



# Market Research to Assess the Business Opportunity of Women's Markets for Financial Services in Kyrgyzstan

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This report is based on findings from the Market Research to Assess the Business Opportunity of Women Markets for Financial Services in Uzbekistan, Kyrgyzstan, and Tajikistan that was conducted to understand a range of women's needs in financial and non-financial services and untapped commercial opportunity for financial institutions. The report was prepared under the IFC Central Asia Banking on Women (BoW) team led by Luiza Mamarasulova (Operations Officer) and Olena Prokopovich (Operations Officer) under the supervision of Ulugbek Tilyayev (Operations Officer) from the IFC Financial Institutions Group. The team included Sabila Din (Senior Gender Consultant), Simla Unal (Senior Gender Consultant), Altynai Chokoeva (Consultant) and Fatima Bozorova (Program Assistant). The team benefited from the valuable inputs and peer reviewing comments provided by Sammar Essmat (Senior Operations Officer, Gender and Economic Inclusion Secretariat), Ceren Ozhan (Investment Officer – Gender Finance Champion) and Iroda Azizova (Operations Officer). The report was edited by Sandya Karnad Deviah and prepared for publication and outreach by Kymbat Ybyshova (Communications Officer).

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## EXECUTIVE SUMMARY

Many banking needs of women, either for their businesses or for themselves and their families, are not yet met in Kyrgyzstan. This means that financial institutions (FIs) leave a significant market underserved. Women, as individuals and as entrepreneurs, display a keen openness to borrow from banks; however, this interest is largely directed towards loan products that are in line with international best practices, such as credit offerings with lower interest rates and more flexible collateral requirements and conditions. Lack of ease of use of banking services is also considered a barrier to higher banking-product utilization. Kyrgyz women express a strong desire to see banks becoming more convenient to use, have shorter waiting times, and for the banking staff to be more respectful and professional.

Kyrgyz women have a strong preference for using mobile apps to interact with banks. Therefore, besides improving physical interactions in banking, enhancing the user experience and usability of digital banking services would be a strong differentiator.

Women in Kyrgyzstan may even be more favorably disposed to formal financial institutions than men, especially in managing money. Here, women present a starting point for banks to build new relationships and intensify existing relationships, which in many ways is more favorable than for their male peers. Not only do women own just as many bank accounts as men, they also express a higher confidence in financial institutions, and are willing to keep their money in banks more than men.

Kyrgyz women in the retail segment look for more guidance on achieving financial stability. Women in all the three retail segments identified in this research (urban young professionals, urban family managers, women outside of urban areas) expressed a strong interest in working with FIs to plan a more secure financial future. Our research revealed that help with finance – either for

their education (for urban women without children), or their children's education (for women with children) – was a key motivator for them to avail formal financing. FIs should understand the diverse needs of the women's retail segments and offer tailored solutions to help them achieve their goals. They should incorporate a customer-centric mindset in their future solution-development efforts to position themselves as women's banking partners, instead of providers.

Women-led businesses face additional challenges with access to finance, information, and markets. Women entrepreneurs across the three segments identified in this research (early-stage entrepreneurs, stability-oriented entrepreneurs, growth-oriented entrepreneurs) have diverse needs. However, they all face constraints unique to WMSMEs as they juggle multiple responsibilities at home and professionally. In general, WMSMEs seem content with the way they manage their finances, and they report having a relatively good understanding of financial services; yet their usage is still limited. Additionally, Kyrgyz women entrepreneurs expressed a strong latent demand for non-financial services, which would give them better access to information and markets, and help them run their businesses more efficiently. Notably, female entrepreneurship is more prevalent in Kyrgyzstan than in many peer countries.

SMEs contribute 41 percent to Kyrgyzstan's GDP, but their value added to GDP remains lower than in peer countries. Kyrgyzstan performs relatively weakly in terms of business competitiveness when compared with peers. This is partly due to persistent corruption – Kyrgyzstan ranks 124 of 179 on Transparency International's Corruption Perception Index. However, the government still prioritizes privatization, trade liberalization, and tax reform – areas where IFC's assistance would be crucial.

Although the enabling environment is conducive, further progress on socio-cultural aspects could strengthen the case for gender equality. On gender equality, Kyrgyzstan shows potential for improvement, typical of many lower-middle income countries. Despite being ranked 93 of 153 assessed countries, Kyrgyzstan shows surprisingly strong gender equality on certain issues such as health, schooling, and social services, where it ranks among the top for gender parity. In educational attainment, Kyrgyz women already acquire more human capital than their male peers. Kyrgyz women's limited economic inclusion, which hinders sustainable economic growth, is mainly due to social norms.

Most FIs in Kyrgyzstan are yet to understand and capitalize on the potential to offer targeted banking services for women. Currently, they largely provide basic banking services, which are at risk of becoming commoditized – conventional banking with little product differentiation and high reliance on collateral. FIs' offerings that are centered on credit and payments, and provide better ease of access to markets or networks, emerge as the strongest opportunity areas for the business segment. All segments of women entrepreneurs would like to improve their financial literacy.

Kyrgyzstan has a well-balanced, diverse financial system with many institutions dominated by the private sector. Recently, the financial system has undergone significant changes as large non-bank financial institutions leading the microfinance activities upscaled into commercial banks. Most of the financial products targeted at women are loans for female entrepreneurs, indicating that reaching individual women is not seen as a strategic goal, which is a potential missed opportunity. NFS offerings can be improved by designing services that meet the specific needs of women customers.

Although the women's perception of banks is relatively good, they still consider borrowing to be risky. Therefore, family and

friends are viewed as more favorable sources of financing. Women express a higher confidence in financial institutions and are more willing to keep money at banks than men. However, the access and variability of financial products for women is limited. Financial literacy is poor among women, and there is a strong interest in acquiring financial literacy skills. Most of the financial products targeted at women are loans for female entrepreneurs, indicating that reaching individual women with retail banking offerings is not seen as a strategic goal, which is a potential missed opportunity.

