

# Gender Sector Brief: Financial Institutions



## *How to Apply a Gender Lens to the Evaluation of Financial Institutions Investments*

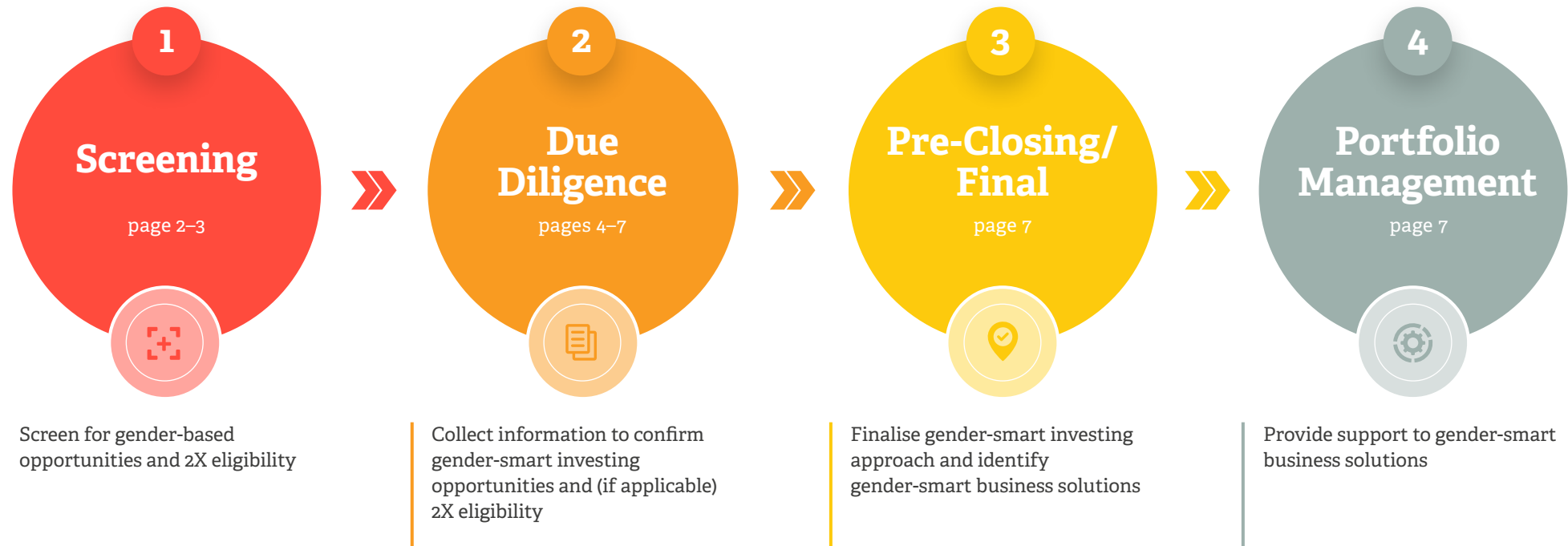
This is a sector-specific diagnostic guide to support investors and fund managers to identify existing and future opportunities for gender-smart investing in the financial institutions (FIs) sector.

This guide contains questions for investors to ask during screening and due diligence, and suggests possible actions to take depending on the answers to these questions. Depending on the structure of your organisation, responsibility for covering gender impact opportunities in due diligence and portfolio management will vary and can be led by investment, environmental, social and governance (ESG), impact, or gender teams. It is down to the investor or fund manager to determine where responsibility sits.

Gender-smart investing and financial inclusion are smart business. We know financial institutions that perform well on gender inclusivity return greater profit. We also know that women's demand for financial services is increasing, yet often unmet. This presents a significant business and impact opportunity.

Additional information on the rationale for taking a gender-lens to Financial Institutions investments and relevant trends in the sector can be found within this brief.

Click on each stage of the deal process to access relevant information:



The investor should answer screening questions before the deal is submitted for approval. The questions explore gender-based opportunities and focus on the company's smart inclusion of women across its workforce and supply chain, and its efforts to serve female customers.

