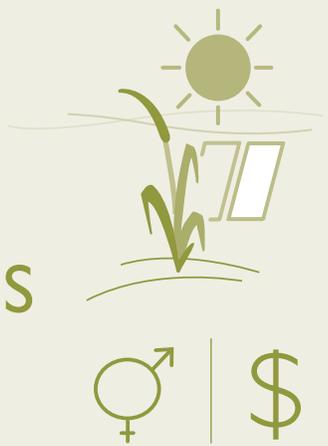




# POWERING AGRICULTURE:

AN ENERGY GRAND CHALLENGE FOR DEVELOPMENT

# A POWERING AGRICULTURE GUIDE ON INTEGRATING GENDER IN THE FINANCING OF CLEAN ENERGY SOLUTIONS



## WHAT IS THE PURPOSE FOR THIS GUIDE?

As an innovator and entrepreneur, you understand the importance of finance to growing your business. This guide will help you develop a strategy to facilitate access for your potential customers, particularly women, to appropriate financial products to buy your clean energy solution (CES). At the end of this document you will find a practical checklist that can help you in developing a portfolio of appropriate financial products and services to increase the sales of your CES technology to both female and male clients

## WHY DOES FACILITATING WOMEN'S ACCESS TO FINANCE MAKE COMMERCIAL SENSE?

In all likelihood, your CES contains many elements that make it attractive to female customers in rural markets. Since 43 percent of the agricultural labor force in developing countries are women (FAO 2011), this market segment represents a significant growth opportunity for your CES. However, without improved access to finance, a disproportionate number of potential female customers may be unable to purchase your solution even

if they want to do so. In most countries the share of female smallholders who can access credit is 5 percent – 10 percent lower than for male smallholders (FAO 2011).

Developing and facilitating access to gender responsive financial products, via partnerships with existing financial institutions or in-house programs, may unlock demand in the market for your technology at a relatively low risk. The Global Banking Alliance for Women (GBA), a consortium of financial institutions committed to serving the women's market, shows that extending banking services to women is profitable and sustainable. GBA has found that:

- 34 percent of private sector leaders report increased profits as a result of efforts to empower women in emerging markets.
- The non-performing loan rate for women small-business owners that are banking with GBA's member financial institutions is only 2.7 percent, which is 33 percent lower than the rate for men.
- Women have a lower product churn rate than men, at 15 percent vs. 21 percent.
- Women also run their own businesses: nearly four in ten (38 percent) of small and medium enterprises (SMEs) in emerging markets are owned by women.
- Women are economically powerful, controlling about US\$20 trillion of global consumer spending, according the Harvard Business Review. (Global Banking Alliance)

## WHY IS IT MORE DIFFICULT FOR WOMEN TO ACCESS FINANCE?

The Global Findex, a comprehensive database measuring how people save, borrow, and manage

risk in 148 countries, reveals that women are less likely than men to have formal bank accounts (Global Findex). In developing economies women are 20 percent less likely than men to have an account at a formal financial institution and 17 percent less likely to have borrowed money formally in the past year (World Bank 2014).

Common barriers to financing for women, include (IFAD 2009):

### *Limited or no access to formal banking services, including savings and checking accounts*

Some women lack knowledge about available financial products or perceive them as “out of reach.” Minimum account balances and service fees can also be prohibitively high.

### *Lack of assets and high collateral requirements to obtain credit from financial institutions*

Women often lack the cash and property to put forward as collateral for loans and thus find themselves ineligible for loans or subject to high interest rates.

### *Discriminatory banking practices that disadvantage women*

Even where women have sufficient assets, financial institutions may perceive female borrowers as “high risk” and impose more collateral and higher interest rates than for male clients. In some countries, women are also required to have a male cosigner to open accounts or secure loans.

### *Minimum land or capital requirements for participation in agricultural cooperatives*

Cooperatives can assist members in accessing low-interest financing and markets, which contribute to the success of small businesses. However, some cooperatives impose minimum capital requirements in the form of cash or land ownership that are barriers to the participation of female entrepreneurs. A common contributing factor is customary land laws that prevent or inhibit women's property ownership.

# BEST PRACTICES FOR FACILITATING MALE AND FEMALE CUSTOMER ACCESS TO FINANCIAL SERVICES

Below are some practices that you can use to link male and female customers with finance to purchase your CES:



**Consider financial institutions in the targeted geographic area.** When entering

the target market, try to identify the local financial institutions – banks, microfinance institutions, and NGOs – that offer appropriate and flexible savings and lending services for low-income individuals, particularly women. Be proactive about reaching out to these institutions to learn more about their lending practices and existing

products and services. If you sense interest from their management, invite them to demonstration sessions to showcase your CES and familiarize the institution with its impact and benefits.