For FIs, the Kyrgyz banking market translates into untapped commercial opportunity of up to KGS45.3 billion (\$431.5 million) in annual revenue in the 'transformational scenario', or a more immediate market opportunity of KGS14.5 billion (\$138.1 million) in the 'quick-win' scenario, while the current market is estimated at KGS7.1 billion (\$67.6 million)<sup>1</sup>. The assessment of the potential that women clients represent for Kyrgyz financial service providers reveals a substantial untapped upside. This is true even before accounting for potential collateral benefits that women offer as strategically important clientele.

Research conducted for this study serves as a basis to estimate the business volumes and potential revenues for women as business banking/MSMEs and retail clients in Kyrgyzstan under three settings. Firstly, our demand-side research considers the current-level of use of formal finance as snapshot in the absence of sex-disaggregated supply-side data. Secondly, a "quick-win market opportunity" reflecting the current unmet financial needs, which could be implemented quickly. Finally, a long-term "transformational market opportunity" that a dedicated approach to the women's market could achieve by translating their needs and constraints into a more inclusive, innovative value proposition and service model rather than the banking-as-usual model.

<sup>1</sup> The 'quick-win' market opportunity describes the more immediately available potential based on survey responses on future financial service uptake thus providing a snapshot of the immediately available market potential that could be reached with some incremental changes in market practices in the next couple of years. The 'transformational market opportunity' is based on international benchmarks and it estimates what the market could look like if inclusive financial service practices were fully adopted. It can be interpreted as a medium- to long-term goal for the market. For the methodology, see appendix B.

While the transformational market potential for FIs is significant, their legacy positions are under threat from savvy local disruptors and foreign market entrants. Commercial banks employing disruptor models that provide more convenience and cost benefits, are driving the disintermediation of the Kyrgyz financial services market. Furthermore, as reforms in Kyrgyzstan's financial sector create new opportunities, foreign market entrants leverage their strong market positions and advanced digital transformation to create momentum for entry.

FIs should address this opportunity in women's banking by making it a strategic priority. They should measure and analyze data, establish a gender-inclusive mindset, and develop holistic

value propositions for women and women-led businesses. Broader value propositions, with a mix of financial and non-financial services, should be at the forefront of future product development efforts for women's markets in Kyrgyzstan. Making client-centricity the basic principle of organizing FIs' retail and (M)SME operations should be at the heart of moving towards success in this new setting. IFC can help FIs build internal and external capacity to mobilize this potential by providing technical assistance across all stages—through diagnostics and capability development, piloting quick fixes, and go-to-market strategy development.





# 1. BRIEF BACKGROUND ON THE RESEARCH METHODOLOGY

This research design draws upon the principles of Human-Centered Design (HCD). It uses quantitative and qualitative research methods to assess the dynamics of supply and demand and estimate the size of the women's markets in the country. Figure 1 presents an overview of the qualitative and quantitative methods, as well as the timeframe for the study.

<b>Qualitative Research</b> From May to July 2021	<ul style="list-style-type: none"> <li>4x focus group discussions with individual women comprising the retail segment</li> <li>4x focus group discussions with women entrepreneurs comprising the business segment</li> <li>7x in-depth interviews with medium-sized WMSMEs</li> <li>10x follow-up interviews with individual women from focus groups</li> <li>10x follow-up interviews with women entrepreneurs from focus groups</li> <li>10x in-depth interviews with key executives from country's financial sector</li> </ul>
<b>Quantitative Research</b> From September to October 2021	<ul style="list-style-type: none"> <li>102 x computer-aided telephone interviews with individual women</li> <li>100x computer-aided telephone interviews with women entrepreneurs</li> </ul>

Figure 1: Overview of research methodology

For a more detailed description of the methodology, see appendix A.

This report assesses the demand-side of the women's markets by distinguishing between the business and retail segments. This principal division is then further subdivided to achieve a more nuanced representation of the segments, based on the definitions outlined below:

**Business Segment:** Women who are economically active either as self-employed entrepreneurs or as owners of small and medium-sized businesses. The business segment is further divided into the following three sub-segments based on business life-stage/growth outlook:

Women Entrepreneurs	Number of businesses	% of all female-led businesses
Early-Stage	10,321	22%
Stability-oriented	8,210	17.5%
Growth-oriented	28,383	60.5%

Table 1: Market size – business segment

**Retail Segment:** Women as individuals, excluding those who have their own business (that is, women who are employed, retired, dependents, unpaid caregivers, or unpaid staff in the family business). The retail segment is further divided into the following three sub-segments principally based on settlement type, followed by motherhood in the urban context:

	Number of women	% of all individual women
Urban Young Professionals	80,500	4%
Urban Family Managers	725,100	32%
Rural Women	1,432,300	64%

Table 2: Market size – retail segment



## 2. THE OPPORTUNITY TO SERVE THE WOMEN'S MARKET

The assessment of the potential that women clients represent for Kyrgyz financial service providers reveals a substantial untapped potential. This is true even before accounting for potential collateral benefits that women offer as strategically important clientele. Research conducted for this study serves as a basis to estimate – at the level of three sub-segments each for women as Retail and as business banking/MSME clients – the business volumes and potential revenues in Kyrgyzstan under three settings. First, the current-level of use of formal finance – in the absence of sex-disaggregated supply-side data, our demand-side research facilitates this as-is snapshot. Secondly, a “quick-win market opportunity,” reflecting the financial needs and interest in having these served as encountered for each segment in field research for this study. This provides a snapshot of the market that could be achieved by implementing some incremental changes in financial service practices. And finally, a “transformational market opportunity” that a dedicated approach to the women’s market could achieve by translating their needs and constraints into a more inclusive, innovative value proposition and service model rather than banking as usual analyzed in the supply-side assessment of this report. The transformational scenario presents a snapshot of the market that assumes adoption and full embracement of a more inclusive approach to banking practices.<sup>2</sup>

In terms of full potential, it is worth nearly five times its current value; a more gender-intelligent financial sector stands to gain around KGS45.3 billion (\$431.5 million) in annual revenue from the inclusion of women in both retail and business segments, based on our transformational model. Individual women represent a transformative upside of almost seven times the current revenue compared to the already better served women MSMEs, who can be expected to achieve almost five times their current revenue.