This guide focuses on gender-based opportunities and gender-smart investing as an investment strategy. For gender-smart investors, screening for gender-based risks and negative impacts is an important aspect of ESG due diligence. Guidance on gender-based ESG risks and due diligence is provided in the CDC ESG Toolkit.<sup>1</sup>

Screening questions will determine:

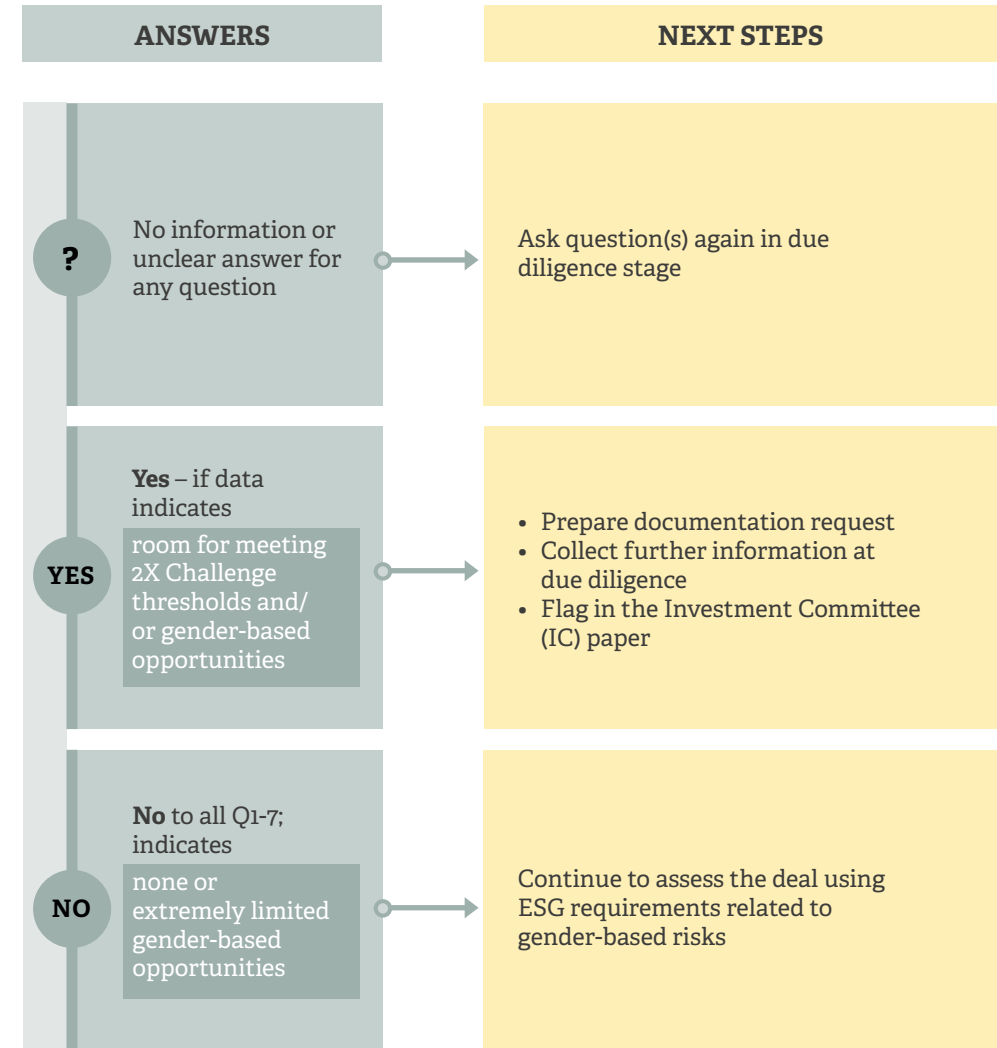
1. If the deal meets thresholds and/or qualifies under the 2X Challenge.<sup>2</sup>
2. If there are potential gender-based opportunities to be explored further in due diligence.