*A good starting point, during stakeholder engagement, will be asking farmers, NGOs, businesses and business associations, financial institution associations, and community leaders to identify financial institutions in the country or area.*

The box below provides an overview of the variety of financial institutions that may be active in your targeted market:

CATEGORY	TYPE OF FINANCING INSTITUTION	FINANCIAL SERVICES
Informal Private Sector	Large-scale farmers, traders, processors, employers	Credit via sharecropping
		Credit via outgrower systems
		Leasing agreements
	Retailers	Retailer credit
		Lease-to-own
Informal Mutual Financial Mechanisms	Rotating/Accumulating Savings and Credit Associations (ROSCAs/ASCAs)	Savings and borrowing (“peer-to-peer” lending)
Formal Sector	Private commercial and state banks	Savings and lending
	Insurance companies	Crop insurance
		Personal property insurance
	Specialized financial institutions	Leasing
		Housing loans
		Remittance transfers
Rural Finance	Microfinance institutions	Micro-lending
	Rural Financial Cooperatives, Credit Unions	Savings and lending
	Integrated rural development programs and multisector NGOs	Link rural communities with financial institutions

Source: World Bank (2009). *Gender in Agriculture Sourcebook. Handbook on Rural Finance.*



### Understand the financing challenges, needs, and demands of male and female customers.

Women face more challenges that inhibit access to financing and new agricultural technologies. Try to identify the socio-cultural and regulatory barriers particular to your specific target population and understand the preferences of potential women customers regarding borrowing and banking. This will help you determine the general features of appropriate financing products. Women's input should be solicited early on in the process of introducing the CES in a given market and can be solicited from female entrepreneurs, individual farmers, women's groups and cooperatives, and business associations.



*To start, hold individual in-depth interviews, focus group discussions, association meetings, or peer-to-peer conversations. Organizations such as the IFC have further guidance on engagement (IFC 2007).*



### Key questions to investigate:

- What types of financing are currently utilized by female agricultural entrepreneurs in the target population?
- Do the current financing options for women meet the cash requirement for investing in the CES?
- What are the fears and hesitations in accessing finance for women and men?
- Who makes decisions about borrowing, investing, and spending at the household and business level?
- Is financing made available in a timely manner when users want and need to purchase the CES?
- Are women and men aware of financing options that are available to them?
- What type of capital requirements are needed for banking services and participation in cooperatives?

- What is the legal framework – customary and formal – for land ownership by women?
- What are the opportunities and barriers in access to information and communications technology to facilitate connections to financial products?
- What business development skills and financial literacy do women and men have, and what are the gaps?
- What types of mentorship linkages would be helpful to build skills to become successful?



### Educate yourself on existing and potential opportunities for gender-responsive financial services and products in your target market.

Before linking potential CES customers with existing financial products, try to understand the main features of those products. Some financial products are more gender-responsive than others. Identify existing products that are more likely to enhance female entrepreneurs' success and wellbeing, rather than put them at risk. This responsible approach will benefit your customers and protect the company from reputational risk. The box below provides an overview of the characteristics of gender-responsive financial products. If few gender-responsive financial products exist, identify partners that could work with you to develop more gender-responsive products. You may also want to explore the possibility and feasibility of providing in-house financing solutions to male and female customers, including offering credit and lease-to-own or pay-as-you-go financing options. The likelihood of your success in creating such products increases with the amount of market research and data on the borrowing behavior and preferences of your target demographic.



*A starting point to do this will be to hold meetings with the financial institutions to gather information and details from them about their available products.*