Thus, the full transformative revenue potential for women’s retail banking is estimated at almost KGS36.9 billion (\$351.5 million); while businesswomen represent a total latent transformational potential of KGS8.4 billion (\$79.9 million). Most of the upside that women-led businesses hold for banks is through serving their professional financial needs. However, their personal financial needs offer a bigger relative potential for increase, and could account for almost one-third of all revenue from women MSME clients, up from one-sixth (17 percent) today.

Unmet Market Potential – Kyrgyzstan		
KGS millions	Business	Retail
Current	1,729	5,355
Quick-win Market Opportunity <sup>3</sup>	3,094	11,416
Multiple to Current	1.8x	2.1x
Transformational Market Opportunity <sup>4</sup>	8,392	36,903
Multiple to Current	4.9x	6.9x

Table 3: Potential market estimates – business segments

<sup>2</sup> For methodology, see appendix B.

<sup>3</sup> The ‘quick-win’ market opportunity describes the immediately available potential based on survey responses on future financial service uptake. For the methodology, see appendix B.

<sup>4</sup> The ‘transformational market opportunity’ is based on international benchmarks to estimate the potential development path of the market. For the methodology, see appendix B.

Currently, serving women's financial needs is worth an estimated volume of KGS86.8 billion in loans (\$1 billion) and KGS7.1 billion in revenues (\$85 million). Today, the contributions to financial institutions' revenue come from loan revenue (nearly half of the total), after accounting for risk costs. However, transaction services could account for over 20 percent of the total, and one-third could come from the interest spread on deposits.

Unmet Market Potential – Women Entrepreneurs							
KGS millions	Lending Volume	Deposit volume	Lending revenue	Deposit revenue	Revenue from transactions	Revenue from insurance	TOTAL
Current	9,254.3	3,357.0	788.5	149.6	788.7	2.2	1,729
Quick-win Market Opportunity <sup>6</sup>	23,648.3	6,811.0	1,929.8	245.8	905.4	13.1	3,094
Multiple to Current	2.6x	2x	2.4x	1.6x	1.1x	5.9x	1.8x
Transformational Market Opportunity <sup>7</sup>	110,490.4	9,586.2	3,204.5	1,493.8	3,285.5	407.8	8,392
Multiple to Current	11.9x	2.9x	4.1x	10x	4.2x	185x	4.9x

Table 4: Potential market estimates – business segments

Unmet Market Potential – Individual Women							
KGS millions	Retail lending volume	Deposit volume	Lending revenue	Deposit revenue	Revenue from transactions	Revenue from insurance	TOTAL
Current	32,003.7	42,228.1	2,533.6	2,032.6	737.6	50.7	5,355
Quick-win Market Opportunity <sup>8</sup>	65,805.6	104,844.4	5,810.0	4,349.4	1,182.7	73.7	11,416
Multiple to Current	2.1x	2.5x	2.3x	2.1x	1.6x	1.5x	2.1x
Transformational Market Opportunity <sup>9</sup>	174,974.7	118,272.7	29,262.7	4,485.3	2,226.9	927.8	36,903
Multiple to Current	5.5x	2.8x	11.5x	2.2x	3x	18.3x	6.9x

Table 5: Potential market estimates – retail segment

**In terms of current segment composition, individual women already account for 3.5 times the revenue and loan volume of businesswomen.** The total women's retail banking market, in terms of revenues, is estimated at around KGS5.4 billion (\$64 million) and the businesswomen's segment around KGS1.7 billion (\$21 million). For individual women, the bulk of the revenue pool

<sup>5</sup> The 'quick-win' market opportunity describes the more immediately available potential based on survey responses on future financial service uptake thus providing a snapshot of the immediately available market potential that could be reached with some incremental changes in market practices in the next couple of years. For the methodology, see appendix B.

<sup>6</sup> The 'transformational market opportunity' is based on international benchmarks and it estimates what the market could look like if inclusive financial service practices were fully adopted. It can be interpreted as a medium- to long-term goal for the market. For the methodology, see appendix B.

<sup>7</sup> The 'quick-win' market opportunity describes the more immediately available potential based on survey responses on future financial service uptake thus providing a snapshot of the immediately available market potential that could be reached with some incremental changes in market practices in the next couple of years. For the methodology, see appendix B.

<sup>8</sup> The 'transformational market opportunity' is based on international benchmarks and it estimates what the market could look like if inclusive financial service practices were fully adopted. It can be interpreted as a medium- to long-term goal for the market. For the methodology, see appendix B.

they represent, comes from the net interest income from saving and lending (85 percent of women's retail banking revenue). Currently, for women SME clients, transactions make up the largest source of FI revenue, at around half.

**Field research indicates an interest and appetite for formal financial services from institutions that take some key first steps in serving women clients better.** FIs can take concrete steps today to benefit from the more immediate 'quick-win' potential of the total women's market of KGS14.5 billion (\$174 million), representing twice the current revenue. There is an encouragingly strong latent demand for more credit (2.2 times current levels). However, strong disapproval of current lending practices and concerns about the risk of being in the debt of banks mean that financial institutions are unlikely to reap this benefit without building broader relationships of trust and continuous engagement with these potential borrowers.

**The everyday use cases of transaction services and helping clients manage their finances (deposits and savings) are instrumental and likely worth around half the revenue in the "quick-win" context (KGS6.7 billion or \$80 million).**<sup>9</sup> For incumbent FIs, banking relationships can achieve full credit potential once best-in-class (digital) lending offers – based on data, understanding, trust, and ease of use – are a reality in a more transformational inclusive future.

