Empowering women: uncovering financial inclusion barriers

Steering trends to serve the goal

Building a better working world

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Foreword

Microfinance plays a significant role in providing sustainable livelihoods to disadvantaged groups all over the world. The provision of loans, savings and payment products for the underserved and unbanked populations is critical to promoting inclusive finance.

Research shows that over 70% of beneficiaries of the financial inclusion agenda are women. The gender impact of microfinance is therefore a highly debated subject and industry experts are calling for greater insights in this field.

EY is committed to supporting entrepreneurship and women's empowerment. Beyond our commercial offerings, we are bringing together microfinance practitioners to share knowledge on the challenges and opportunities relevant to improving financial inclusion.

This report details practical tips and insights gained from interviews with leading experts in microfinance (shown in Section 5). Without their commitment and valuable insights, it would not have been possible to write this report.

We invite readers of this report to share their feedback with us and help to further the dialogue on this critical topic.

Yours sincerely,

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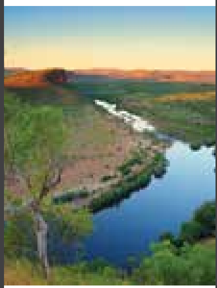
Introduction



Microcredit, the provision of affordable credit to people at the bottom of the pyramid, has for decades been seen as a powerful strategy for alleviating poverty and propelling people toward earning livelihoods that secure their subsistence and open pathways to greater prosperity. Because it was largely targeted at women, and they proved to be the most attractive customers, microcredit has also been seen as a key strategy for empowering women. Currently, they form 75% of the 200 million microfinance clients worldwide – and 80% of the population living in an income below US$1.25 a day.

Microfinance has undoubtedly helped many people start new businesses and expand businesses from subsistence levels, and given countless women voices in their homes and communities. But stakeholders have learned not only what refinements are needed to realize microfinance's potential but also its limitations, and the ways in which it can inflict harm as well as good.

It has become clear that to free people from poverty and empower women, far more than access to affordable credit is required. It has become apparent that innumerable factors conspire to trap people in poverty and, therefore, complex, multifaceted approaches are necessary to help people escape. In addition to access to credit, people need access to savings accounts, cashless payment systems and insurance.

Services alone are not enough. Quality services are also indispensable for improving the well-being and empowerment of the poor. Indeed, services should be affordable and appropriate for the people they are designed to serve. They should be delivered with customer needs and safety as paramount considerations and with the transfer of skills (financial capabilities) for their use.

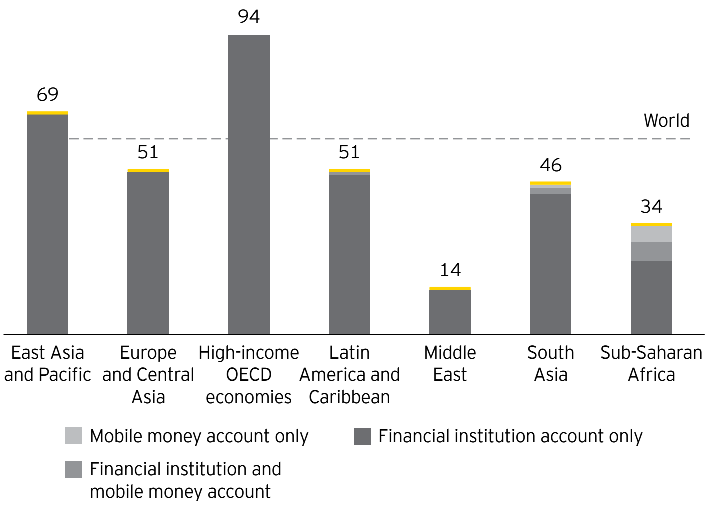
The provision of a range of such services are the essential elements of what has come to be called financial inclusion. Thanks to the pioneers in microfinance who have shown the way through their experience, it has now become clear that the way forward requires the pursuit of the broader agenda of financial inclusion.

01 Current landscape

Significant progress has already been made toward inclusion. As the World Bank notes in *The Global Findex Database 2014* (Findex), being banked — having some kind of account with a bank, another type of financial institution or a mobile money provider — is the first step toward financial inclusion. Since 2011 alone, the number of unbanked people worldwide has dropped 20% from 2.5 billion to 2 billion, according to Findex. Accounting for population growth, this means that some 700 million people opened an account during that period. In every region of the world, the number of unbanked adults has declined, although the proportions vary considerably from area to area. While 62% of adults worldwide were banked as of 2014, up from 51% in 2011, the difference between the proportions in the developed world versus the developing world is stark: in the developed world, 94% are banked, compared to 54% in the developing world.

Account penetration

Adults with an account (%), 2014



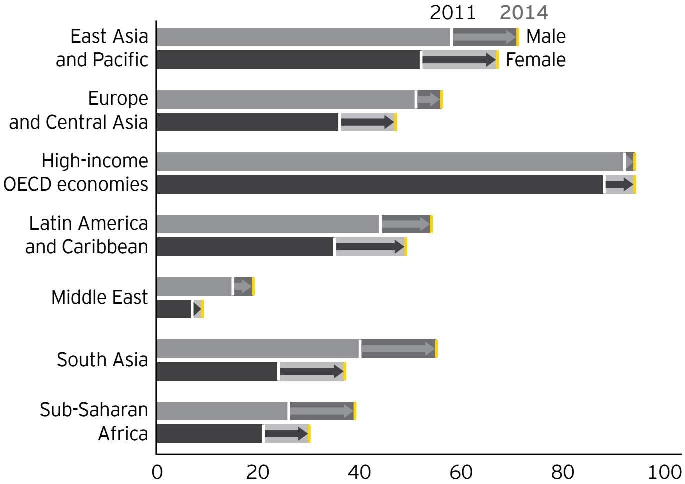
Source: *The Global Findex Database 2014*.

The disparities also remain stark for the traditionally disempowered, women, youth, rural residents and the poor.

The gender gap has remained unchanged at 9% in the developing world. Of the unbanked worldwide, 55%, or 1.1 billion, are women, according to Findex.

Account penetration by gender, 2011 and 2014

Adults with an account (%)



Source: *The Global Findex Database 2014.*

Several factors account for much of the progress that has been made. Regulators in many countries are changing rules to facilitate banking for the poor; policymakers are making financial inclusion a higher priority; financial service providers have a growing interest in serving bottom-of-the-pyramid customers; and the spread of mobile technology is broadening the reach and increasing the affordability of financial services.

There are now some 300 million people with mobile money accounts as their sole formal financial service, with well over 100 million of them in Sub-Saharan Africa alone, according to the 2014 *State of the Industry* report by The GSMA, an international mobile operators association.[1]

While measuring empowerment is challenging, there is anecdotal evidence to suggest that microfinance has a positive impact on women's empowerment. For example, in a survey of 100 women who received group loans from an Indian microfinance institution (MFI) included in a BNP Paribas microfinance portfolio, 92% said their standard of living improved; 91% said their self-confidence had increased; 65% said they were more involved in household decision-making than before they received a microfinance loan; and 74% said they had been consulted for advice by other women interested in loans, disclosed Alain Lévy, Head of Microfinance for Americas and Asia at BNP Paribas.

1. *2014 State of the Industry: Mobile Financial Services for the Unbanked,* GSMA, 2014.

ASA, an MFI in Bangladesh, has also seen positive results. Its *Impact Assessment report 2013* looked at indicators of economics, health, behavior and education and found marked improvements in all categories, said Md. Shafiqual Haque Choudhury, Founder and President of ASA.

"Therefore, it can be said that the overall impact of ASA microfinance program seems to have brought positive impact to the lives of its borrowers," said Choudhury.