PRODUCT/SERVICE	GENDER-RESPONSIVE CHARACTERISTICS
Savings Schemes	<ul style="list-style-type: none"> <li>• Low minimum balance requirements and low/no service fees</li> <li>• Enable asset-building with low risk to grow enough capital to purchase CES outright (e.g., avoids interest rates on loans)</li> <li>• Provide ease of withdrawal</li> </ul>
Loans and Micro-Loans	<ul style="list-style-type: none"> <li>• Available in varying amounts with a variety of repayment time frames and conditions, taking into account agricultural calendars and other livelihood requirements (e.g., school fee payment schedules)</li> <li>• Zero or flexible collateral requirements</li> <li>• Low interest rates</li> <li>• Options for cash flow-based lending (e.g., lending is based on expected income and typically does not require traditional collateral)</li> <li>• Risk reduction through group-based arrangements with cooperatives or other women's groups</li> </ul>
Lease-to-Own/Pay-As-You-Go	<ul style="list-style-type: none"> <li>• Available with long repayment time frames to encourage asset-building</li> <li>• Low interest rates</li> </ul>
Insurance	<ul style="list-style-type: none"> <li>• Options for insurance against loan defaults, as well as health, life, livestock, property, and index-based weather insurance</li> <li>• Options for forms of collective insurance</li> <li>• Low payment rates</li> <li>• Inclusion of health concerns specific to women (i.e., pregnancy) in the case of health insurance</li> </ul>
Digital and mobile payment solutions	<ul style="list-style-type: none"> <li>• Digital payments can promote women's economic empowerment by facilitating greater account ownership and asset accumulation and increasing women's economic participation.</li> </ul>

Source: World Bank (2009). *Gender in Agriculture Sourcebook. Handbook on Rural Finance. G20 2014 Report on Digitizing Payments*



### Facilitate access to finance by developing appropriate linkages and/or providing in-house solutions.

Once you have developed a good understanding of the challenges and opportunities in your target market, you can directly assist female entrepreneurs and customers in accessing available financing by: a) working with financial institutions to promote and/or develop gender-responsive products that are appropriate for your CES; b) providing lease-to-own options for purchase of your CES; and c) providing education and mentorship opportunities for women on financing options and business growth so that they are better equipped to proactively pursue appropriate financing.



*If you decide to work with financial institutions to develop gender-responsive products, the first step may be formalizing an agreement with a Memorandum of Understanding (MOU), and engaging an expert who may support the development of such products. If you decide to provide in-house finance options and/or education and mentorship opportunities, a starting point will be identifying, via organizations already working in the area, an expert or organization with finance and gender integration skills to support your company in this process.*

## SPECIAL NOTE ON THE IMPORTANCE OF MONITORING AND EVALUATION

In the world of finance, collection and analysis of reliable and accurate data on borrower behavior is crucial. The World Bank and USAID Women's Leadership in Small and Medium Enterprises (WLSME) Trust Fund has produced six modules on indicators measuring key determinants of successful women-led small SMEs in developing countries. IFAD also has a guide for practitioners in reaching women with rural finance with suggested indicators (IFAD 2009). Some key indicators to consider include:

- Number of men and women who accessed financial services to finance the CES, per quarter
- Payment defaults, disaggregated by sex, per quarter
- Percent of (male/female) customers reporting improved access to finance in the past (specify timeframe)
- Percent of women clients who know and understand the terms of financial services, including range of products available, cost of credit, interest paid on services, premium paid on insurance, and terms of payout
- Percent of women accessing larger loans and higher-level services
- Change in gross agricultural income in past (specify timeframe)



# GENDER RESPONSIVE CHECKLIST

1	<b>CONCEPT DEVELOPMENT</b>	<ul style="list-style-type: none"> <li>• What are the existing financing options and how gender-responsive are they?</li> <li>• How do male and female entrepreneurs currently obtain financing and are these methods sufficient to finance the CES?</li> <li>• To what extent have male and female entrepreneurs, women's groups, cooperative members, and others been consulted to understand barriers, risks, and fears to accessing finance?</li> </ul>
2	<b>RESEARCH &amp; DEVELOPMENT</b>	<ul style="list-style-type: none"> <li>• Does the research identify different priorities, roles, and decision-making power of women and men in relationship to how they may make decisions to purchase or use my technology?</li> <li>• Does the monitoring and evaluation plan include quantitative and qualitative data collection regarding access to finance to purchase CES technology by both male and female consumers, including tracking of impacts on income, access to finance, etc.?</li> <li>• To what extent do we or our partners offer education on financing options to interested male and female CES consumers?</li> </ul>
3	<b>INITIAL PILOTING</b>	<ul style="list-style-type: none"> <li>• Are local male leaders, businessmen, and others engaged to advocate for women's uptake of technology and promotion of entrepreneurship and access to finance?</li> <li>• Is it possible to offer in-house pay-as-you-go or other flexible financing options for male and female customers?</li> <li>• Are both male and female field/technical staff and any affiliated financial/loan officers trained on how to effectively target male and female clients differently?</li> </ul>
4	<b>EARLY ADOPTION/DISTRIBUTION</b>	<ul style="list-style-type: none"> <li>• Does the recruitment strategy for sales and finance staff include adequate quotas for female hires?</li> <li>• Do events regarding financial products and options take into consideration location and time preferences of both women and men, and hold separate male and female events as needed?</li> <li>• Does the marketing strategy leverage existing social networks, such as women's groups, as a platform and location for marketing events?</li> <li>• Do financial marketing materials portray women in empowered, strong, and uplifting roles, and men in caring and supportive roles?</li> </ul>
5	<b>MARKET GROWTH</b>	<ul style="list-style-type: none"> <li>• Are business and financial literacy training, or other professional growth and mentorship opportunities, provided equitably to both male and female customers?</li> <li>• Does collected data on the experience of both male and female technology consumers inform impacts on access and redesign of inclusive and equitable financial products?</li> </ul>
6	<b>WIDE-SCALE ADOPTION</b>	<ul style="list-style-type: none"> <li>• Does the marketing strategy leverage promotion of complementary services (e.g., flexible financing, ease of purchase, social networking opportunities) which promote technology access and successful and sustainable adoption for male and female consumers?</li> <li>• Is a gap analysis conducted, and action plan developed, to address barriers women and men still face to accessing finance, particular in large enough amounts, to purchase CES?</li> </ul>