**As key to strategic transformation, a gender lens is the best guide to turning today's banking as usual (that also performs poorly for many men) into more successful value propositions.** As suggested by the still-low rates of financial inclusion in Kyrgyzstan for both men and women, clients' needs, constraints, and preferences are not properly addressed.<sup>10</sup> The challenges that many women face – such as limited financial literacy, lack of hard collateral, concerns about the risks related to formal credit, etc. – differ from those of men, often only in degree rather than in kind. Applying a gender lens to define a better-fitting value proposition will result in more inclusive offers and banking practices. These will help capture larger shares of the men's market as well.

A gender-intelligent approach to finance, therefore, stands a much better chance of maximizing market potential for a provider than a gender-neutral approach. To attract more clients and achieve greater business volumes, FIs should aim for more inclusiveness rather than balance out different client needs. By striving to meet women's banking needs, financial institutions can exceed the expectations of their male clientele as well.

**Women customers are a keystone to not just for winning the future but also to defending the incumbents' market position against challengers.** Everyday finance use-cases in households (such as purchases and savings) are predominantly handled by women in their roles as spouses. These are exactly the type of use-cases for newer market entrants or ambitious smaller players to poach or gain first-time users with technology, convenience, and attractive terms. This is where they would have the benefit of "client engagement" opportunities every day. Such engagements are an indicator of success that B2C startups often try to create and capture at great cost. Securing these use-cases for their own institutions is essential for bank executives to build client relationships of trust and data track records. These can be leveraged into cross-selling opportunities while securing low-cost deposits as a source of funds. This opportunity to maximize share-of-wallet for an individual woman or woman entrepreneur comes with the prospect of maximizing market share, given the multiplier potential of women as influencers among friends, families, and their communities.

**Already in the here and now, a dedicated strategy to address the women's market holds strong commercial promise – proven around the world.** Women are profitable clients, as documented in IFC's long-standing "Banking on Women" program with case studies and

<sup>9</sup> The 'quick-win' market opportunity describes the more immediately available potential based on survey responses on future financial service uptake thus providing a snapshot of the immediately available market potential that could be reached with some incremental changes in market practices in the next couple of years.

<sup>10</sup> The success of individual institutions with more inclusive practices and much higher rates of access and usage in countries that face even worse structural challenges of income and education (for example, Kenya) or geography (for example, Mongolia) indicate that a more inclusive financial sector is feasible and commercially viable

performance analysis of around 130 financial institutions globally,<sup>11</sup> and in more detail for 38 members of the Financial Alliance for Women.<sup>12</sup> With 40 million women clients reached and nearly \$130 billion deposits mobilized and credit provided, Alliance members observe higher client growth (by 2 percent) among women than men, faster growth of the credit portfolio (by 2.5 percent per annum), and deposits (by 1.6 percent per annum). This is accompanied by notably lower ratios of loan non-performance across client segments and in credit cards (for example, by 4 percent for SMEs and 1.2 percent on credit cards); even as in many institutions, the number of women clients is still below parity in their share of clients.

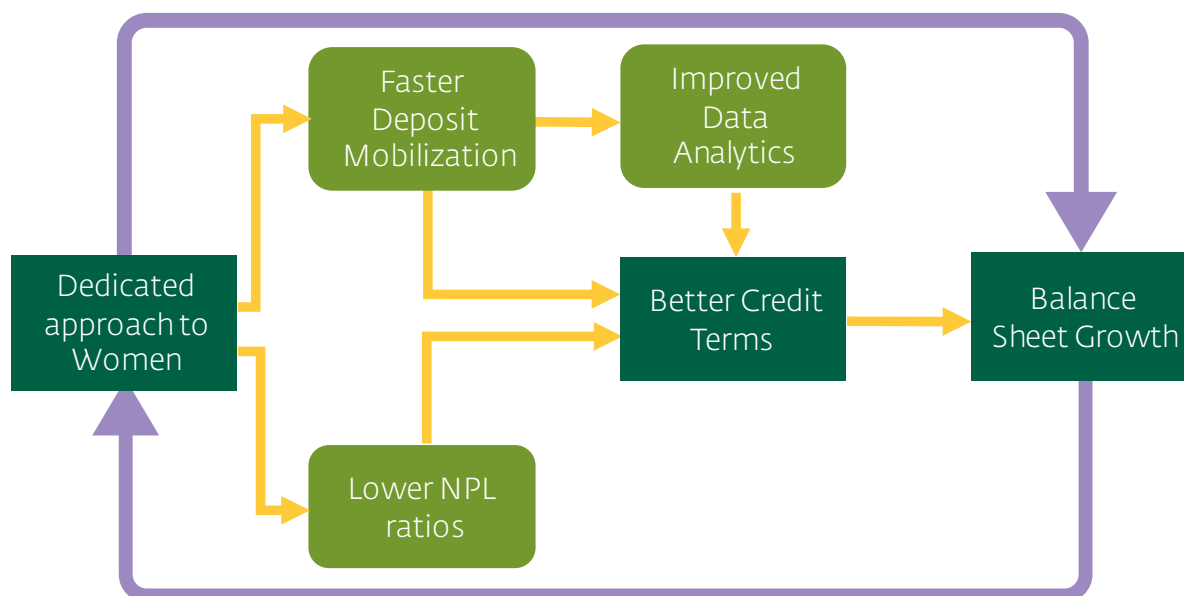


Figure 2: Positive loop cycle enabling long-term sustainable competitive advantage

**Additional drivers suggest that such balance sheet growth should come with sound profitability.** As documented in the case studies by IFC's Banking on Women team and the Financial Alliance for Women, whenever financial institutions around the world diligently approached the women's market, they experienced:

1. **Higher propensity for cross-selling** — Women have demonstrated at least the same demand for financial products as men, and in many cases, surpass men with a higher average number of products.
2. **Higher degree of loyalty** — Provided that their bank establishes a strong relationship with them, women have shown greater loyalty than men. Women also tend to stay active once their banking habits become ingrained. Women seem to value trust particularly strongly. This is an area where additional effort from financial institutions could bear significant results: lower churn ratios that translate into higher lifetime-value of clients, *ceteris paribus*, and lower marketing expenditures on client acquisition and retention to preserve the client base.
3. **New client growth** — Reflecting their fostering of social ties, female clients tend to be better net promoters of FIs that meet their needs. A higher propensity for word-of-mouth marketing on the part of women should lead to higher client growth without additional marketing costs for FIs. Strategic use of social media can help trigger even more of this behavior.