"We know that financial inclusion is one of the best on-ramps for a broader introduction to the formal economy and on-boarding to labor force participation and wide economic participation that we are all so eager to see women take part in. We now have really good data linking all these things together and are able to paint a very good macro picture."

Mary Ellen Iskenderian, President and CEO, Women's World Banking

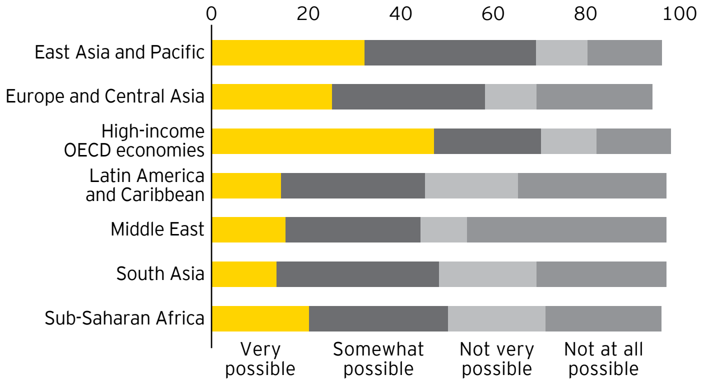
Despite these positive forces and the measurable inroads that have been made, there is still much to be done.

Even the appreciable gains indicated by the decline in the unbanked are not as much cause for optimism as might appear. Among the 3.2 billion people who are banked, there are many who cannot be said to be financially included. Among them, one quarter have dormant accounts, indicating that even though their owners have access, they don't use them. In many instances, this points to other impediments that are preventing the account owner's actual participation in economic life.

While whether or not a person has access to a bank account is a first-level measure of financial inclusion, a person's resilience in the face of some kind of shock — the loss of a job, an illness, a natural disaster — is another important measure of their financial condition and control over their lives. Findex, defining resilience as the ability to come up with 1/20 of the average gross national income per capita in an emergency, found particularly low levels of resilience in South Asia, Latin America and the Caribbean, the Middle East and Sub-Saharan Africa.

Possibility of coming up with emergency funds

Adults by reported likelihood of being able to raise emergency funds (%), 2014*



Source: *The Global Findex Database 2014*.

*Note: Data refers to the ability to come up with an amount equivalent to 1/20 of GNI per capita in local currency within the next month. The categories do not sum to 100% because of "don't know" and "refuse" answers.

02 Key findings

Experience provides considerable evidence for what mechanisms are instrumental in broadening financial inclusion. Besides the development of mobile financial services and regulation, and wider interest in the financial community, growing efforts to measure and evaluate the impact of initiatives to promote inclusion, and insights gained about behavior and motivation, have been important and are likely to play a key role in future progress. As well as showing the promise of these factors, experience has clarified the challenges in harnessing them and the potential negative unintended impacts that need to be guarded against.

> "The introduction of new technology, more all-encompassing engagements with women borrowers as regards education, health care, eradication of social norms, which adversely affect women, etc., will go a long way in improving microfinance's effectiveness and women empowerment."
>
> Bhaswar Sarkar, Partner, Indian member firm of Ernst & Young Global Limited

Mobile technology

Mobile technology and the proliferation of mobile financial services in particular have generated considerable attention as a means of expanding financial inclusion. Some of the attendant excitement is warranted, but caution is also needed.

As an indicator of the potential power of mobile technology, of the two billion unbanked people worldwide, more than one billion have mobile phones. And, mobile accounts are now available in 61% of developing markets, according to GSMA. In Sub-Saharan Africa, where 12% of the population have mobile money accounts (versus 1% worldwide), technological advancement has been particularly instrumental in the increase of the banked. But the penetration of mobile phones and mobile accounts varies significantly, even within the region. So, for example, in Kenya and Cote d'Ivoire, the availability of mobile money accounts appears to have been an important contributor to banking those in the lowest economic rungs, including women. But, this is much less so in other Sub-Saharan countries.

Key among the attributes of mobile banking is its potential to expand access to financial services affordably, including to remote areas. In addition, it can increase the security of people, and their assets, whom otherwise might have to carry cash over long distances. And it can provide transparency in payments so there is less opportunity for leakage in the transfer of payments between payor and payee.

"Electronic money transfers are key to lowering the cost of remittances for poor economies that heavily depend on such transfers, and technology currently is evolving so fast that costs will be significantly lower in the near future, favoring local development and financial inclusion."

Joël Pain, Executive Director, EMEIA Financial Services, EY Climate Change and Sustainability Services

"New disruptive technologies, like mobile platforms, coupled with progressive public policies offer exciting cost-effective opportunities to expand access at a scale not deemed imaginable even a few years ago."

Robert Annibale, Global Director, Citi Inclusive Finance and Citi Community Development

For instance, Citi has developed products such as Saldazo, a debit card attached to a simplified account, allowing more than one million Mexican customers to access, with limited paperwork, a mobile bank account service that supports payments, money transfers and ATM cash withdrawals using mobile credit.

Mobile technology may also be helpful in obtaining access to credit for those who have no credit history. The technology can provide a method of alternative credit scoring, such that information about bill payments and deposits is collected and used, possibly in the context of big data, to determine the likelihood of a person being a good credit risk.

Mobile technology can provide a mechanism for easily collecting data about access to and patterns of usage of financial services that can inform the further refinement of financial products and services for the poor.

Meanwhile, other forms of digital technology, like biometrics, including eye scanning and fingerprinting, could yield a solution to the problem of producing identification for people who are illiterate and cannot provide a signature.

While mobile and other digital technology hold considerable promise, stakeholders in the inclusion agenda generally agree on the critical need for a balance between embracing its advantages and maintaining the personal contact that is often vital to gaining customer trust, the exchange of information about unique customer needs, and the absorption of financial capability.

"If your tool is only a digital relationship, you will put a big threat on microfinance. Online banking is a big innovation, internet would be a big innovation and so with microfinance … but they have to keep the human relationship and so you have to find a good mix, at least to keep meeting the client, once a month, or similar."

Alain Lévy, Head of Microfinance for the Americas and Asia, BNP Paribas

As Michael Hamp, Lead Technical Specialist, Inclusive Rural Financial Services for the UN's International Fund for Agricultural Development (IFAD), said: "The potential downside is that the contribution of financial services to women's social and political empowerment depends very much on other factors (besides digital, mobile, internet), such as staff attitudes in interacting with women and men, the types and effectiveness of core training (for savings, credit and group formation) and capacity-building, i.e., the types of nonfinancial support services or collaboration with other organizations."

Women's World Banking believes that Diamond Bank, one of the largest retail banks in Nigeria that it works with, may have found a good balance of blending technology with the personal touch. Diamond Bank begins by offering savings accounts through agents sent out to establish relationships with customers at their places of work. These agents help customers become comfortable with technology and provide financial education.

The role of mainstream financial institutions

Many traditional banks and other financial institutions are showing interest in and are providing microfinance and other products and services supporting financial inclusion. Some are doing so through their corporate social responsibility divisions; others have integrated the new focus into their commercial operations.

At its best, the participation of established financial services organizations can be a major asset in achieving the financial inclusion agenda. These institutions can provide resources to exponentially extend the reach of financial services; they possess extensive infrastructures that can provide services at reduced costs around the world and they have vast experience with mainstream financial products that can inform the design of products suitable to those who have not traditionally had access to them. Their added competition can help bring down interest rates and fees.

Md. Shafiqual Haque Choudhury welcomes the additional participants in the field.

"Benefits are sustained funding, good governance, transparent and compliant operation, operating under regulatory environment, and market linkage, etc., for the women in microfinance."

Md. Shafiqual Haque Choudhury, Founder and President, ASA

Mary Ellen Iskenderian of Women's World Banking believes that it is a positive development that large retail banks in Sub-Saharan Africa, encouraged by regulators, are looking into serving low-income populations and that mobile network operators, insurance companies and payment companies are increasingly addressing this market. The fact that financial institutions are increasingly seeing this market as part of their core, profit-making business rather than part of their corporate social responsibility (CSR) is also a welcome development, Iskenderian says.

