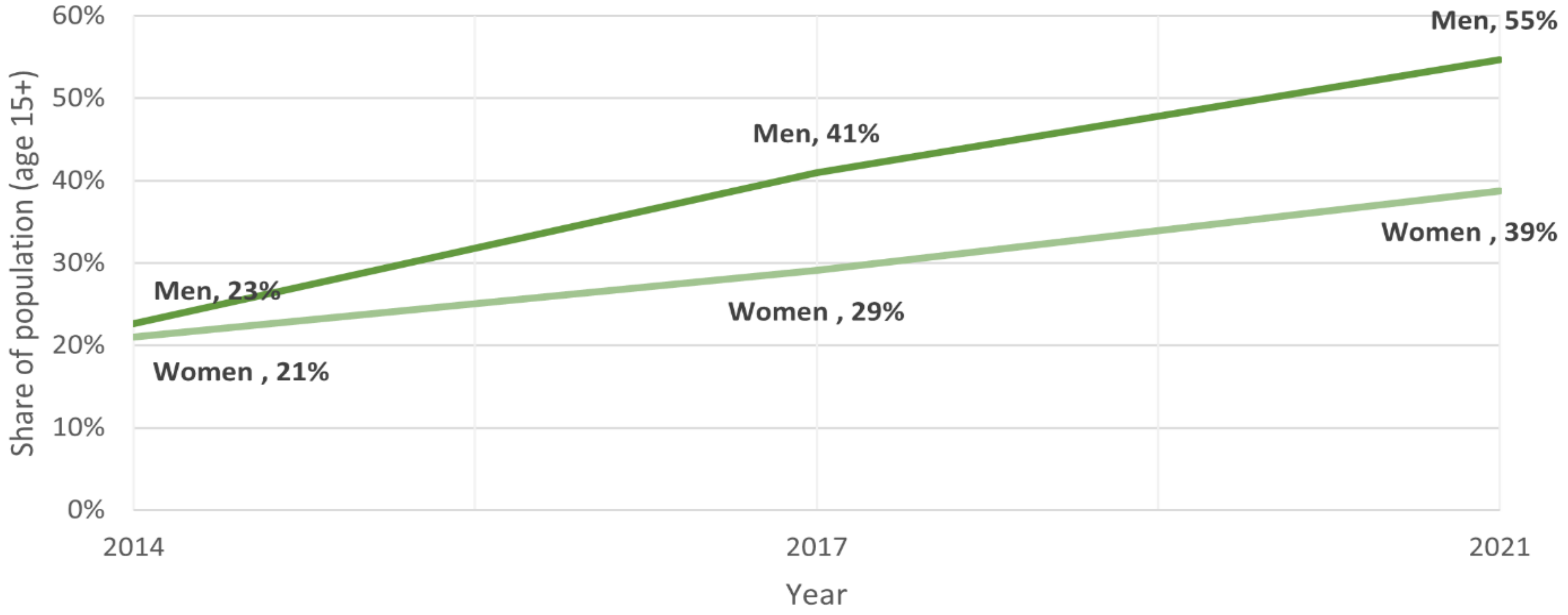
Men are 1.5 times more likely to receive a loan than women.

Comparing just men and women business owners who receive loans, men receive 2.26 times more loan capital.



Source: World Bank Enterprise Surveys – Ethiopia (2015)