<sup>1</sup> Improper screening and poor management of gender-based risks can prevent effective gender-smart investing and have a detrimental impact on a company's performance in terms of operational costs, reputational damage, stakeholder engagement, employee productivity and loss of confidence. [Access the CDC ESG Toolkit.](#)

<sup>2</sup> The 2X Challenge is a global initiative launched in 2018 by CDC and development finance institutions (DFIs) from the G7 countries to direct \$3 billion to investments that help advance women's economic empowerment. To do this, 2X Challenge's members built a qualifying framework and defined a set of gender metrics adopted today by 15 DFIs and defined as industry standard by other investors. The 2X metrics are now used by the GIIN IRIS+. [Learn more about 2X and IRIS+ indicators.](#)



2X-related questions	YES	NO	Current %	No data/ unclear
<b>1. OWNERSHIP.</b> Was the FI founded by a woman or do women own a majority share of the business?				
<i>Notes</i>				
<b>2. BOARD.</b> Do women represent 30% or more of the board?				
<i>Notes</i>				
<b>3. SENIOR MANAGEMENT.</b> Do women represent 25% or more of the senior management team? <sup>3</sup>				
<i>Notes</i>				
<b>4. EMPLOYEES.</b> Do women make up 40% or more of the workforce? <sup>4</sup>				
<i>Notes</i>				
<b>5. CUSTOMERS.</b> Does the FI specifically target female customers and/or design products or services tailored to women's needs, preferences or behaviours?			N/A	
<i>Notes</i>				
<b>6. FOR FUNDS ONLY.</b> Do 30%+ portfolio companies answer yes to at least one of the questions 1-5?			N/A	
<i>Notes</i>				
Opportunities for gender-smart business solutions	YES	NO	Current %	No data/ unclear
<b>6.</b> Is there commitment or capacity to create significant jobs for women, refine product and/or service offerings to better serve female customers and/or undertake workforce gender diversity efforts? Is the investee interested in scaling-up its efforts			N/A	
<i>Notes</i>				



<sup>3</sup> Room for judgment: Investees in unique sectors, especially across infrastructure industries, may require case-by-base consideration.

<sup>4</sup> Ibid.

## 2 Due Diligence

Gender due diligence is the process of gathering gender-related data and information from the potential investee company for analysis to determine whether gender gaps present opportunities that may impact performance or affect an investee company's operations and financials. Deal teams can integrate these questions into existing due diligence workstreams (e.g. ESG, impact, commercial).

The investor should collect the due diligence information and proceed to:

- Confirm 2X qualification (as applicable).
- Confirm gender-based opportunities to take forward compared to other impact investing themes.

## 2 Due Diligence



### Leadership

**1. Does the board and/or senior management have strong oversight and a clear governance process to support gender diversity and inclusion? Are any initiatives in place to promote women in leadership?**

*Rationale: Confirms commitment and ability to launch initiatives to drive greater gender diversity and inclusion for better corporate performance; identifies opportunities to provide guidance on governance structures and processes.*

YES	NO
Notes	

### Workforce

**2. Are there specific policies and programmes to support inclusiveness of both men and women at work? If so, what are they? For example, specific HR policies that go beyond basic regulatory requirements (e.g. childcare support, flexible work, gender targets for construction and maintenance, standardised pay rates for each role).<sup>6</sup>**

*Rationale: Determines the level of inclusiveness of existing policies, facilities and programmes, and how this will affect key business performance indicators such as retention, absenteeism, turnover, and maternity return rate; highlights opportunities to support the business case for inclusive workforce improvements.*

YES	NO
Notes	

**3. Building on recent and/or existing data, are there differences between the roles/responsibilities/functions/levels/grades undertaken by men and women in the workforce, including permanent, contracted, seasonal staff as well as contractor construction and maintenance staff?**

*Rationale: Highlights opportunities to support recruitment, advancement or efforts to support women in leadership roles. If women are segregated into only a subset of roles and are therefore underutilised, or if certain teams, functions or levels are dominated by one gender, the business may underperform due to lack of diversity.*

YES	NO
Notes	

**4. Does the FI collect and monitor gender-disaggregated staff data (e.g. average salary, turnover, absenteeism, retention, and promotion)? How is the data analysed and to what extent is data used for decision-making on gender-related efforts (e.g. to better serve women customers)?**

*Rationale: Highlights a commitment to understanding gender diversity and measuring improvements; helps identify opportunities to improve data collection and areas to support the company and further its strategic priorities.*

YES	NO
Notes	

### Products and Services

**5. Do the FI's management information systems enable it to track customer uptake and usage of products by segments such as gender?**

*Rationale: Provides understand on whether the FI is committed and capable of measuring uptake; highlights key gaps for the investor to support improvements in tracking uptake and usage.*