> "At Citi, we globally embed investments, products and services that make impact into our core businesses and policies, rather than in a separate corporate social responsibility portfolio."
>
> **Robert Annibale, Global Director, Citi Inclusive Finance and Citi Community Development**

Robert Annibale adds: "We also partner with other investors to broaden participation and scale, as well as to diversify risk." For example, Citi, leveraging its global banking franchise, structured a risk-sharing program with the Overseas Private Investment Corporation (OPIC), the US government's development finance institution, to provide more than US$400 million in local currency financing to microfinance institutions in 24 countries. According to Annibale, more than one million women borrowers have benefited.

Another example of a global player who has integrated microfinance at the business and CSR levels is Credit Suisse, which has developed impact investment products enabling ultra high net worth individuals to invest in microfinance through debt and equity instruments, channeling their own clients' interests in generating both a financial and a social return. Laura Hemrika, Head of the Microfinance Capacity Building Initiative at Credit Suisse, explains that here, too, the fact that women are important client segments of microfinance institutions is an important factor, and one that is reported on. Their CSR initiative complements investment activity with capacity building of microfinance institutions on the ground, including a focus on products and services for women and financial education for girls. Hemrika acknowledges that "businesses can be involved from their CSR, but even more effective is if they engage out of business interest; this will increase scale, efficiency and effectiveness, provided that consumer rights and protection stay front and center."

Several practitioners warn that the increasing commercialization of the industry and of MFIs on the ground can have an adverse impact, particularly on women's participation, if not managed carefully.

> "We've seen situations where, as microfinance institutions become more commercial or focused on higher loan sizes, the percentage of women in the portfolio decreases; this can be an issue both for the quality of the portfolio and for increasing the percentage of financially included women."
>
> **Laura Hemrika, Head of the Microfinance Capacity Building Initiative, Credit Suisse**

Marilou van Golstein Brouwers, Managing Director of Triodos Investment Management, an impact investing firm, has seen a related phenomenon: "With the professionalization of microfinance and also the commercialization, somehow the focus on women became less obvious and disappeared a bit."

> "If you go 25 years back, it was quite obvious that microfinance is very beneficial for women. Then it became more commercial. The focus sort of disappeared. And now, in the last five to six years, there is again a renewed focus on if we really want this to be beneficial for women, we have to do it in a different way. We have to create special products and special teams."
>
> Marilou van Golstein Brouwers, Managing Director, Triodos Investment Management

With the growing role of traditional financial institutions, strong and carefully designed customer protection measures are necessary. While regulators must ensure that adequate protection is in place, the responsibility of ensuring the safety and appropriateness of products and services for bottom-of-the-pyramid clients also resides with financial service providers. Consumer associations and other mechanisms can play an important role too.

The risks introduced by commercial interests may also be mitigated through the inclusion of social returns in institutions' calculations of their financial returns. Or, as some players are already doing, institutions can offer financial products as part of their profit-making businesses and offer financial capability, business management and other services through their philanthropic arms to support the success of their loans and other commercial transactions.

Another important measure to protect the interests of women customers is to include women on MFI staff, particularly field staff, said Bhaswar Sarkar, Partner, Indian member firm of Ernst & Young Global Limited. Similarly, Laura Hemrika from Credit Suisse is convinced that "developing and retaining a female workforce within MFIs is a key component of serving women clients." As an example of such efforts, she mentions the Women's World Banking Leadership and Diversity for Innovation Program that helps business leaders develop skills to successfully serve low-income women.

Regulation

Regulations that authorize innovations in the delivery of financial services, modify impediments to the delivery of services, and protect customers from predatory business practices are all necessary to further financial inclusion. Regulatory authorities in many parts of the world have already taken significant steps. In a number of countries, like India, MFIs are being granted banking licenses that mean they can offer savings accounts, as Alain Lévy of BNP Paribas highlighted. In Latin America, after Brazilian authorities allowed agent banking, countries throughout the region followed suit, while in Sub-Saharan Africa, mobile banking has grown following regulatory approval.[2]

"This will be a revolution in the Indian microfinance market," said Alain Lévy. "Now with the MFIs having a banking license, clients will be able to save money." This may be especially helpful for women because there are indications that women are particularly committed savers. According to Findex, the gap in savings between women and men in developing countries is smaller than the gender gap for having an account.

Other crucial steps regulators can take include modifying know-your-customer/anti-money laundering (KYC/AML) regulations so that they do not impede inclusion; regulating the use of mobile accounts, mobile money and agent banking; monitoring interest rates; and requiring that banks offer basic or low-fee accounts.

2. *Seizing the Moment: On the Road to Financial Inclusion,* Center for Financial Inclusion, p. 19.

Measuring impact

Measuring the impact of strategies to achieve inclusion is crucial to the refinement of such efforts. Data is needed to determine who is and who is not being reached. Without some indicators of what works and what does not, and what demographics have been neglected, stakeholders are effectively flying blind.

Measuring financial inclusion, however, is complex, and many measurement methods fall short because they do not measure the complex interplay of factors that lead to empowerment.

> "The identification and weighting of standardized SMART indicators (specific, measurable, attainable, realistic, timely) can be controversial because of the complexity of empowerment itself and the frequent trade-offs between its various dimensions, for example, between levels of income earned and time available for other activities, and between women's autonomy and the effort they have to put into changing abusive relationships. Women's own goals and preferences vary significantly with context and between women even within the same context."
>
> Michael Hamp, Lead Technical Specialist, Inclusive Rural Financial Services, IFAD

In addition, it is very difficult to get accurate information in an informal economy. Usually, there is no baseline information that can form a basis of comparison. Further, the impact of access to the financial system may not be seen for years, beyond the scope of any study.

Md. Shafiqual Haque Choudhury says: "But we use methodologies, such as the recall method, interviews, observation, FGD [focus group discussions], etc., to collect information from our borrowers to see the impact of microfinance program on their livelihood."

> "Some believe that the most telling data can be gleaned from doing this kind of qualitative research. Asking questions like 'how many meals a day are you getting?' is the best way to determine whether efforts are having an impact on people's lives."
>
> Joël Pain, Executive Director, EMEIA Financial Services Climate Change and Sustainability Services Leader, EY

Also, while the complexity of the factors affecting standards of living may necessitate complex measurement mechanisms, that in itself can be problematic. Often, when applied to real situations, indexes that assess multiple components of women empowerment would be more effective if they were simplified and focused on the specific dimensions that are important to the clients, according to Michael Hamp.

Recently, randomized evaluations, based on randomized control trial (RCT) methodology, have been considered attractive because they are rigorous and scientific.

Randomized evaluations assess the impact of providing a financial service/applying a specific feature, for example, to one group compared with a control group that does not have access to the service/feature. The groups studied are randomly selected so that the only consistent difference is the access to the financial service/feature. Many believe that such evaluations allow for a nuanced, reliable analysis compared to anecdotal evidence. For instance, Women's World Banking is in the process of conducting an RCT to assess the impact of confidential savings accounts on intimate partner violence on women. However, as rigorous as this approach can be, there can be disagreement as to exactly what should be measured. In addition, such evaluations are expensive and the time frame for manifestation of impacts may exceed the time frame of the evaluation. For instance, according to a senior officer with an intergovernmental organization, randomized evaluations are "methodologically difficult and expensive. Projects are relatively short-term in nature, and results after only four to five years are difficult to measure with standard instruments. Only longitudinal surveys would capture impacts adequately."