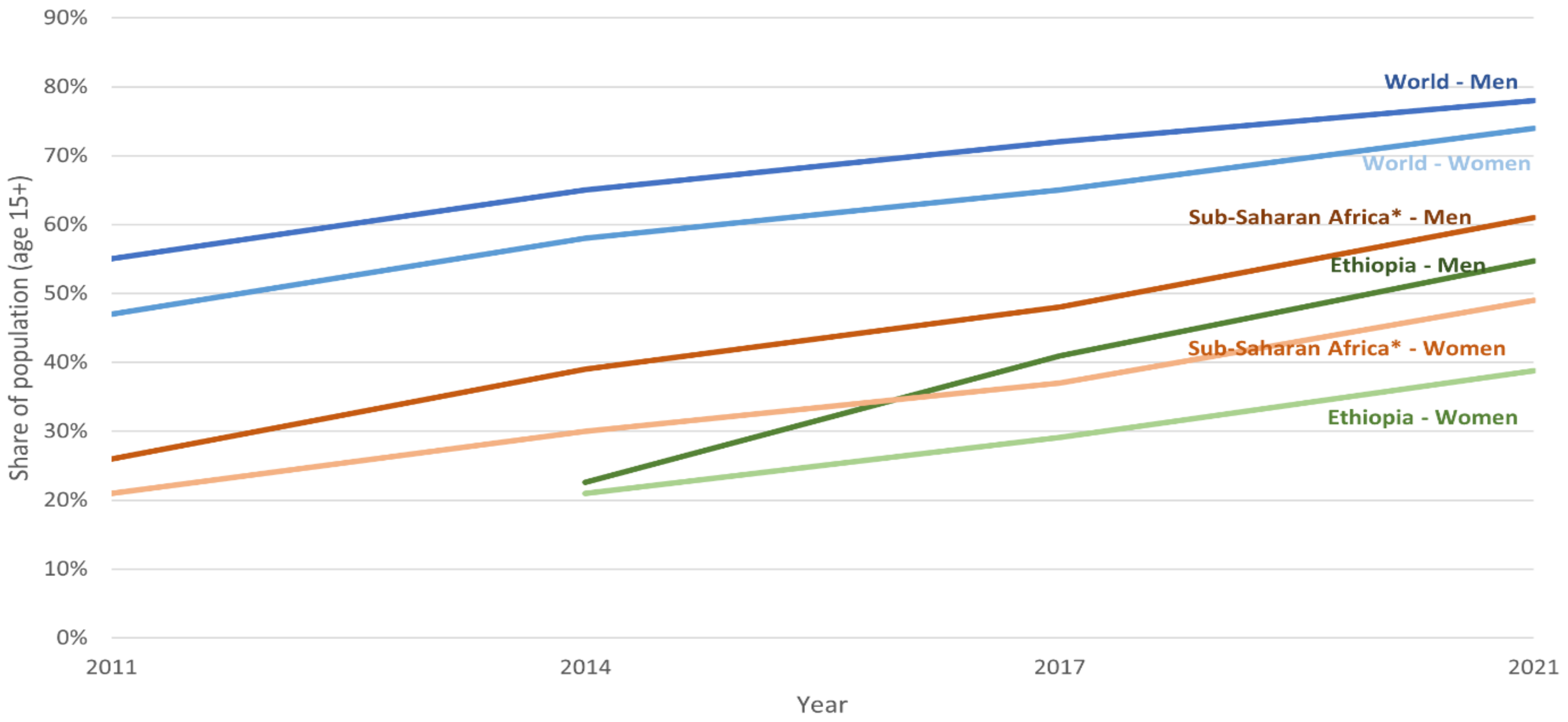
GENDER GAP IN ACCOUNT OWNERSHIP IS GROWING



Account ownership at a financial institution or with a mobile money provider in Ethiopia

Source: World Bank Findex database – Ethiopia (2021)

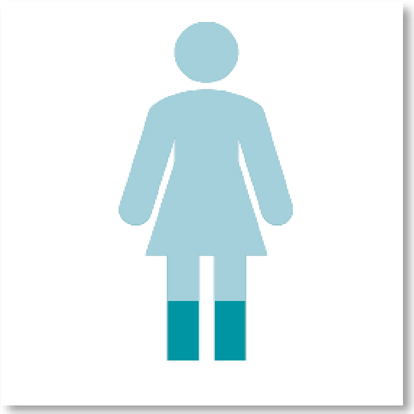
..AND IS GROWING FASTER THAN REGION, WORLD



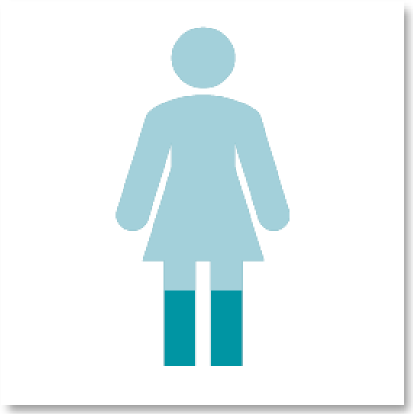
Global, Regional, and Ethiopia Gender Gaps in account ownership
Source: World Bank Findex database (2021)

FINANCIAL SECTOR GENDER GAP IN LEADERSHIP

Women hold 12.5% of
senior management positions



Women hold 15% of
board seats



One in 30 institutions has achieved
gender equity in leadership

Ethiopia's gender gap in Financial Sector Leadership
Source: Africa Gender Innovation Lab

MAKING ETHIOPIA'S FINANCIAL SECTOR WORK FOR WOMEN: A TIME FOR POLICY ACTION

New policy brief suggests 10 concrete, evidence-based ideas for increasing women's financial inclusion in Ethiopia.