YES	NO
Notes	

## 2 Due Diligence



	YES	NO
<p><b>6. How does the FI segment its customers (particularly female customers) and how is this used to inform product and channel design?</b>  <i>For example, the FI segments customers based on needs such as simplicity, convenience, or risk aversion and uses this to tailor products and how they are provided to customers. Rationale: Provides understanding of the extent of customer segmentation and identifies opportunities for the investor to support strong segmentation analysis and use of segmentation data to better serve female customers.</i></p>		
<p><b>7. How does the FI capture feedback and assess relevancy of product, particularly for female customers?</b>  <i>Rationale: Provides insight on whether the FI is measuring feedback to improve its product/ service portfolio; enables the investor to assess effectiveness of current products and provide guidance on improvements.</i></p>		
<p><b>8. Does the FI offer any non-financial services to female customers?</b>  <i>For example, services could include business management and consultancy, access to partnerships and networks, and provision of financial literacy training. Rationale: Highlights opportunities for differentiation through value added services and enables the investor to identify what other services might be beneficial.</i></p>		
<p><b>9. How does the FI address structural constraints, such as KYC requirements or collateralised lending, that are typically disproportionate challenges for women?</b>  <i>Rationale: Provides insight into FI's level of innovation to overcome restrictive barriers for customers (e.g. legal requirements, lack of collateral) and enables the investor to identify further areas of innovation.</i></p>		
<p><b>10. Does the FI proactively engage with the regulator, its peers, others to advance women's financial inclusion and address the gender gap in access to finance?</b>  <i>Rationale: Determines level of commitment and areas for the investor to support broader opportunities to advance financial inclusion.</i></p>		

**USEFUL DATA AND DOCUMENTATION**

- Gender-disaggregated data on internal staff (including ownership, board, senior management, middle management, and all employees)
- Organisation diagram/chart by gender
- Gender or inclusion strategies/policies; actions plans; HR policies to support women in the workforce (e.g., parental leave policy)
- Documentation on initiatives to advance gender diversity in the workforce (e.g., mentorship programmes, childcare provision)
- Gender-disaggregated customer/client data - by total # and \$ loans to retail and MSME clients
- Documentation related to specific products/services targeted to female clients

For question 10, the relevant FI counterpart would be the Head of Regulation/Compliance.

## 2 Due Diligence

## 3 Pre-Closing/ Final

### Gender-smart business solutions to consider

If opportunity identified based on question 1:

**Advancing Management's Commitment to Gender & Women's Leadership** on boards and senior management through placement and expanding networks

If opportunity identified based on questions 2–3:

**Driving Gender Diversity and Inclusion in the Workforce**  
Through quality D&I and equal opportunity initiatives, including gender diagnostics and action plans

If opportunity identified based on questions 4–5:

**Enhancing Gender Data Capture Capability and Management** through systematising the collection and use of gender-disaggregated data

If opportunity identified based on questions 6–10:

**Effectively Targeting an Underserved Female Client Base** through market research, product enhancement and delivery channels

### Next steps

#### Next steps:

- Identify and align further develop gender-smart business solutions
- Discuss proposed opportunity and approach with investee
- Where required, develop a Gender Action Plan (GAP), including targets, roles and responsibilities, allocated resources and timelines

#### Action as relevant:

- Integrate agreed gender-smart business solutions into the deal structuring
- Include gender metrics in reporting template
- Write up case for gender within the Investment Committee (IC) paper

For more guidance on the investment cycle and portfolio management, including CDC case studies, please refer to the CDC Gender Toolkit.

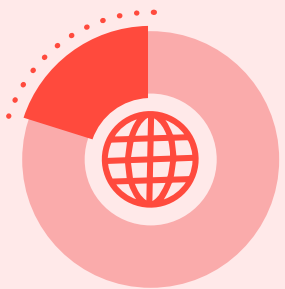
### The annex contains:

1. Further information on the business and impact case for taking a gender lens to FI investments and relevant trends facing the sector.
2. Screening and due diligence questionnaires and data and information request form. These can be sent directly to the potential investee if remote or desktop-based due diligence is being used.