<sup>11</sup> Overview of IFC's Banking-on-Women:

[https://www.ifc.org/wps/wcm/connect/Industry\\_EXT\\_Content/IFC\\_External\\_Corporate\\_Site/Financial+Institutions/Priorities/Banking\\_on\\_Women/and\\_the\\_performance\\_indicators\\_related\\_to\\_it:\\_https://www.ifc.org/wps/wcm/connect/0e657775-6e3f-4e1d-8b3e-00b529216282/Banking+on+Women\\_NPLBusinessCaseUpdate\\_2021\\_FINAL.pdf?MOD=AJPERES&CVID=nTzCu.z](https://www.ifc.org/wps/wcm/connect/Industry_EXT_Content/IFC_External_Corporate_Site/Financial+Institutions/Priorities/Banking_on_Women/and_the_performance_indicators_related_to_it:_https://www.ifc.org/wps/wcm/connect/0e657775-6e3f-4e1d-8b3e-00b529216282/Banking+on+Women_NPLBusinessCaseUpdate_2021_FINAL.pdf?MOD=AJPERES&CVID=nTzCu.z)

<sup>12</sup> Measuring the Value of the Female Economy, Financial Alliance for Women, 2020:

<https://financialallianceforwomen.org/download/measuring-the-value-of-the-female-economy-2020/>



**4. More unaddressed client needs** — Since more women are underserved in the financial sector, there is a large pool of new clients that are waiting to be engaged *en masse*. This latent female demand for financial products can be accessed by FIs in a more cost-effective way.

As a final benefit, the broad case for women's financial inclusion for sustainable socio-economic development has been strongly substantiated in the past decade.<sup>13</sup> Financial inclusion is a key complement to women's social and economic inclusion. Ensuring that their substantial savings habits fund formal financial intermediation, can supercharge investments at favorable, local currency terms. Fostering their ability to reliably build a financial nest egg for their families would enhance economic resilience. Ensuring that payments can reach them instantly and fully not only smoothens the workings of the economy but has also proven to enhance the impact of government support to families before<sup>14</sup> and during crises such as the COVID-19 pandemic.<sup>15</sup> The benefits of improved access to finance for women as entrepreneurs within a decade was estimated at +12 percent in per capita GDP for key emerging markets.<sup>16</sup> As more central bankers and financial sector regulators adopt (women's) financial inclusion as a key mandate, financial sector executives should expect to see these socio-economic benefits become part of their regulatory environment. Given the immense strategic and tactical benefits outlined above, they should have every incentive to be ahead of the curve on Kyrgyzstan's women's market.



<sup>13</sup> As for instance endorsed by the G20 in its promotion of financial inclusion:  
<https://financialallianceforwomen.org/download/g20-women-finance-report/?wpdmdl=3324>

<sup>14</sup> For instance, in the digitization of the conditional cash-transfer programs like Brazil's "Bolsa Familia" or Mexico's "Progres/Oportunidades/Prospera" programs, the digitization of alimony payments in Egypt or of under India's "Aadhaar" initiative.

<sup>15</sup> Such as Togo's innovative "Novissi" program to informal workers ramped up within days at the outset of the pandemic.

<sup>16</sup> GoldmanSachs Global Markets Institute, "Giving credit where it is due", <https://www.goldmansachs.com/insights/public-policy/gmi-folder/gmi-report-pdf.pdf>

### 3. DEMAND-SIDE ASSESSMENT OF THE KYRGYZ WOMEN BUSINESS AND RETAIL MARKET

The overall objective of this market research is to better understand the needs, motivations, and current financial behavior of women entrepreneurs and individual female clients in Kyrgyzstan, as well as to quantify the size of these women's markets for FIs. This research considers the needs of female clientele beyond core financial services offerings and additionally examines their non-financial needs. Non-financial services (NFS) are typically offered by financial institutions to complement their core financial offerings. There are four main types of NFS most often offered by FIs:

- a) **Information dissemination services:** websites, blogs, apps, call centers, printed materials where information of various kinds can be disseminated on various topics:
  - a. Business Segment: markets, sales/marketing trends, HR/tax/accounting/digital related topics-news-updates.
  - b. Retail Segment: personal development, lifestyle related topics for the retail segment.
- b) **Trainings:** workshops, seminars on various topics:
  - a. Business Segment: business-related topics such as business strategy, sales/marketing, accounting/taxes, financial/legal literacy, leadership skills, etc.
  - b. Retail Segment: financial literacy or personal and career development for the business segment.
- c) **Consultancy and Mentoring:** connecting clientele and/or prospects with experienced mentors or experts who can share advice or experiences on various topics:
  - a. Business segment: business management, strategy, D&I etc.
  - b. Retail Segment: starting up a business or personal development.
- d) **Networking and Access to Markets:** networking events, marketplaces, trade fairs, or recognition programs such as award shows for entrepreneurs.

## 3.1 Financial and Non-Financial Needs of Women-led Businesses in Kyrgyzstan

### 3.1.1 Introduction

WMSMEs constitute around 35 percent of the SME landscape in Kyrgyzstan.<sup>17</sup> We estimate that there are over 10,000 early-stage, 8,000 stability-oriented, and 28,000 growth-oriented WMSMEs in Kyrgyzstan.<sup>18</sup>

**Early-stage businesses** are those WMSMEs that have just recently embarked on their entrepreneurial journey. These are businesses launched within the past two years and, consequently, have less experience and knowledge of the market and business management. Their focus is characteristic of new ventures striving to establish their place in the market. These comprise 22 percent of WMSMEs according to our estimates.