- Informed by the latest evidence from Ethiopia & beyond.
- Features recent data on financial inclusion in the country.
- Relates suggested actions to current policy priorities; especially those expressed in NBE's NFIS-II.
- Features actionable ideas for Ethiopia's banks, micro-finance institutions, the central bank, digital financial service providers, & development partners along 4 key areas.

Advancing Women's Careers in Finance

Closing Gender Gaps in Access to Credit

Closing Gender Gaps in the Use of Digital Financial Services

Regulating for Women's Financial Inclusion

OVERVIEW OF THE NEW POLICY BRIEF

Advancing Women's Careers in Finance	(1) Follow through on targets to increase women's representation in leadership positions (2) Ensure that female staff in the financial sector apply, and are considered, for promotion
Closing Gender Gaps in Access to Credit	(3) Reduce the reliance on collateral in lending decisions at banks and MFI institutions (4) Reimagine the channels and procedures for extending credit
Closing Gender Gaps in the Use of Digital Financial Services	(5) Develop & promote relevant use cases for women's adoption of digital financial services (6) Support women in setting up and using their own digital financial service accounts (7) Make mobile phones more widely available and more affordable
Regulating for Women's Financial Inclusion	(8) Collect and use gender-disaggregated data (9) Guide financial institutions to help close gender gaps (10) Leverage partnerships to operationalize the National Financial Education Strategy

National Conference on

Making the Financial Sector Work for Women

National Conference on

Making the Financial Sector Work for Women

How to Advance Women's Careers in Finance

SESSION 2

Presenter: Saba Yifredew

GENDER GAPS IN REPRESENTATION, PAY PERSIST

Survey reveals low representation of women in leadership positions at financial institutions in the Ethiopian banking industry, like global trends:

- Women constitute 26% of the total workforce across FIs, and **only 5% in roles with decision-making authority**. Further, data from 4 major financial institutions indicates a leadership gender gap that intensifies higher up the career ladder.

- Disparity is especially stark in private commercial banks, where women's representation plummets from ~30% in lower management to <10% in senior management positions.

- Household data estimates that there is a **50% gender wage gap for employees** in Ethiopia's finance and real estate sectors (IMF, 2018).

One in 30 institutions has achieved gender equity in leadership

National Conference on
Making the Financial Sector Work for Women

IMPROVEMENT, BUT HUGE GENDER GAPS REMAIN

NBE has declared two targets

a. All FIs should have at least one female board member by 2025.
b. At least 25% of senior management positions at VP & director level be held by women.

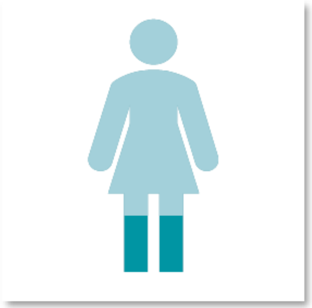
Progress in achieving the target of having at least one female board member

- 26 out of 30 commercial banks now have at least one female board member
- Yet, on average, women only make up 15% of Board Director roles

Less progress in meeting the goal of at least 25% women in senior management roles

- Across the 27 banks with data, the average is currently just over 12.5%
- 6 institutions have no women at all among their chief executives, VPs or directors

Women hold 15% of
board seats



Women hold 12.5% of
senior management positions

ONGOING COLLABORATION: CBE X WB GIL

CBE is setting standards in Ethiopia's banking sector, as financial services provider & as employer

Administrative HR records of employees

- On average, men & women are similar in age; Men are slightly more educated.
- Women have marginally more experience & higher performance appraisal scores.
- Male employees are twice as likely to hold managerial positions.

Internal vacancies data (not representative)

- Share of female applicants lower; No evidence that women were at a disadvantage for being selected for positions.

Online survey (ongoing) but preliminary findings for 6462 employees

- Female candidates less likely to apply for higher grades; Women less likely to be in acting positions; Women more likely to receive occasional advice/support from senior colleagues.