Educating investors and funders can go some way toward addressing the challenges of measurement and evaluation, according to Sevi Simavi, Chief Executive Officer of the Cherie Blair Foundation for Women. These stakeholders should be informed of the complexities of evaluation, and that conducting rigorous impact evaluations takes time, money, resources, capacity and skills that require commitment.

Behavioral insights

Behavioral economics and research on human behavior generally provide important insights for the design of products and delivery systems that are most useful for those who have been excluded from financial services.

It has long been known that people don't always act in their best interest, or in ways that appear on the surface to be logical. The understanding that social influences and other factors lead to what appears to be illogical choices has been amply applied in the developed world, for example, to treat mental illness and to market products more effectively. More recently, the understanding of the interplay of factors that explain behavior is being applied to development efforts.

As Jim Yong Kim, President of the World Bank, noted in this year's *World Development Report on Mind, Society and Behavior*: "Recent research has advanced our understanding of the psychological, social and cultural influences on decision-making and human behavior and has demonstrated that they have a significant impact on development outcomes."

"Research shows that small differences in context, convenience and salience have large effects on crucial choices, such as whether to send a child to school, prevent illness or save to start a business. That means development practitioners need to focus not only on *what* interventions are needed but also on *how* they are implemented. That, in turn, requires implementing agencies to spend more time and resources experimenting, learning and adapting during the intervention cycle."

A simple example of a behavioral understanding that has been useful to effective financial services is an appreciation of the fact that people can be forgetful, and, therefore, providing reminders via SMS of commitments to make deposits or loan payments can keep people on track. Another observed behavior, as highlighted by Marilou van Golstein Brouwers is that women also tend to be more risk-averse and to ask for less than they need in loans. Poor women have further been found to be averse to financial language, so, for example, calling a PIN a "secret code" is likely to reduce a barrier, says Mary Ellen Iskenderian.

Behavioral understanding is also being drawn on to design techniques for teaching financial capability. In particular, the insights are being used to pinpoint moments in an individual's engagement with financial mechanisms when they are most likely able to absorb important concepts. RevolutionCredit in the US, for example, considers applicants' participation in financial education activities a sign of creditworthiness that will increase their chances of getting a loan.[3] Such targeting of "teachable moments" is potentially far more effective than more traditional classroom approaches to teaching concepts.

"Understanding economic behaviors — how people make decisions, what drives change, etc. — will provide key elements to understand what products and services to develop under [a new] Microfinance 2.0, and also how to deliver them."

Sevi Simavi, CEO,
Cherie Blair Foundation for Women

3. *Financial Inclusion 2020: Round-Up 2014*, Center for Financial Inclusion, November 2014, p. 6.

03 Conclusions

Since microfinance institutions began providing loans four decades ago, millions of poor people have gained access to a variety of financial products, from loans and savings accounts to insurance. The advent of mobile technology, the growing awareness of policymakers of the central importance of access to financial services for economic development, a new interest on the part of traditional financial institutions to serve bottom-of-the-pyramid customers, and other factors have coalesced to produce this success in financial inclusion.

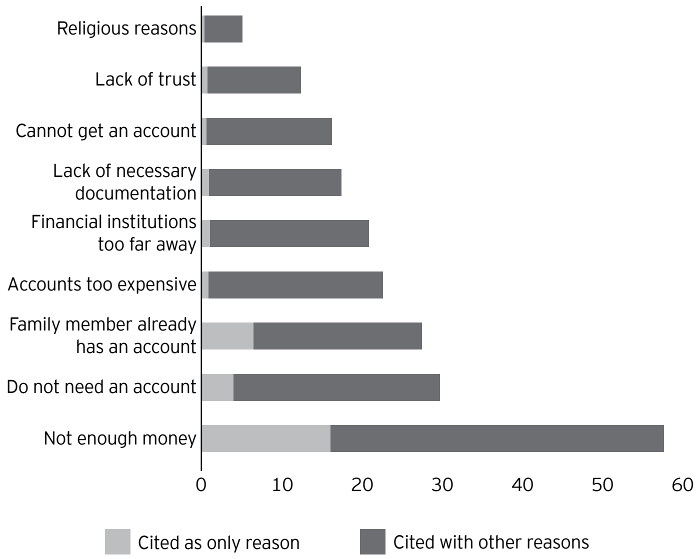
But much remains to be done.

While in just three years the numbers of the unbanked have declined by 500 million, there are still two billion people without access to formal financial services. And this number is substantially larger if those who have financial accounts but don't use them are taken into account. The broad numbers also mask wide disparities in access between regions, countries, income groups, and for subsets of populations that are often excluded, including the young, those living in rural areas and women. Even as the overall numbers of the unbanked have declined, the gender gap between women and men who are banked has remained fixed.

There are numerous causes for this persistent exclusion. They range from behavior that makes potential customers averse to financial products, cultural norms that prevent people from gaining access to products; regulations that prohibit products, services and practices that would enhance inclusion; and more. Considerable progress has been made in defining these barriers and developing and refining approaches to overcome them. Developments in digital technology, evolving regulation, behavioral understanding, new measurement techniques and the growing participation of the business community will continue to play essential roles in achieving wider financial inclusion. But each has its limitations and presents its own challenges.

Self-reported barriers to use of an account at a financial institution

Adults without an account reporting barrier as a reason for not having one (%), 2014



Source: *The Global Findex Database 2014.*

While mobile and digital technology generally provide financial services to hundreds of millions of people, and could do so for many more, those committed to the inclusion agenda must ensure that human relationships remain a part of services. This is imperative to attract people to use the services and to maintain accountability between the provider and the customer.

The growing interest of traditional financial institutions, mobile network operators and other businesses afford the opportunity to reach those who have been financially excluded on a broad scale, efficiently and cost-effectively, potentially reducing costs for end customers. However, stakeholders must be vigilant to ensure that the drive for returns does not supersede the objective of financial inclusion.

Thoughtfully designed regulation can help to maximize the impact of these potentially positive forces and contain harmful impacts. It can also play a vital role in eliminating barriers to and unleashing innovation. Meanwhile, new and refined evaluation techniques can help motivate stakeholders to maintain momentum towards the objective and focus on the strategies that work best, and behavioral understanding can guide the design of evolving strategies.

04 Recommendations

As stakeholders pursue the inclusion agenda and recognize the vital role of women empowerment, the following practices will be crucial for success:

1. Products and services must be designed to address gender-related challenges.
   - Provide products, such as savings accounts, safeguarded for educational use only, affordable health insurance and empower girls to open savings accounts and foster financial capability at early age.
   - Include agents that meet with rural women in their own homes, where many of them have businesses, technical assistance for the operation of small businesses, and instruction in a full range of skills and behaviors that foster genuine financial capability.
2. In enlisting advances in technology, providers will have to carefully weigh the technological progress and cost-saving advantages against the danger of losing the human relationships that are imperative for the imparting of trust and the establishment of true inclusion.
   - This is likely to require the maintenance of field staff in close enough proximity to maintain periodic face-to-face contact. Another key step for financial institutions is to hire more women at all levels of their institutions, from agents in the field to top executives.

3. Regulators will need to create the infrastructure that eliminates barriers and creates incentives, authorizes products and ensures the safety of products and services that empower women.
   - This ranges from authorizing and regulating the use of mobile banking and graduating KYC/AML regulations so that they do not impede access to financial services for those without conventional forms of identification, to monitoring interest rates and fees for loans and other products.
4. Evaluations and assessments that reflect the complexity of the factors determining empowerment will be necessary to keep the financial inclusion agenda on track.
5. Analytics must be applied to the vast amount of data that has already been accumulated so that best use is made of our decades of experience with microfinance to pave the way forward.