**Stability-oriented businesses** are more established WMSMEs with at least two years of experience since their founding. These businesses are characterized by a more risk-averse, stability-focused strategy linked to moderate, balanced growth of no more than 10 percent. These are likely to comprise roughly 18 percent of WMSMEs.

**Growth-oriented businesses** are those that have been in business for at least two years but compared to their stability-oriented counterparts are more bullish in their strategy, seeking growth rates of over 10 percent. These women entrepreneurs tend to be more adventurous in their business attitude, and more open to innovation and risk taking. These are estimated to comprise 61 percent of WMSMEs.

Regardless of business life-stage or growth outlook, most women entrepreneurs in our sample operate within the textiles and leather space. Retail and wholesale commerce is the second most popular industry for Kyrgyz women business-owners.



Figure 3 — Business Segment Population Estimates

	Early-stage	Stability-oriented	Growth-oriented
Textiles & Leather	19%	26%	15%
Commerce: Retail & Wholesale	16%	17%	12%
Tourism	3%	17%	12%
Education	3%	10%	12%
Healthcare	6%	0%	8%

Table 6: Top five Industries WE operate in – Business Segment

<sup>17</sup> National Statistical Committee of the Kyrgyz Republic, 2019.

<sup>18</sup> CCX calculations based on local sources, IFC, and GEM.



Despite showcasing a similar predisposition for choice of industry, the study's findings reveal considerable differences between these three business stages in their financial and non-financial needs for services, which are explored in the subsections below. As this research demonstrates, the business stage, paired with an understanding of the entrepreneurial personality, provides an initial gateway to a customer-centric banking approach that will lead to higher client satisfaction, loyalty, and higher profits. The tables below present an overview of the key sub-segment descriptor.

	Average number of employees	Average annual turnover (USD)	Business bank-account ownership	Business loan in the past	Anticipated business loan from FIs
Early-stage	5	8,800	53%	19%	28%
Stability-oriented	17	13,700	62%	38%	38%
Growth-oriented	14	44,800	76%	33%	38%

Table 7 : Financial behavior – business segment





### 3.1.2 Overview of Key Findings and Resulting Gaps: Business Segment

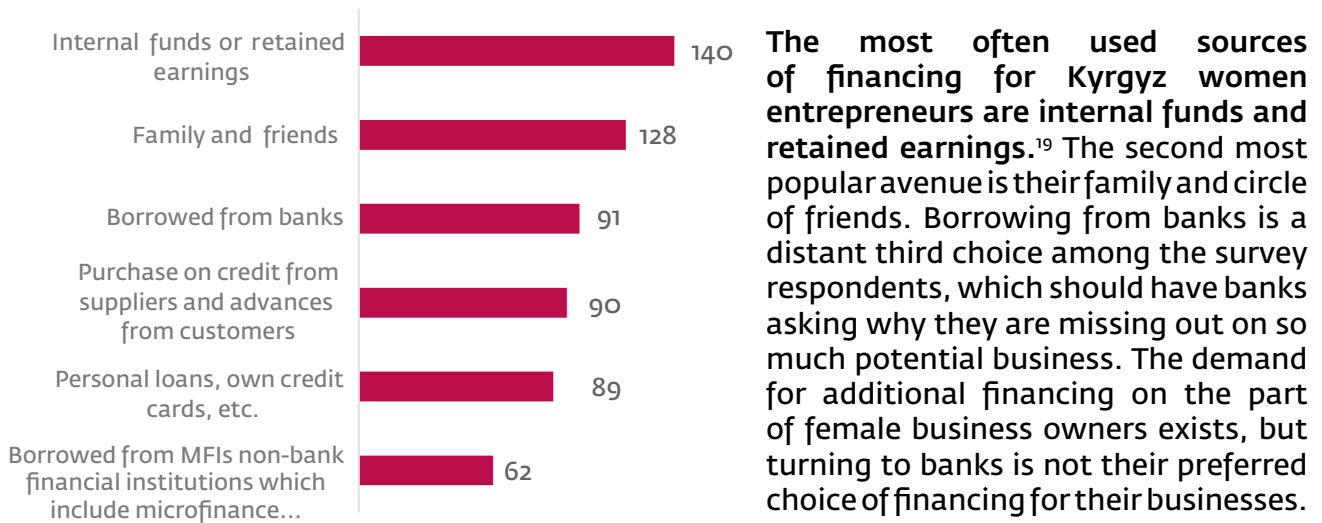


Figure 4: Most important financing route: business segment average rank indexed

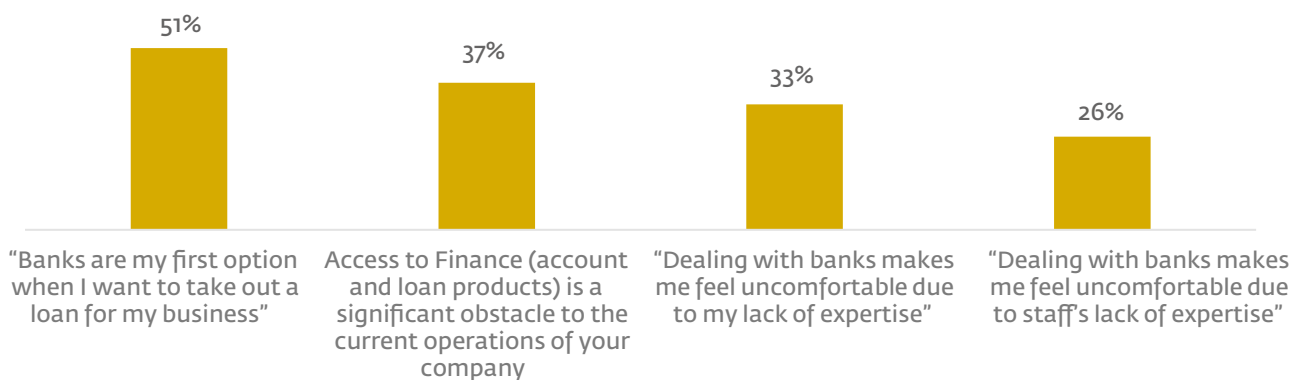


Figure 5: Attitudes towards FIs – business segment, percentage of respondents who agree