In-person survey in Addis Ababa (ongoing)

FIS MISSING OUT ON EFFICIENCY, STABILITY, RETURNS

Financial institutions should be concerned by the careers gender gap. Evidence shows:

- Increased female representation correlates with better institutional performance:
    - **Female loan officers' portfolios outperforming those of males**
    - **Female staff having lower turnover rates, and**
    - **Bank branches led by women attracting more female loan applicants**

- In other countries, banks may (unintentionally) discriminate against female loan applicants, via higher rejection rates, lower amounts of credit granted, higher required collateral, etc.

- Recent work in Ethiopia does not substantiate this evidence

RECOMMENDATION 1
FOLLOW THROUGH ON TARGETS TO INCREASE WOMEN'S REPRESENTATION IN LEADERSHIP

Gender quotas for a certain percentage of women in boards and management

- Approach has shown some promise, as evidenced by increased female representation and a narrowing of the executive payment gap.

- However, quotas do not work without proper supervision: A finding from Nigeria suggests limited enforcement has meant that the set target has not yet been achieved.

- The opponents of this approach claim:
  - Quotas can lead to the selection of less qualified candidates and
  - Introduce a stigma against female appointees.

Alternatively, a collective action within the industry to boost women's leadership.

- The UK's Women in Finance Charter is exemplary. Kenya, too has industry-level engagements

- In Ethiopia, NBE and the Network of Ethiopia's Women in Finance (NEWFin) could spearhead a similar initiative.

RECOMMENDATION 2
ENSURE THAT FEMALE STAFF APPLY, AND ARE CONSIDERED, FOR PROMOTION

Success ultimately hinges on availability of a qualified female leadership pool.

- Crucial to cultivate a robust pipeline of female talent.
- HR data indicates that this pipeline functions more like a funnel.
- GIL research with CBE suggests that this funnel effect is partly the result of a gender gap in promotions

One reason appears to be that **women are less likely to apply for promotions**.

Strategies to address this include:

- Ensure systematic and transparent promotion practices.
- Support women in their career planning.
- Removing the obstacles that may discourage women from advancing their careers.
    - Benefits to help their employees achieve a better balance between work and non-work commitments.
    - In-house or subsidized childcare, parental leave policies for employees, and flexible work arrangements

National Conference on

Making the Financial Sector Work for Women

National Conference on

Making the Financial Sector Work for Women

How to Close Gender Gaps in Access to Credit

SESSION 3

Presenter : Girum Abebe

WHAT IS THE CURRENT STATE?

Access to credit is limited

Compared to the regional average for Sub-Saharan Africa, access to credit in Ethiopia is low and the gender gap is relatively larger:

- 4.25% of women and 6.3% of men received an MFI or bank loan within the past 12 months (as of 2021)
- Men are 1.5 times more likely than women to have received a formal loan

Loan sizes received by women are smaller than men

While women show significant interest in taking loans, they receive a very small portion of the total available credit in the market:

- MFIs serve many women but offer loans with smaller ticket size when compared with banks
- Men business owners receive 2.26 times more loan capital than women

Lack of collateral is a key driver of the gap in loan access

Inequalities in ownership of assets that can serve as collateral is major contributing factor to gender gaps in access to credit

- Ethiopian financial institutions rely heavily on collateral to decide both whether to lend, and how much

WHY IS CREDIT IMPORTANT FOR WOMEN'S FINANCIAL INCLUSION?

Women make excellent credit customers

Women have strong demand for credit and are known to have systematically better loan repayment rates than men, both in Ethiopia as well as globally

Data from WEDP indicates women have repayment rates of 99.6%

Credit can stimulate business growth

Investment is lumpy, and self-financed investments may be too small to start or expand businesses

Women labor market participation and employment growth

Women-owned businesses are more likely to create employment opportunities for women jobseekers

Protection against personal and business risks

Gender gaps in access to credit increase women's vulnerability and inability to self-insure against unanticipated business and personal risks

Access to credit can help households manage shocks and diversify their business portfolio

RECOMMENDATION 3
REDUCE RELIANCE ON COLLATERAL IN LENDING DECISIONS AT BANKS AND MICROFINANCE INSTITUTIONS

Lending is heavily collateralized:
A major contributing factor to gender gaps in access to credit are gender inequalities in ownership of collateral

- Financial institutions in Ethiopia commonly use the value of the collateral to decide on whether to lend, and how much to lend
- 65% of the value of collateral supporting bank lending comes from non-movable assets (i.e. land and buildings)

Access to collateral is not uniform

- Women own fewer assets that can serve as collateral:
- Women can borrow through group-lending, where loans are secured by a solidarity groups, but these loans are often quite small.