# Why take a gender lens to FI investments?

## INCORPORATING A GENDER LENS INCREASES RETURNS



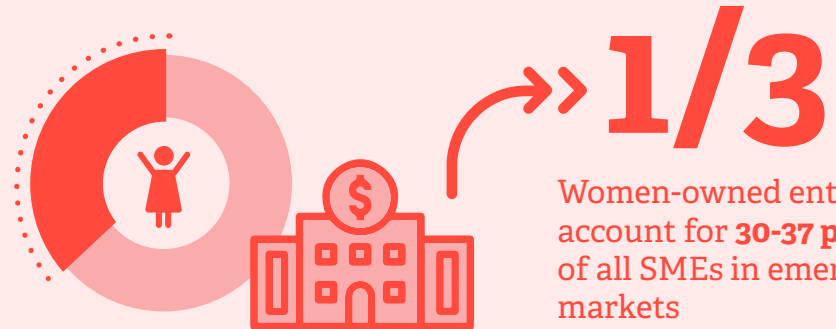
# <20%

Women typically hold fewer than **20 per cent** of bank board seats globally

Around the world, banks with a higher share of women on their board tend to have a significantly **higher return on assets** and lower non-performing loan rates



## LOW LEVELS OF WOMEN'S FINANCIAL INCLUSION PRESENT A SIGNIFICANT MARKET OPPORTUNITY FOR FINANCIAL INSTITUTIONS



Women-owned enterprises account for **30-37 per cent** of all SMEs in emerging markets

# \$320B

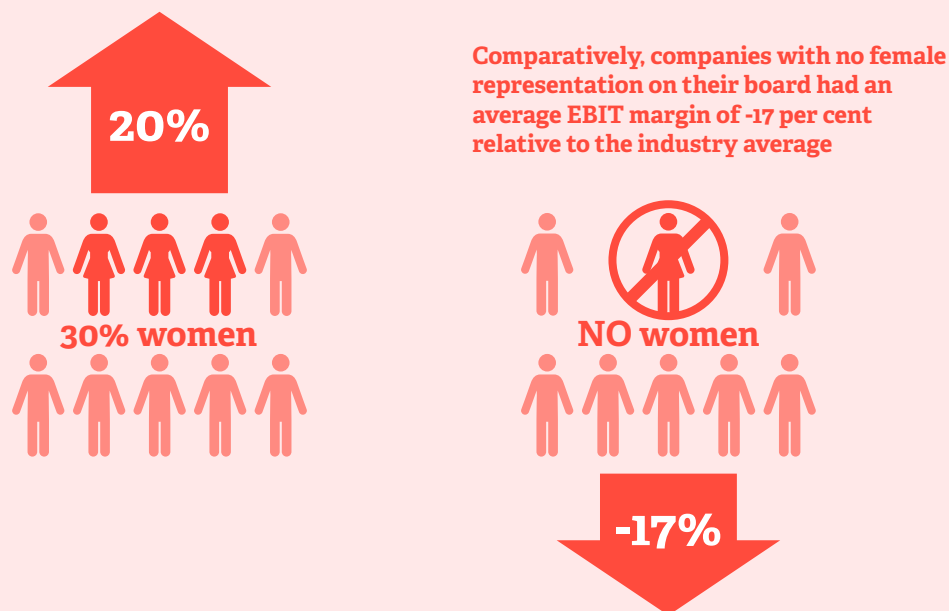
Women-owned SMEs worldwide face a **\$320 billion credit access gap** despite women often having lower non-performing loan rates, higher net promoter scores, and higher rates of product cross-selling

# Why take a gender lens to FI investments?

## IMPROVING FINANCIAL AND ORGANISATIONAL PERFORMANCE

A number of cross-regional studies<sup>6</sup> observe a positive correlation between greater levels of gender diversity at the executive level and higher likelihood of financial and organisational outperformance.