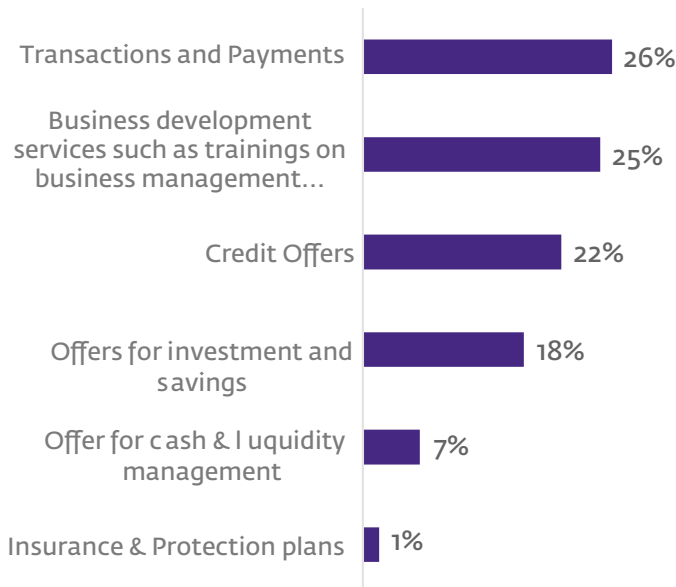
Figure 5 further supports the impression that the Kyrgyz banking sector is leaving a lot of money on the table by not fully meeting the female entrepreneurs' demand for financing. Over 50 percent of these female entrepreneurs consider banks as their first option for loans, yet most still turn to internal funding or to family and friends. 37 percent of businesswomen interviewed, identified lack of access to bank accounts and loan products as significant obstacles to running their companies. One-third of respondents attributed their lack of comfort with banks to their own lack of expertise, while over a quarter pointed to the lack of expertise of the banks' staff.

Based on these responses, it is apparent that there is a need to improve financial literacy among businesswomen. At the same time, banks should also train their staff to be more knowledgeable about banking products and communicate better with their women clients. Banks have an excellent opportunity to take the lead in both areas. This will ultimately lead to better-informed staff serving more knowledgeable, satisfied business clients, who will be more likely to increase their demand for banking services.

There is a strong unmet demand for cash and liquidity management services. Overall, 62 percent of stability-oriented businesses and 76 percent of growth-oriented businesses reported having a business bank account. Only 53 percent of formally registered early-stage enterprises reported having a business bank account. This reveals a vastly untapped market potential.

<sup>19</sup> This figure, as well as the others, reflects findings from the field research conducted for this study.

### 3.1.3 Improved Payment Solutions, Business Development Services, and Credit Offers are Key Attributes for an Ideal FI to Better Serve WEs



Offerings centered around payments and credit, coupled with FIs providing easier access to markets or networks, are the strongest opportunity areas for the business segment. Banks encompassing a community-based approach in their business development by organizing networking events, marketplaces, or business clubs, were regarded as the most important for all three business segments. Similarly, advanced digital payment solutions and enticing credit solutions built on speed and flexibility could be areas most ripe for further development.

Figure 6: Most important banking services – percentage ranked as first choice

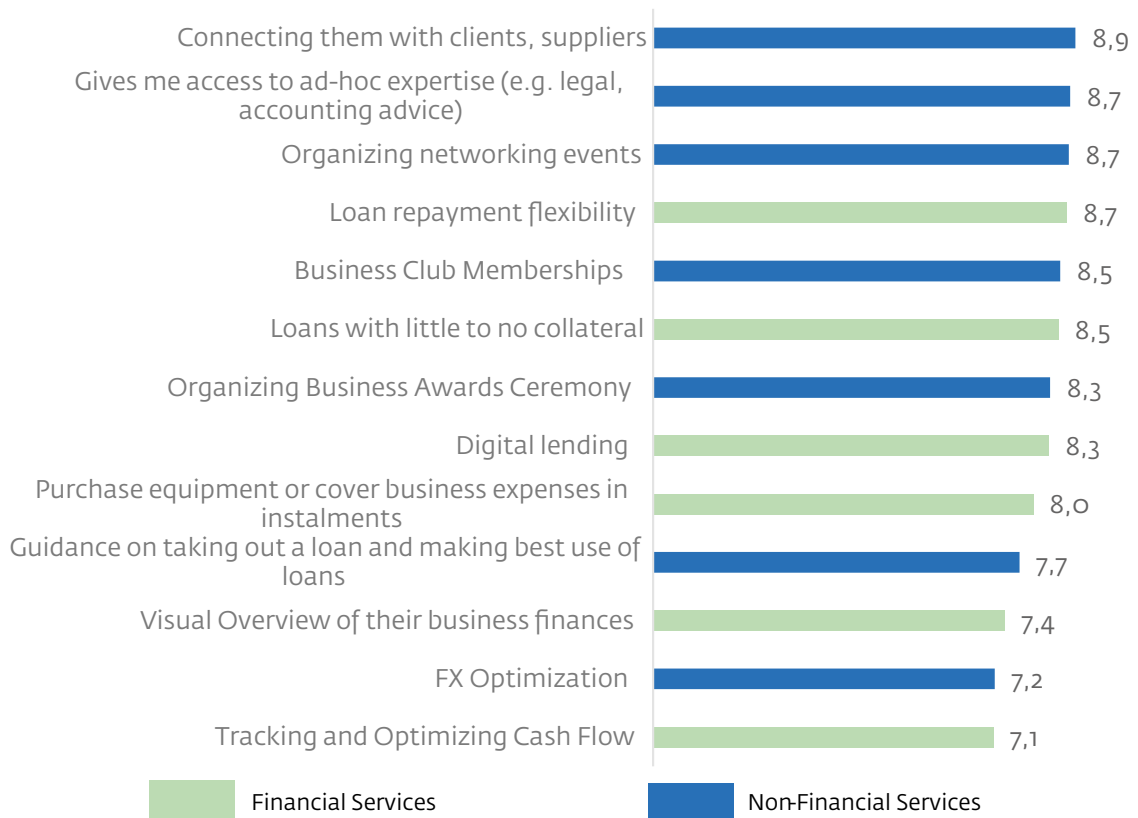


Figure 7: Ranking of products/service solutions to support the business: business segment