Women are less likely to have repeat interactions with banks that can generate reliable credit history

- If women are perceived to have higher credit risks, collateral requirement can be stricter, further limiting their access to credit.

RECOMMENDATION 3
REDUCE RELIANCE ON COLLATERAL IN LENDING DECISIONS AT BANKS AND MICROFINANCE INSTITUTIONS

How to serve creditworthy borrowers who lack collateral to access formal loans and larger loan amounts?
New, innovative ways of assessing borrower creditworthiness are allowing financial institutions to expand access to credit while also managing, and even reducing, risk.

- **Revising practices around forms of assets accepted as collateral could help close gender gaps in access to credit.**
    - Changes in legislation can expand assets types: new legislations permitting the use of rural land certificates and movable assets as collateral are moves in the right direction.
- **International best practices suggest more data-driven approach to determine creditworthiness and loan size and manage risk.**
    - Innovative ways of assessing borrower creditworthiness show promises to promote women's access to credit

Psychometric credit scoring

Uncollateralized digital lending

Cashflow-based lending

Repeat borrower assessment

RECOMMENDATION 4
REIMAGINE CHANNELS AND PROCEDURES FOR EXTENDING CREDIT

Digitization can help expand lending, including to women. It can help overcome key constraints related to:

- **Data shortage: Extensive documentation requirements can prevent women from accessing loan**
  - Alternative data sources such as from mobile phone usage or digital transactions can offer a close substitute
  - Fully digital loan products are instant, automated, and remote

- **Transaction cost: digitalization help attenuate costs from both sides of the market**
  - **Demand side:** Facilitate access to credit for women in remote or underserved areas in lieu physical bank branches.
  - **Supply side:** Digitally enabled loan application, review, and approval processes can reduce bank transaction costs per loan, reduce time from application to disbursement, and can enable fast and efficient processing of large quantities of loan applications.

GIL currently piloting to test the effectiveness of digital collateral, revenue- and cash-flow based lending.

RECOMMENDATION 4
REIMAGINE CHANNELS AND PROCEDURES FOR EXTENDING CREDIT

Complementary interventions: The adoption of new and innovative technologies require awareness and knowledge

Where there is a gender gap in access to digital tools, provisions should be made to ensure accessibility for and assist customers who are not able to access or navigate a digital application process.

Diagnostics on use case: context-specificity is going to be important and understanding existing capacity and limitations would be vital to ensure adoption.

Digital literacy training programs: skills and knowledge needed to utilize digital technologies .

RECOMMENDATION 4
REIMAGINE CHANNELS AND PROCEDURES FOR EXTENDING CREDIT

Some of the best practices include:

Clear and standardized guidance and procedures for decision-making can help make lending decisions more evidence-based and less subject to individual bias

- Cross country research shows that women face a disadvantage in raising capital from equity investors because women are subjected to more stringent evaluation criteria compared to men
- A dynamic process that facilitates systematical inquiry about startups' progress led to belief updating.

De-biased approaches to lending practices and decision-making can increase women's access to credit.

- In Nigeria, for example, loan officers at a major commercial bank pushed applicants towards an inferior loan product, as it required less of the loan officer.

Greater variation in financing modalities can increase women's access to credit and capital

- A range of credit products to choose from as per the needs and context of the borrower.

National Conference on

Making the Financial Sector Work for Women

National Conference on

Making the Financial Sector Work for Women

How to Close Gender Gaps in Digital Financial Inclusion

SESSION 4

Presenter : Tricia Koroknay-Palicz

WHAT IS THE CURRENT STATE?