05 Acknowledgments

Md. Shafiqual Haque Choudhury,
Founder and President, ASA

ASA was incepted at Tepra, a remote village of Bangladesh in 1978, to assist the poor and the underprivileged. Currently, ASA serves 5.3 million clients in Bangladesh through 2,929 branches without any grant/donation money. In addition, ASA has been providing technical assistance (TA) services to 14 countries of Asia and Africa. ASA was adjudicated the top MFI of the world in 2007 by the *Forbes Magazine*, USA and *Financial Times*, London and International Finance Corporation jointly awarded ASA with the "Banking at the Bottom of the Pyramid" prize in 2008.

Alain Lévy, Head of Microfinance for Americas and Asia, BNP Paribas

BNP Paribas has a presence in 75 countries with more than 185,000 employees, including 145,000 in Europe. It ranks highly in its two core activities: Retail Banking & Services and Corporate & Institutional Banking, and BNP Paribas Personal Finance is the leader in consumer lending. BNP Paribas is rolling out its integrated retail banking model internationally. In its Corporate & Institutional Banking and International Financial Services activities, BNP Paribas also enjoys top positions in Europe, a strong presence in the Americas and solid and fast-growing businesses in Asia-Pacific.

Sevi Simavi, CEO, the Cherie Blair Foundation for Women

The Cherie Blair Foundation for Women was set up in 2008 in response to the realization that, with the right support, women can overcome the many challenges they face and play an important role in the economies and societies in which they work and live. The foundation's vision is a world where women have equal opportunities and the capability, confidence and capital necessary to establish and grow businesses, resulting in a brighter future for the women themselves and their communities as a whole.

Bob Annibale, Global Director, Citi Inclusive Finance and Citi Community Development

Established in 2005, Citi Inclusive Finance is a specialist team working across Citi businesses globally to develop solutions that enable the bank, its clients and partners to expand access to financial services and advance economic progress in underserved market segments. Citi works with leading microfinance institutions, banks, corporations, governments, development agencies, nonprofits, investors and service providers to develop and deliver diverse financing solutions to support financial inclusion.

Laura Hemrika, Head of the Microfinance Capacity Building Initiative, Credit Suisse

As an integrated bank, Credit Suisse offers clients its combined expertise in the areas of private banking, investment banking and asset management. The Microfinance Capacity Building Initiative (MCBI) at Credit Suisse is one pillar of the comprehensive and holistic approach to microfinance and impact investing developed by the bank. The MCBI works directly with key players in the industry to strengthen institutional and management capacity, innovation and research across regions to enable them to better meet the diverse financial needs at the base of the pyramid.

Michael Hamp, Lead Technical Specialist, Inclusive Rural Financial Services, IFAD

IFAD invests in rural people, empowering them to reduce poverty, increase food security, improve nutrition and strengthen resilience. Since 1978, we have provided nearly US$16.6 billion in grants and low-interest loans to projects that have reached about 445 million people. IFAD is an international financial institution and a specialized United Nations agency based in Rome — the UN's food and agriculture hub.

Marilou van Golstein Brouwers, Managing Director, Triodos Investment Management

Triodos Investment Management is a specialist in developing and managing sustainable investment funds. Triodos Investment Management manages 17 investment funds that each invest in different sustainability themes and/or have different risk-return profiles. The funds focus on impact investments, including microfinance in developing countries and investments in listed companies that meet strict sustainability criteria (SRI funds). At the end of December 2014, the combined assets under management of the Triodos investment funds amounted to EUR2.7 billion. Triodos Investment Management BV is a wholly owned subsidiary of Triodos Bank NV.

Mary Ellen Iskenderian, President and CEO, Women's World Banking

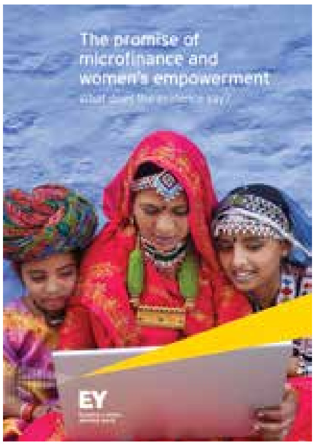
Women's World Banking is the global nonprofit devoted to giving more low-income women access to the financial tools and resources essential to their security and prosperity. For more than 35 years, we have worked with financial institutions to show them the benefit of investing in women as clients and as leaders. Headquartered in New York, Women's World Banking works with 38 institutions in 27 countries with a reach of 20 million women to create access to finance on a greater scale than ever before.

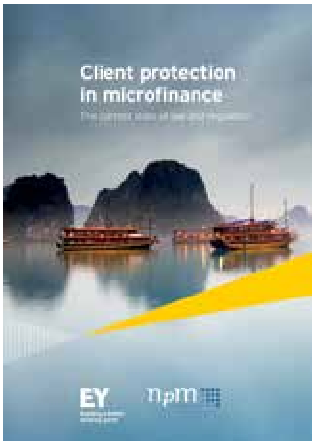
Joël Pain, Executive Director, EMEIA Financial Services Climate Change and Sustainability Services Leader, Ernst & Young et Associés, member firm of Ernst & Young Global Limited

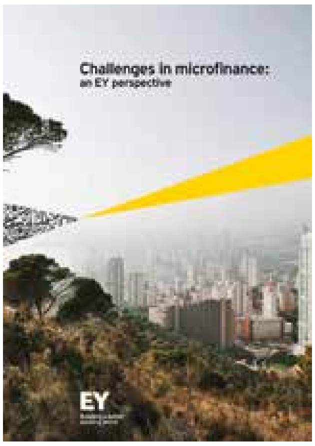
Bhaswar Sarkar, Partner, Indian member firm of Ernst & Young Global Limited

As a global leader in assurance, tax, transaction and advisory services, we support our clients in a wide range of industries, playing a critical role in building a better working world for our people, clients and communities. We follow an integrated approach that helps our clients drive growth and introduce innovation in a globalized world. Along with traditional offerings, we provide tailored services in innovative fields such as microfinance, entrepreneurship, environmental, social and governance. EY is involved in microfinance from different perspectives. We support main microfinance institutions with comprehensive client offerings ranging from assurance to advisory services. Moreover, EY is a service provider to financial services organizations active in the microfinance industry. We work with many organizations on fund-raising and pro bono initiatives in the field of microfinance and social entrepreneurship. In addition, since 1986, we have been celebrating successful entrepreneurs all over the world through the EY Entrepreneur Of The Year™ Program. We are aware of the role of entrepreneurship as a driver for innovation and change, and we acknowledge the role of women in promoting economic and social growth. We endorse women's empowerment through various initiatives, such as the EY annual International Women's Day campaign and the EY Entrepreneurial Winning Women™ Program.

Other EY publications







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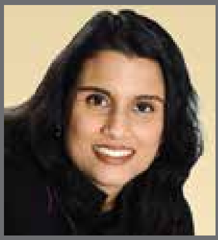

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About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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Women. Fast forward

The time for gender parity is now

80 YEARS UNTIL GENDER PARITY? TIME TO FAST FORWARD.

YEARS	MONTHS	WEEKS	DAYS	HOURS	MINUTES	SECONDS
79	11	03	04	19	59	34

EY

Building a better working world

Introducing
Women. Fast forward

At EY, we are determined to do our part to accelerate women's progress in the workplace. We've worked hard for many years to create effective internal and external programs focused on women's advancement and leadership around the world — and we know there is more to do. Now, we've brought all our efforts together to create one unifying accelerator. Through **Women. Fast forward** we will use our collective knowledge, experiences and convening power to push ourselves further and to do our part to accelerate the global gender parity clock.

It's time.

Share your thoughts with us at:
ey.com/womenfastforward

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Hastening change

Time passes slowly when change is overdue. The World Economic Forum in its Global Gender Gap Report 2014 estimates it will take until 2095 to achieve global gender parity in the workplace. Eighty more years until companies and governments are equally led by men and women. And 80 more years of talent pipelines and professional promise not fully realized.