## SOURCES AND ADDITIONAL RESOURCES:

FAO (2011). The State of Food and Agriculture. Women in Agriculture: Closing the Gender Gap for Development.

Available at: <http://www.fao.org/docrep/013/i2050e/i2050e.pdf>

IFC (2007). Stakeholder Engagement: A Good Practice Handbook for Doing Business in Emerging Markets. [https://www.ifc.org/wps/wcm/connect/938f1a0048855805beacfe6a6515bb18/IFC\\_StakeholderEngagement.pdf?MOD=AJPERES](https://www.ifc.org/wps/wcm/connect/938f1a0048855805beacfe6a6515bb18/IFC_StakeholderEngagement.pdf?MOD=AJPERES)

World Bank (2009). Gender in Agriculture Sourcebook. Handbook on Rural Finance. Available at: <http://siteresources.worldbank.org/INTGENAGRLIVSOUBOOK/Resources/Module3.pdf>

Global Banking Alliance for Women. How Banks Can Profit from the Multi-Trillion Dollar Female Economy. Available at: <http://www.gbaforwomen.org/the-opportunity/#growth-market>

World Bank Global Findex. Overview and Database. Available at: <http://www.worldbank.org/en/programs/globalindex/overview>

World Bank (2014). Expanding Women's Access to Financial Services. Available at: <http://www.worldbank.org/en/results/2013/04/01/banking-on-women-extending-womens-access-to-financial-services>

World Bank. Resource Point on Entrepreneurship. Available at: <http://www.worldbank.org/en/topic/gender/publication/female-entrepreneurship-resource-point-module-4-how-to-measure-change>

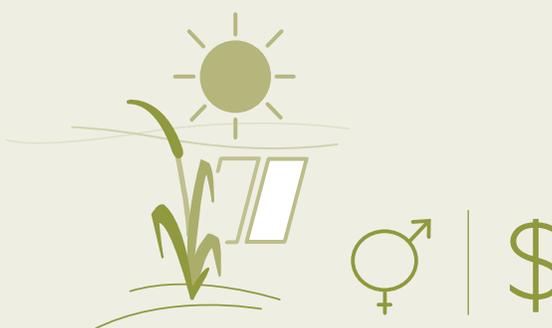
IFAD (2009). Gender and rural microfinance: Reaching and empowering Women. Guide for practitioners. Available at: <https://www.ifad.org/documents/10180/8551f293-2573-417d-908a-d1841359df57>

G20 2014 Report on Digitizing Payments. Available at: [https://docs.gatesfoundation.org/documents/G20%20Report\\_Final.pdf](https://docs.gatesfoundation.org/documents/G20%20Report_Final.pdf)

Sida (2015). Gender Equality Tool Box. Supporting Women's Economic Empowerment: Scope for Sida's Engagement. Available at: <http://www.sida.se/contentassets/3a820dbd152f4fca98bacde8a8101e15/supporting-womens-economic-empowerment.pdf>

# POWERING AGRICULTURE:

AN ENERGY GRAND CHALLENGE FOR DEVELOPMENT



This product was made possible through the support of the Powering Agriculture: An Energy Grand Challenge for Development Partners, which comprise the United States Agency for International Development (USAID), the Swedish Government, the German Federal Ministry for Economic Cooperation and Development (BMZ), Duke Energy, and the Overseas Private Investment Corporation (OPIC).

Further information about Powering Agriculture can be found at [PoweringAg.org](http://PoweringAg.org)