As of December 2023:

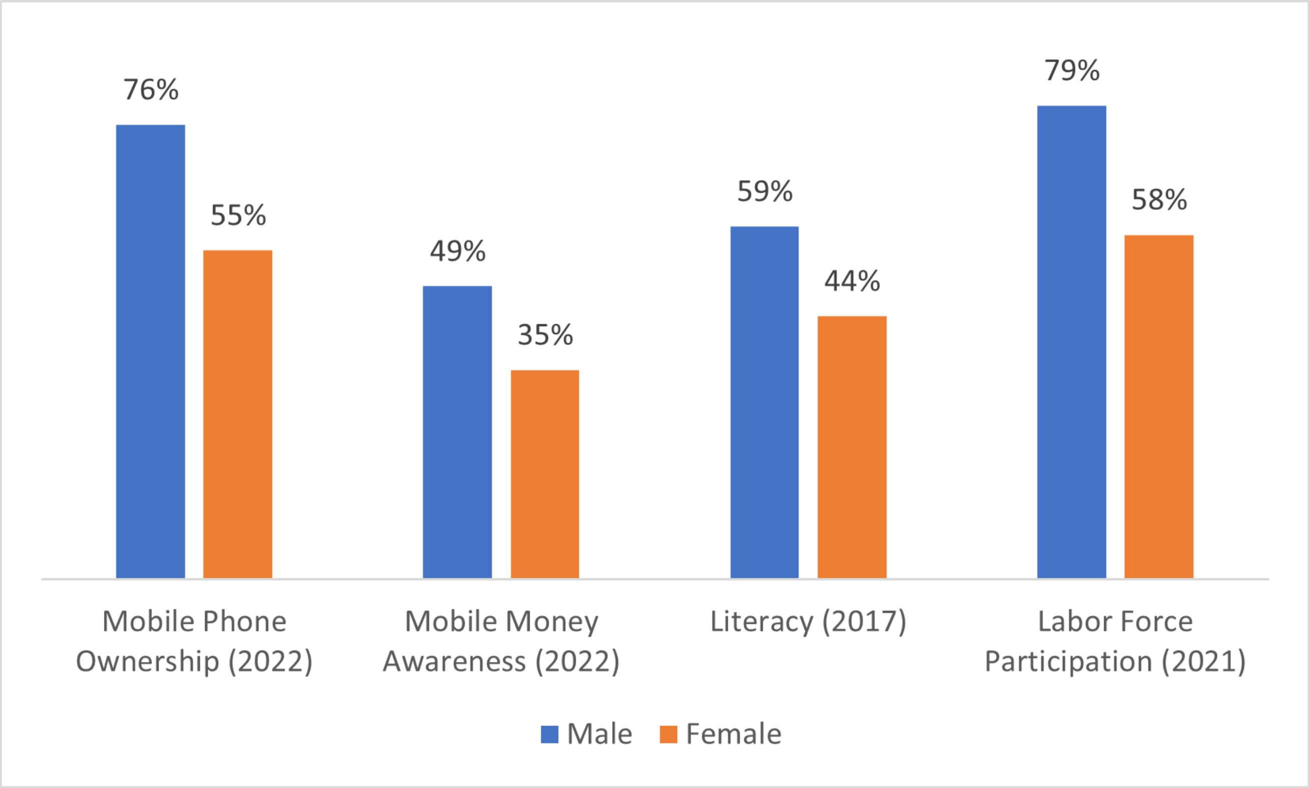
Only 14% of Ethiopia's 90 million mobile money accounts are owned by women.

Only 22% of all digital financial service accounts in Ethiopia are owned by women (Mobile money, mobile banking, internet banking, and debit card)

-> The expansion of digital financial services is widening, rather than closing, gender gaps

WHAT IS THE CURRENT STATE?

Pre-existing gender gaps that may contribute to women's lower take-up of digital financial services



Resources: Phone ownership, having money, ID ownership

Awareness: Of financial services and financial institutions

Skills: Literacy and numeracy; financial and digital literacy; comfort using a phone

Norms, preferences, habits: Stronger preference for cash; more likely to use account of friend or family member; using other means of transferring money.

INCLUSION OF WOMEN SHOULD BE A PRIORITY....

To achieve financial inclusion goals, and to reduce gender gap in financial inclusion.

To achieve economic growth and poverty alleviation goals

To achieve gender equality and women's empowerment goals

To increase resilience and reduce vulnerability

RECOMMENDATION 5
DEVELOP AND PROMOTE RELEVANT USE CASES FOR WOMEN FOR DIGITAL FINANCIAL SERVICES

- **Women must have a practical, compelling reason to use DFS, with benefit > cost**
- **Design and offer products and services well-suited to women's needs and provide a compelling value proposition.**
- **Targeted marketing campaigns that emphasize use cases that are relevant and beneficial for women**
- **Market segmentation; women are not a monolith**

P2G/P2B: Utility bills, school fees, medical payments,...