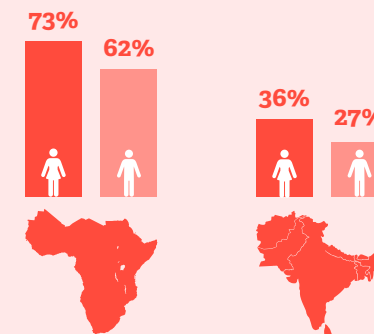
**A 2014 McKinsey study of 210 African companies showed that, for organisations with 30 per cent of board positions occupied by women, EBIT margins tended to be 20 per cent higher than the industry average.**



## SERVING FEMALE CLIENTS WITH RELEVANT AND ACCESSIBLE FINANCIAL PRODUCTS AND SERVICES

Women are often their household's 'money managers' and women customers are also creditworthy (tending to have lower nonperforming loans), save at a higher rate than men and have a higher net promoter score and rate of product cross-selling.<sup>7</sup>

**However, 73 per cent of women in sub-Saharan Africa and 36 per cent in South Asia do not have access to an account at a financial institution, compared to 62 per cent and 27 per cent of men respectively.**



The gender gap is driven by a combination of demand and supply side factors. Demand side barriers include sociocultural norms (e.g., mobility constraints) restricting women's access and usage.

**Supply side barriers include high collateral requirements, traditional Know Your Customer (KYC) requirements and limited innovation to develop relevant products and services for women.**



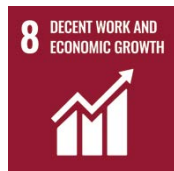
For example, low-cost structured savings solutions support women to save effectively and manage their daily and often competing needs

<sup>6</sup> McKinsey, 'Women Matter Africa', 2016; McKinsey, 'Women Matter', 2008; Credit Suisse 'The Reward for Change', 2016; MSCI's 'Tipping Point: Women on Boards and Financial Performance', 2016.

<sup>7</sup> Ibid

## SDG INVESTING

Adopting gender as an investment strategy can help investors catalyse their impact on the United Nations Sustainable Development Goals (SDGs). There is significant potential for investors to shape gender outcomes in line with SDG 5 on gender equality, SDG 8 on decent growth and economic growth, SDG 10 on reduced inequalities. In addition, financial inclusion is an enabler of other SDGs, featured in 8 of the 17 SDGs. These include SDG 1, SDG 2, SDG 3, SDG 5, SDG 8, SDG 9, SDG 10, and SDG 17.

EMERGING GENDER AND  
F1 TRENDS**Digital identities:**

Digital IDs can help solve the critical barrier of lack of documentation. An estimated 45 per cent+ of women do not have a formal ID, as compared with 30 per cent of men, often driven by low levels of literacy. Countries such as India and Pakistan have successfully rolled out national digital identity programs - using biometric data to eliminate literacy as a barrier. Digital ID is a potential catalyst to improve women's financial inclusion – opening a bank account, linking to government subsidies and developing a digital record to build a credit base that improves access to credit.

**Shifting financial systems:**

Increasing regulatory focus on improving financial inclusion and addressing the gender gap. Recognising the need to improve the level of financial inclusion, regulators are increasingly developing national financial inclusion strategies and Financial Inclusion Secretariats, tasked with a broad range of coordinated interventions to drive financial inclusion. This includes setting specific financial inclusion targets, including for SMEs and women; facilitating partnerships with non-traditional actors, like mobile network operators (MNOs), to overcome structural and demand side barriers to financial inclusion; and designing enabling regulations that facilitate innovation (e.g. Payment Banks). This presents a huge opportunity to facilitate new models, including fintech, to develop new/hybrid products to expand cost-effectively and secure reach to new customers.

## ADDITIONAL RESOURCES

The following resources from CDC's strategic partner, the Financial Alliance for Women, should help investors and fund managers further develop their gender-smart investing approach in the sector. Some of their latest tools include:

**EAFW, in partnership with CDC**, How to Become an Employer of Choice for Women (2020)

**EAFW**, The Economics of Banking on Women (2019)

**EAFW**, The Power of Gender Data: Gender-Inclusive Digital Financial Services (2020)

**EAFW**, Driving Change: Achieving Gender-Balanced Leadership in Financial Services (2020)

**EAFW**, The Growing Opportunity of Women of Wealth: Defining Strategies for Success

Other industry resources include:

**Mercer**, Gender Diversity in the Financial Services Industry (2020)

**IFC**, Gender Intelligence for Banks: Moving the Needle on Gender Inequality (2017)

**GPFI and IFC**, Strengthening Access to Finance for Women-Owned SMEs in Developing Countries (2011)

# Gender Screening Questionnaire: Financial Institutions

This questionnaire is to be completed by investees and/or clients during the screening stage of the deal process to enable potential investors to better understand the current level of gender diversity and inclusion, initiatives to support women entrepreneurs, and efforts to serve female users and customers. Some of the questions are derived from the 2X Challenge.