It's been more than 200 years since the Industrial Revolution sent Western women into the workforce in large numbers. It's been more than 150 years since women gained access to higher education in Western countries. It's been more than 90 years in parts of Asia and 80 years in parts of South America since women gained the right to vote. And there are still many places around the world where women do not have the right to vote or hold a job, attend college, create a business or rise to leadership positions in companies or countries.

Eighty more years — that's *four generations*[1] — before women achieve gender parity in the workforce, closing the 60% gender gap for economic participation and opportunity worldwide.[2] It's already been too long. Must we wait so much longer?

At EY, we say no.

Now is the time to accelerate. Our latest research, in which we surveyed 400 leaders of companies from a cross-section of industries in EMEIA, Asia-Pacific and North America, reaffirms a growing awareness worldwide: men and women need to work together to accelerate that timeline, and in the process create greater economic prosperity for everyone.

> The most important determinant of a country's competitiveness is its human talent — the skills and productivity of its workforce.[3]
>
> World Economic Forum

Optimized talent makes economic sense

Some may ask why we should act — is this just a "feel-good" exercise?

Absolutely not. **It's an economic imperative.** The world economy is driven by sustainable value and business growth, which depend upon attracting, optimizing and retaining all talent. It's in every organization's and every nation's best economic interest to fully utilize and optimize the talents of women.

A 2013 report by the World Economic Forum states, "The most important determinant of a country's competitiveness is its human talent — the skills and productivity of its workforce."[3] There's a large and growing body of research, including a new survey we commissioned from Longitude Research, delivering unassailable proof that accelerating women's advancement in the workplace and creating gender-balanced teams, boards and governments produce better outcomes and create prosperity. This should come as no surprise — that's half of the overall talent in the world that would become fully engaged and utilized, creating and delivering products and services, while investing money back into the economy, families and savings.

Let's recap some of the highlights of recent research:

- **More equality → higher GDP.** There is a positive correlation between GDP per capita and gender equality. In fact, raising the female labor force participation rate to male participation rates would have a positive net impact on GDP in both developing and developed countries.[4, 5, 6] For example, India's GDP would rise an estimated 27%.[7]
- **More equality → more productivity.** Worldwide, women in the workforce contribute both directly and indirectly to productivity gains. Indirect gains come from their greater investment in their children's health, education, welfare and other success drivers.[8] The direct gains can be great as well. Male-dominated industries could increase their productivity in many countries by 3% to 25% through improved female labor force participation.[9]
- **Better gender balance on boards → better share price and financial performance.** From 2005 to 2014, boards with a higher-than-average percentage of women outperformed those with fewer than average by 36%.[10] Companies with women board members also outperform those without in return on equity, net income growth and price-to-book value.[11]
- **More gender-balanced leadership → better all-around performance.** Companies with more women in leadership increase focus on corporate governance, corporate responsibility, talent dynamics and market acuity.[12]
- **More women political leaders → more prosperity.** When women are elected to office in countries with internal unrest, these economies can experience a significant boost compared with results under male leaders.[13]

We could fill many pages with research and statistics that prove the economic value of women's talent being fully engaged in the workplace. But more research alone won't shorten that 80-year timeline.

As we think about the keys to growth, we realize businesses, nations and economies cannot afford to wait another 80 years to fully engage the talent of the world's women. For EY, as for others, accelerating women's progress is essential not only to the creation of a better working world but also to our success as a business. We're focused on making a difference for women within EY and in the wider world — and we believe it's time to accelerate our efforts.

At the heart of EY's strategy are high-performing teams. Those teams have to be diverse and inclusive. As leaders, we're responsible for setting the right tone. We have to help people understand why diversity and inclusiveness are important, hold ourselves accountable, and expect the men and women on our teams to work together on solutions. For instance, diverse and inclusive teams are included in one of EY's six metrics for our 10,000 partners around the world. And behind that expectation is a comprehensive plan to drive accountability throughout EY.

As an organization that operates across 150 countries, with almost 200,000 people, we also use our influence to advance women and catalyze opportunities in the broader economy. We operate programs around the world, including EY Entrepreneurial Winning Women,™ the Worldwide Women Public Sector Leaders Network and the Women Athletes Business Network, to promote women in business and government. We study this issue and share our findings and recommendations on a regular basis.

Please join us in finding and implementing ways to fast forward to a gender-balanced workplace.

Mark Weinberger, *Global Chairman & CEO*

Synchronizing our watches

We can accelerate the rate of change if we work together. Our recent study, in which we polled leaders from 400 companies around the world, can help illuminate the way forward. These are companies with at least US$500m in revenue, representing a cross-section of industries, and the respondents are an equal number of managerial men and women of various ethnicities, nationalities and ages.

Respondents answered a series of questions about their own experiences and the enablers and barriers for women in the workplace. Their observations and recommendations are enlightening, as are the practices of the highest-performing companies in the study (those that have grown by more than 20% on an annualized basis over the past three years).[14]

> Gender equality doesn't require trade-offs; it only has benefits. And the benefits accrue to everyone, not just women and girls. Societies benefit and, as even men are beginning to understand, economies benefit, too.[15]
>
> **Jim Yong Kim,** *World Bank Group President*

Common ground

From our study, it turns out that men and women have similar perceptions regarding women's potential and the enablers and obstacles to women's success. That's great news, as it means that more time needn't be wasted convincing people this is a worthy cause. Instead, we can focus on educating men and women on the most effective ways to accelerate change and how to put them into practice in a focused, synchronized and deliberate way.

It also highlights the opportunity for men and women to work together to create a third culture — one that supports different career paths, career paces and leadership styles for everyone.

For instance, a majority of both men and women believe that more female leadership leads to stronger companies (Fig. 1). Women's top accelerator, based on personal experience, is good opportunities for progression, followed by work/life balance and flexible work arrangements (Fig. 2). This suggests that what women need most to move forward is to be able to see a clear path to leadership, followed by the means to get there.

Men also see opportunities for progression as an important accelerator for women, followed by work/life balance and flexibility.

Their first choice of enabler, however, is a supportive organizational culture. Men listed unconscious bias (26%) as the top barrier they have witnessed affecting women's acceleration, with lack of support from male leaders (24%) a close second.

This may mean that men are even more aware than previously appreciated of how an inhospitable corporate culture affects the women working around them.

Fig. 1: Do companies with female leaders perform better?

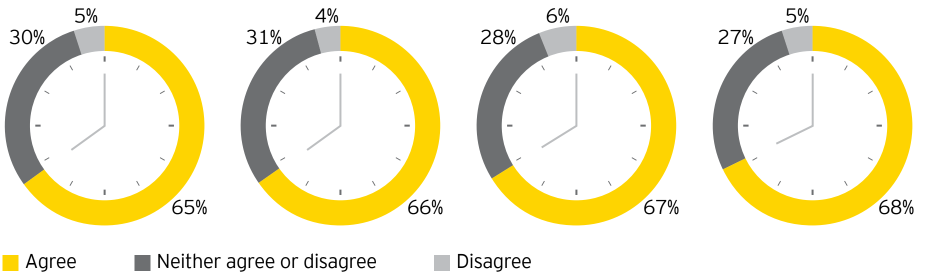
Please indicate whether you agree with the following statements.

Companies with women in senior executive leadership roles achieve better financial performance.

Companies with women on their board of directors achieve better financial performance.

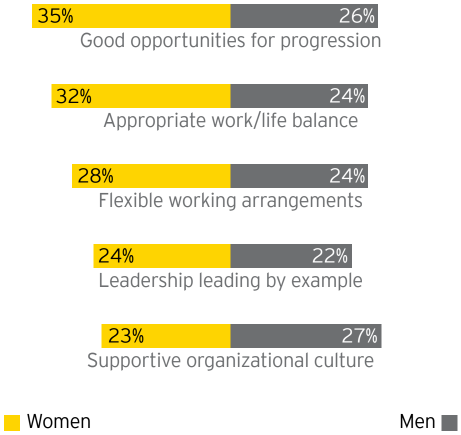
Companies with women in senior executive leadership roles achieve better non-financial performance (e.g., governance, corporate social responsibility, innovation, talent retention).