Link to VSLAs, SHFs, SACCOs, cooperatives, etc. to digitize payments, withdrawals, etc.

G2P: Government transfers

B2P: Wages

P2P: Remittances

Fin services for biz owners

Pathway to credit

RECOMMENDATION 6
SUPPORT WOMEN IN SETTING UP AND USING THEIR OWN DIGITAL FINANCIAL SERVICE ACCOUNTS

Improve access to agents, who would ideally provide regular, hands-on support as women learn to operate their new accounts

Incentivize staff/agents to support women in setting up and using their own accounts

- Can use a points-based incentive system for agents
- Be wary of potential for misaligned incentives

Clearly communicate to women benefit of own account ownership

- Greater personal safety, and less exposure to theft
- More say over how household resources are spent
- Easier to receive money from friends and family in case of emergency
- Greater privacy and ability to store money safely
- Ability to separate funds for a business from household funds or husband's business funds.

Simplify and streamline Know Your Customer (KYC) and ID requirements

RECOMMENDATION 7
MAKE MOBILE PHONES MORE WIDELY AVAILABLE AND AFFORDABLE

Mobile ownership is relatively low in Ethiopia, especially among women.

- As of 2022, only 55% of Ethiopian women owned a mobile phone, as compared to 76% of men.
- Affordability of mobile phones (handsets) is a major challenge to MM adoption in Ethiopia; the cost of a smartphone in Ethiopia represents almost 97% of average monthly income, as compared to 34% in Kenya and 33% in Nigeria.

Mobile money operators can play an active role in supporting the expansion of phone ownership.

- Driving down the cost of mobile phones, expanding access to mobile phone financing, and making subsidized devices available to target customers.

Financial institutions can provide loan products designed to support the purchase of phones and smartphones.

While cost of internet has drastically reduced in Ethiopia, Ethiopia ranks high on average internet cost, when comparing the cost of internet to the average monthly income per person.

National Conference on

Making the Financial Sector Work for Women

National Conference on

Making the Financial Sector Work for Women

REGULATION FOR WOMEN’S FINANCIAL INCLUSION

SESSION 5

Presenter: Tewodros Tassew

ETHIOPIA WORKING TOWARDS GREATER FINANCIAL INCLUSION…

NBE and the Government of Ethiopia have been working steadily towards the goal of greater financial inclusion and making significant progress.

The National Bank of Ethiopia (NBE) has committed to achieving a target of 70% of adults having basic financial inclusion by year 2025.