CDC is a founding member of the 2X Challenge, a DFI initiative to mobilise \$3 billion for investment in business activities that benefit women by 2020. To qualify, investments must meet the criteria for female entrepreneurship, leadership, employment or consumption. More details on the 2X Challenge can be found at [2xchallenge.org](http://2xchallenge.org)

	YES	NO	Current %	No data/unclear
<b>1. OWNERSHIP.</b> Was the FI founded by a woman or do women own a majority share of the business??				
Notes				
<b>2. BOARD.</b> Do women represent 30% or more of the board?				
Notes				
<b>3. SENIOR MANAGEMENT.</b> Do women represent 25% or more of the senior management team?				
Notes				
<b>4. EMPLOYEES.</b> Do women make up 40% or more of the workforce?				
Notes				
<b>5. CUSTOMERS.</b> Does the FI specifically target female customers and/or design products or services tailored to women's needs, preferences or behaviours?			N/A	
Notes				
<b>6. FOR FUNDS ONLY.</b> Do 30%+ portfolio companies answer yes to at least one of the questions 1-5?			N/A	
Notes				
<b>7. FI COMMITMENT.</b> Is there commitment or capacity to create significant jobs for women, refine product and/or service offerings to better serve female customers and/or undertake workforce gender diversity efforts? Is the investee interested in scaling-up its efforts?			N/A	
Notes				

# Gender Due Diligence Questionnaire: Financial Institutions

This questionnaire is to be completed by investees during the due diligence stage of the deal process. Its aim is to enable investors and fund managers to understand the current level of internal gender

diversity and inclusion, to identify initiatives that support women entrepreneurs, and acknowledge efforts to serve women clients and users.

## Leadership

1. Does the board and/or senior management have strong oversight and a clear governance process to support gender diversity and inclusion? Are any initiatives in place to promote women in leadership?

YES	NO

Notes

## Workforce

2. Are there specific policies and programmes to support inclusiveness of both men and women at work? If so, what are they? For example, specific HR policies that go beyond basic regulatory requirements (e.g. childcare support, flexible work, gender targets for construction and maintenance, standardised pay rates for each role).<sup>6</sup>

YES	NO

Notes

3. Building on recent and/or existing data, are there differences between the roles/responsibilities/functions/levels/grades undertaken by men and women in the workforce, including permanent, contracted, seasonal staff as well as contractor construction and maintenance staff?

YES	NO

Notes

4. Does the FI collect and monitor gender-disaggregated staff data (e.g. average salary, turnover, absenteeism, retention, and promotion)? How is the data analysed and to what extent is data used for decision-making on gender-related efforts (e.g. to better serve women customers)?

YES	NO

Notes

## Products and Services

5. Do the FI's management information systems enable it to track customer uptake and usage of products by segments such as gender?

YES	NO

Notes

For question 1, the relevant FI counterpart to ask the question would be the senior management team.  
 For questions 2-4, the relevant FI counterpart to ask the question would be the HR lead.  
 For questions 5-9, the relevant FI counterpart to ask the question would be the Head of Product or Head of Customer Acquisition.

# Gender Due Diligence Questionnaire: Financial Institutions

	YES	NO
6. How does the FI segment its customers (particularly female customers) and how is this used to inform product and channel design?	Notes	
7. How does the FI capture feedback and assess relevancy of product, particularly for female customers?	Notes	
8. Does the FI offer any non-financial services to female customers?		
	Notes	
9. How does the FI address structural constraints, such as KYC requirements or collateralised lending, that are typically disproportionate challenges for women?	Notes	
10. Does the FI proactively engage with the regulator, its peers, others to advance women's financial inclusion and address the gender gap in access to finance?		
	Notes	

### USEFUL DATA AND DOCUMENTATION

- Gender-disaggregated data on internal staff (including ownership, board, senior management, middle management, and all employees)
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- Documentation on initiatives to advance gender diversity in the workforce (e.g., mentorship programmes, childcare provision)
- Gender-disaggregated customer/client data - by total # and \$ loans to retail and MSME clients
- Documentation related to specific products/services targeted to female clients

For question 10, the relevant FI counterpart would be the Head of Regulation/Compliance.

# ADDITIONAL NOTES