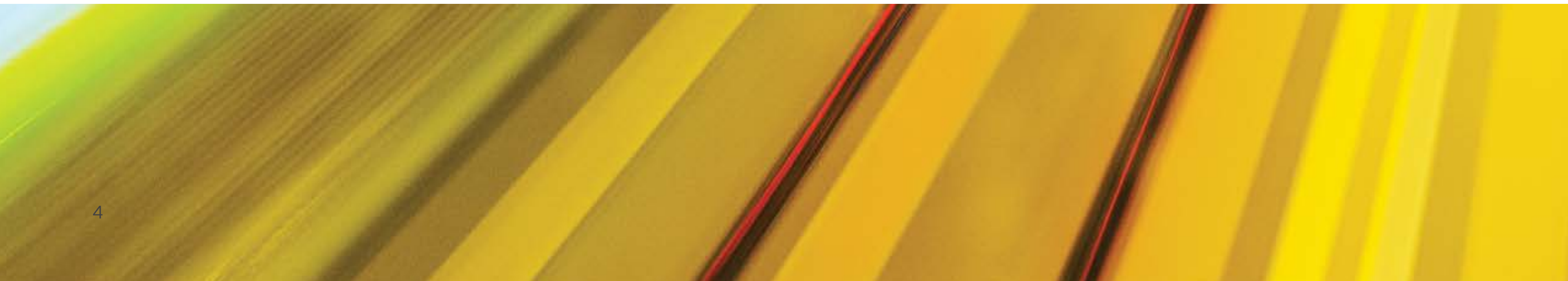
Companies with women on their board of directors achieve better non-financial performance (e.g., governance, corporate social responsibility, innovation, talent retention).



Note: Some charts may not sum to 100% due to rounding.

Fig. 2: What have you personally experienced or witnessed as the most important enablers to women's acceleration in the workplace?





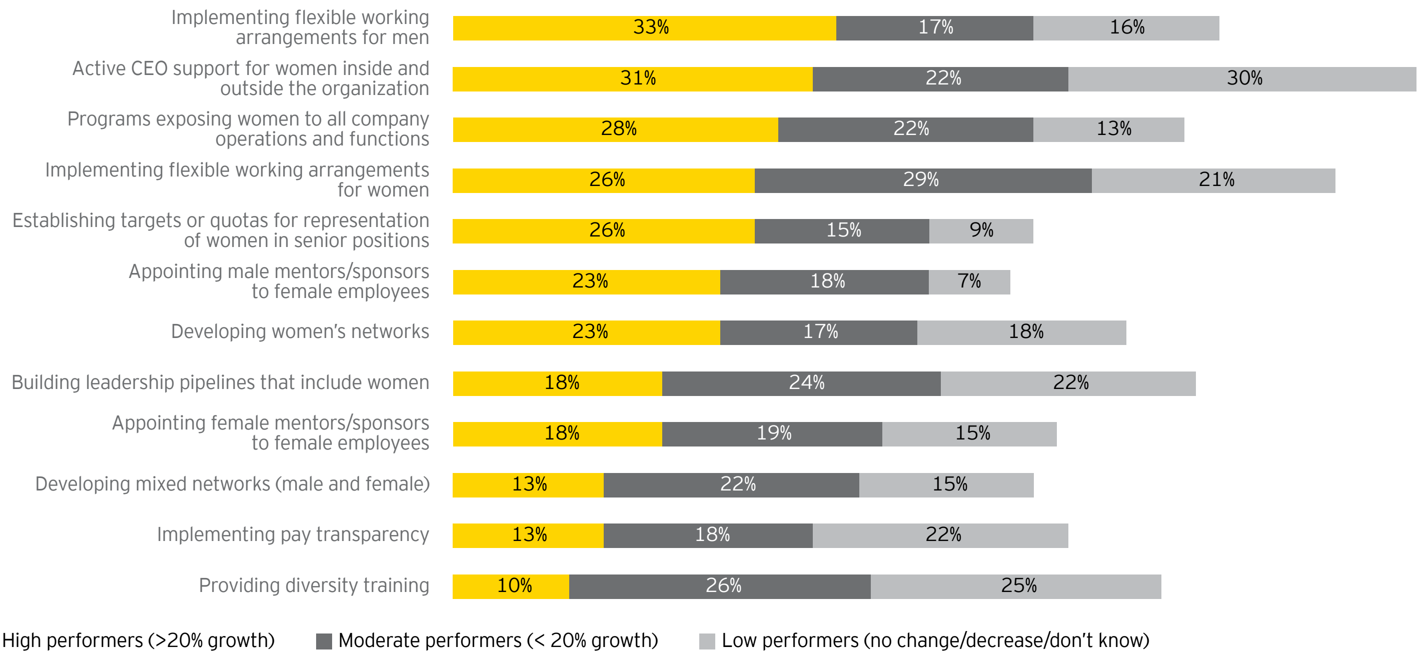
High performers set the pace

We also discovered that the highest-performing companies are doing much more to encourage the advancement of women than the lower-performing companies in our survey.

With further study, the actions of these high performers may prove to be leading practices to accelerate gender parity. The high performers often offer flexible work arrangements for men and women, they have goals for representation of women in leadership, and they often offer programs that expose women to all company operations and functions. This helps women gain the experience and knowledge necessary to become CEO — a role that is still out of reach for many.

Placing such value on workplace equality suggests that, in and of itself, building bridges to leadership for women likely helps build a healthier company culture, which leads to better overall performance and improves the bottom line.

Fig. 3: In what ways does your company currently do the most to support women?



Building bridges to leadership for women likely helps build a healthier company culture, which leads to better performance and improves the bottom line.

The experiences and knowledge we've gained in our own journey, combined with our survey results and other research, highlight some opportunities for accelerating women in the workforce:

1. Illuminate the path to leadership

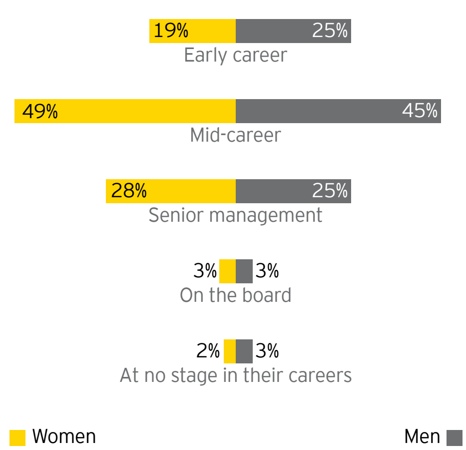
There are precious few women role models at the upper echelons of leadership – just 5% of Fortune 500 CEOs are women, and a barely there 0.3% of FTSE 250 CEO slots are held by women.[16] The next layer is better, but not by much. The percentage of women in senior management roles globally was 18.5% in 2013, and the majority of those were in shared services, not CFO or operational roles.[17] Those roles tend to lack influence, strategy and P&L responsibility, so women miss out on the CEO training ground that the other senior roles provide. This makes the path to leadership uncertain for many women.

In our study, good opportunities for progression are considered a top enabler by both men (26%) and women (35%) (Fig. 2). That means two things. First, according to the experiences of women respondents, organizations must work to make the path to leadership clear to them. Both female and male respondents agree that women need to do a better job of advocating for themselves (68%), but women are also saying the organizations that employ them must illuminate what's possible and show them career opportunities that match their skills and ambition. Internal and external leadership programs can help women pursue top positions once they see the path forward.