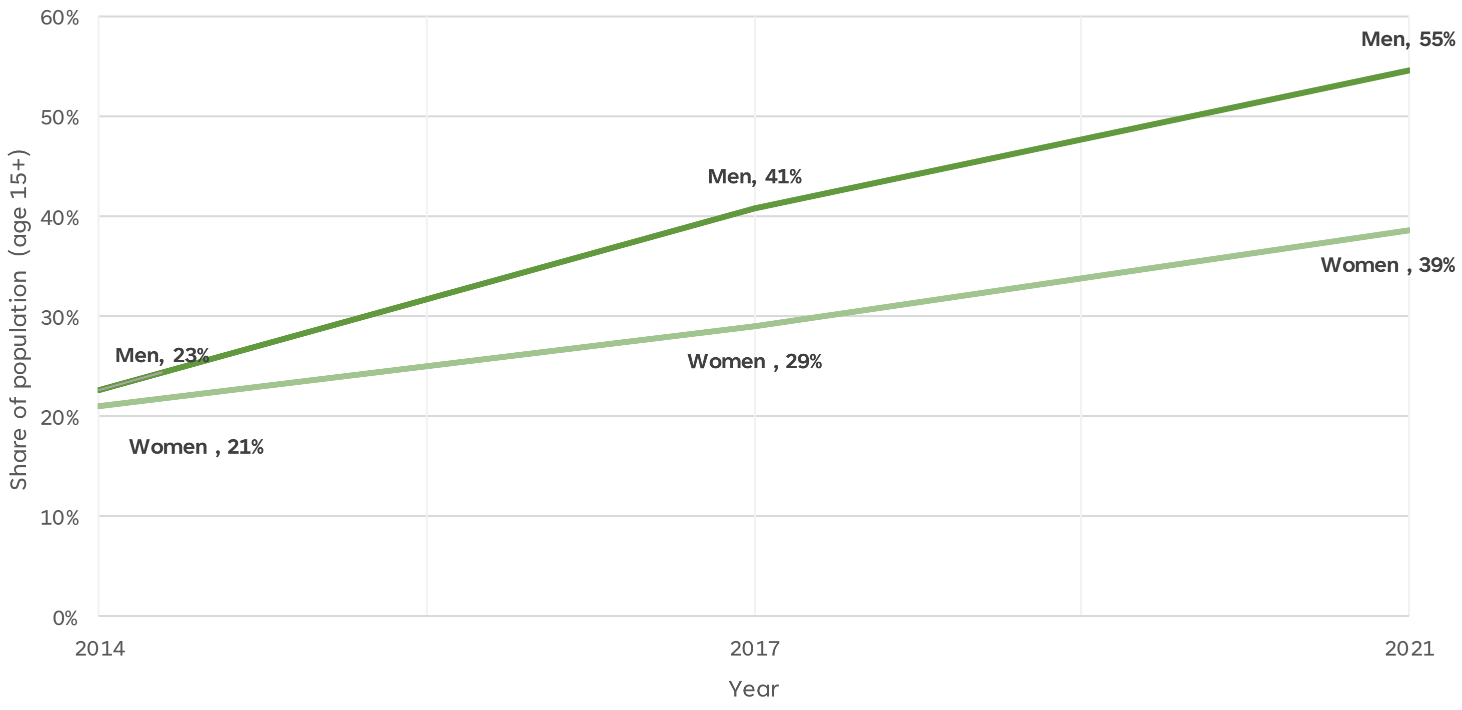
- National Financial Inclusion Strategy lays out a comprehensive approach toward enhancing financial inclusion of women and other underserved groups.
- Goal to reduce gender gap in formal financial account ownership to **10 percentage points by 2025.**

The Financial inclusion strategy has set specific priority actions.

- **Establish a knowledge base** on women's unmet financial needs and barriers
- **Launch campaigns** for women's account enrollment and educational
- **Study and formulate a policy** to encourage and motivate women's financial inclusion

GENDER GAP IN FINANCIAL INCLUSION IS EXPANDING IN RECENT YEARS …

mainly due to the much-accelerated uptake of digital financial services by men compared to men



GAP EXITS IN AVAILABILITY OF SUPPLY-SIDE GENDER DISAGGREGATED DATA

- NBE does not currently require financial services providers to collect, publish, or provide them with gender-disaggregated data.
- Annual Bank reports have no data points related to women's financial inclusion.
- In contrast, Ethiopia's MFIs do report gender-disaggregated data.

Evidence-based Ideas on Regulation for Women's Financial Inclusion

Collect and use gender-disaggregated data.

Guide financial institutions to help close gender gaps.

Leverage Partnerships to Operationalize the National Financial Education Strategy.

RECOMMENDATION 8
COLLECT AND USE GENDER-DISAGGREGATED DATA

Gender-disaggregated data can help stakeholders understand gender gaps and identify areas for improvement.

NBE could issue official guidance on supply-side gender disaggregated reporting requirements to financial service providers

Establishing a Women's Financial Inclusion Index

RECOMMENDATION 9
GUIDE FINANCIAL INSTITUTIONS TO CLOSE GENDER GAPS

Governments and development partners can use incentives to increase focus on serving women

NBE can require financial service providers to meet certain targets

Regulators to provide recognition and to financial institutions

RECOMMENDATION 10
LEVERAGE PARTNERSHIPS TO OPERATIONALIZE THE NATIONAL FINANCIAL EDUCATION STRATEGY

Women are less likely to be aware of the services financial institutions offer; and are less financially and digitally literate.

NBE has an important leadership role to play to achieve the National Financial Education Strategy goals.

Evidence on what has worked elsewhere suggests that digital financial capability interventions are most effective when delivered at the time of transaction.

Successful Implementation of a financial education strategy depends on **securing the necessary resources** and **implementing an effective coordination structure** to champion the program.

National Conference on

Making the Financial Sector Work for Women

Thank you