"EY has proudly invested over the years in a number of initiatives that have meaningfully helped offer women the best opportunities and experiences to advance, and it's been better for our business," says Karyn Twaronite, EY Global Diversity & Inclusiveness Officer. "We believe it's really important for any organization to be proactive in making sure women are not just sitting on slates. We may have women leaning in, but the reality is we also need companies to be there supporting and sponsoring them to do so. It's not about fixing the women – it's about fixing the environment."

The highest-performing companies in our study help women navigate their careers in many different ways, including leadership pipeline programs, a supportive environment, measurable targets for leadership representation, appointing male sponsors to female employees and developing women's networks. These programs have an impact – 64% of high performers report that men and women have equal influence on strategy in their organizations, compared with only 43% of the lower-performing companies. This is particularly important for women in mid-career, which men and women agree is when the most intense career challenges occur (Fig. 4).

Fig. 4: At what stage do you think women are most likely to experience challenges in accelerating in their careers?



Note: Some charts may not sum to 100% due to rounding.

Knowing what top jobs are open to them, combined with an environment that expects women to occupy leadership roles, helps junior women see and believe in the path before them.

2. Speed up company culture change with progressive corporate policy

In our survey, the twin enablers of work/life balance and flexibility are second and third on the women's list of accelerators, and tied for third on men's (Fig. 2). There's good reason for that. Although rates vary by country, women around the world tend to devote more of their time to housework and caretaking of children and the elderly than men. Due to these constraints, women often take jobs with greater flexibility, which tend to be of lower quality, according to the International Labour Organization.[18]

But even those in the C-suite and those without caregiving tasks value flexibility. Lack of flexibility stalls careers and can cause women on the fast track to drop out or drop back. This impacts women in their 30s and 40s particularly hard – just as they should be hitting their stride at work, they are often met with challenging concurrent time demands such as young children, aging parents and increasing career and community engagement opportunities.

To combat the scarcity of time women face, the highest-performing companies in our study support flexible work arrangements for men and women. When men have more flexibility, they can devote more time to child care and household responsibilities as well as other interests. That can help free women to spend more time on their careers.

Fig. 5: What more can men do to support the advancement of women in their careers, in order to promote gender equality?

Fig. 6: What more can women do to support the advancement of women in their careers, in order to promote gender equality?

Global approaches to advancing board diversity

Based on our observation of global trends, we believe that three mutually reinforcing factors accelerate progress on increasing female representation on corporate boards: focused public sector attention, committed private sector leadership and corporate transparency to meet growing public demand for change.

As our survey indicated, gender-balancing measures in the private sector must be fully supported by senior leaders and implemented across the whole organization, with key performance measures and HR policies to help ensure that women are systematically included in recruitment and promotion pipelines.

Increased attention from public officials keeps pressure on the private sector and results in faster change. While approaches differ from one country to another — and quotas are by no means the only option — the common factor is that public officials use their platform to advocate for change. Investors can apply pressure as well when they have the information they need to hold companies accountable. Several countries have adopted disclosure standards for listed companies that include requirements to report on gender diversity policies.

What success looks like in any particular country depends on political realities and cultural norms, but it's clear that the attention of public officials and investors as well as both male and female CEOs of publicly held companies makes a difference. Collaboration and mutually reinforcing initiatives can lead to real and measurable results that will benefit companies and investors everywhere.

(For more information, read our July 2014 EY Point of View: *Women on boards: global approaches to advancing diversity.*)

> The most difficult thing is the decision to act. The rest is merely tenacity.
>
> **Amelia Earhart,** *aviation pioneer*

In recent years, we have shifted the focus at EY from effective work/life balance to effective work/life integration. Integration goes beyond formal flexible work arrangements, encouraging and supporting informal flexibility in where, when and how men and women work. Today, all of our people work flexibly, and flexibility is not limited to working parents.

Informal flexibility might mean working from home to facilitate getting to a doctor's appointment, starting work a little earlier to volunteer at a community event or leaving at a specific time to attend a school play or a family function. While the vast majority of our people work flexibly on a day-to-day basis, a number benefit from a formal flexible working arrangement regarding hours, schedules and availability.

To encourage cultural progress, flexibility must be seen as a benefit for all, not an accommodation for women. Encouragement for men and women to visibly integrate flexibility into their working lives needs to come from the top. As **EY Global Chairman & CEO Mark Weinberger** told *Time* magazine, **"You can have all the initiatives you want saying you can have flexibility, but until some of the real leaders make the choice to choose family, I don't think people feel like they have real permission to do it."**[19]

3. Build supportive environments and work to eliminate conscious and unconscious bias

A supportive culture throughout the organization is the top enabler of women's acceleration in their companies, according to men in our survey (27%). Moreover, companies need an active CEO who visibly supports the advancement of women. That attitude cascades throughout and manifests in a myriad of programs that support women and help combat unconscious bias (which men in our study cited as the number one barrier for women in the workplace, and women ranked as number two).

"Without a little nudge, it's easy to gravitate towards colleagues and leaders who think, look and act like we do," says Beth Brooke-Marciniak, EY Global Vice Chair - Public Policy. "Unconscious bias on the part of those in power is undoubtedly behind the glacial pace of change. In fact, I've found this same dynamic to be true in discussions of women's advancement initiatives — it's too often women only talking to other women about what needs to change."[20]

Enlightening all men and women and educating management about conscious and unconscious bias and inclusive leadership can be done directly through management training programs. But training isn't everything. Leaders must spread an organization-wide message that bias is unacceptable. Inclusive leadership, in which each person takes responsibility for learning about their own bias and adjusting their behavior, is what's expected.

"We have seen how truly diverse and inclusive teams — which include a balance of men and women as well as people with many other differences — stimulate innovation and generate new ways of problem-solving, all of which lead to better decision-making and results," says Uschi Schreiber, EY Chair, Global Accounts Committee & EY Vice Chair, Global Markets.

At EY, we've found one of the most effective ways to support women is through sponsorship. A sponsor's ability to help move a person to the next level is powerful. It can very quickly impact the careers of individuals and over time transform the culture of an organization.

We make sure sponsorship stays high on the agenda through a variety of informal and formal sponsorship programs and by making sponsorship, particularly of women and other underrepresented groups, part of our senior leaders' goals. Sponsorship and many other programs aimed at building a supportive environment have helped accelerate progress at EY: In 1996, women made up only 4%–6% of the partnership. Now, women comprise 20% of partners.

Taking concrete steps to create a workplace that is more supportive of women with less conscious and unconscious bias would help and encourage more women to move up the ranks.

Women. Fast forward

We recognize that we are all on a journey, and it will take time for every leader in every business in every country to embrace the full potential of women in the workforce. However, we can help accelerate that change by working together to reinvent gender roles, reset norms and provide equal opportunities for all.

The ideas presented in this report are recommended accelerators, but they are not the only ones. More work and more ideas are surely needed.

Everyone will benefit if women stay engaged in their careers and contribute their full economic value to the companies that employ them and the nations where they live and work. Women are eager for these opportunities, and companies and countries around the world need the economic prosperity they can provide through increased productivity, better financial and all-around performance, GDP gains and more.

Let's ask ourselves what we will do to accelerate women's progress in the workplace. Eighty years — or four generations — is far too long to wait to achieve workplace gender parity and enjoy the enrichment it will offer all of us.

Great decisions shouldn't take 80 years to implement. Why wait?

ey.com/womenfastforward

Better parity.
Better working world.

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About our survey

General
- 400 responses
- Cross-section of industries

Regions
- 40% EMEIA
- 30% North America
- 30% Asia-Pacific

Gender
- 50% male
- 50% female

Seniority
- 100% management level
- 50% C-suite

Company size
- Minimum revenue US$500m
- 50% over US$1b

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