Banking services should be tailored more toward the needs of women entrepreneurs who are most interested in support on 1) connecting with clients and suppliers, 2) access to ad-hoc expertise, and 3) organizing networking events. The first and third most popular features that Kyrgyz female entrepreneurs would like to avail are related to improved connections with clients and suppliers, as well as enhancing their business networks. Secondly, receiving ad-hoc expertise (for example, legal or accounting advice) after getting connected with the right partners, would allow these business owners to overcome operational business challenges more easily outside their core businesses, which often bind significant resources. Such a service would be welcomed by all segments since many SME businesses often struggle with requirements outside their core business while managing their company's growth.

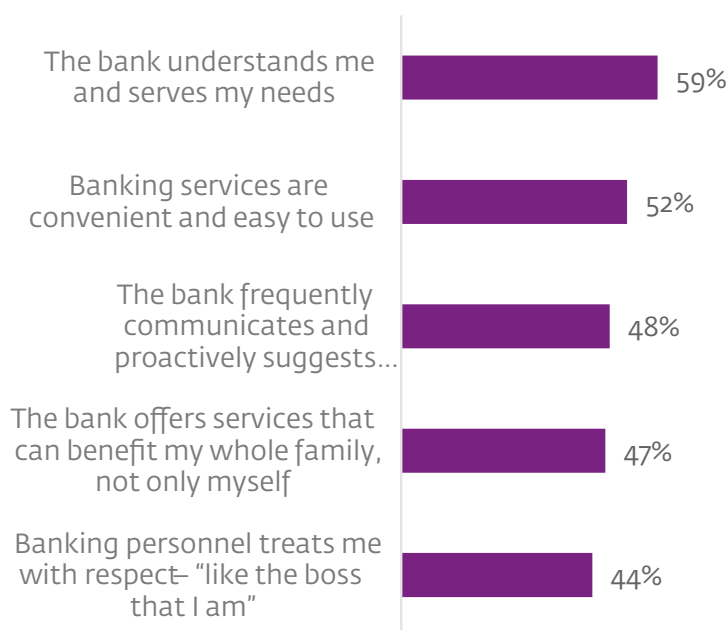


Figure 8: Top five customer service items most often selected

Overall, we see that women are keen to receive support from banks both in financial and non-financial services. Women-led businesses see tremendous value in getting the support to run and grow their businesses. While this can be through access to expertise outside their core operations, it can also include support on networking, access to clients or suppliers, and access to information in general. Several topics that surfaced on the operational side pointed to a requirement for more and easily accessible information on their business finances through a financial dashboard. On the financial side we see that different aspects of access to finance, higher flexibility, and tailored solutions paired with information on how to make the best use of any financing, are very attractive.

When considering the approach FIs should take to better serve women entrepreneurs, a holistic approach to serving not only their businesses, but also their individual and family needs, presents an interesting opportunity. This was requested especially strongly by stability and growth-oriented women, probably because they were already in an advanced stage of their entrepreneurial journey. Women entrepreneurs also expressed a need for high-quality treatment from FIs' personnel. High emotional intelligence in FI staff, in addition to being knowledgeable, is considered highly important by women entrepreneurs. All women entrepreneurs, especially the growth-oriented ones, would develop a strong preference for FIs that adopted a culture of treating them with a high degree of respect.

While the needs identified above are shared among the three types of women entrepreneurs, each segment comes with its own distinctive features. FIs should consider such differences when designing their value proposition and outreach. For instance, business bank accounts see the highest uptake by growth-oriented entrepreneurs (76 percent). On the other hand, only 53 percent of early-stage women entrepreneurs in our survey sample reported having a business bank account. However, these women are more likely to open business bank accounts as their company's annual sales grow. In summary, a nuanced offering can be developed by FIs depending on which of the women entrepreneur sub-segments is the lead segment for innovation.

### 3.1.4 Early-stage Women Entrepreneurs

Unmet Market Potential – Early-Stage Women Entrepreneurs						
KGS billions	Lending Volume <sup>20</sup>	Deposit Volume	Lending Revenue	Deposit Revenue	Transactions Revenue	Insurance Premiums
Current	502.1	164.2	36.2	8.4	36.2	0.2
Quick-win Market Opportunity <sup>21</sup>	1,121.2	432.1	81.8	12.2	55.8	1.1
Multiple to Current	2.2X	2.6X	2.3X	1.4X	1.5X	6.6X
Transformational Market Opportunity <sup>22</sup>	7,428.1	570.1	127.9	90.8	198.9	25.0
Multiple to Current	14.8X	3.5X	3.5X	10.7X	5.5X	144.5X

Table 8: Potential market estimates – early-stage entrepreneurs

Early-stage businesses constitute a relatively small share of WMSMEs, but they may have special needs specific to their early stage, where banks can step in and offer targeted services. They make up more than a fifth of WMSMEs, but perhaps due to their lack of experience and opportunities, show a lower level of financial service uptake relative to the other two business segments.

At 53 percent, slightly over half of early-stage business have accounts at formal financial institutions. This shows room for improvement when compared with their growth-oriented peers, who have an account ownership rate of almost 80 percent. Early-stage businesses are also the least included in the formal financial system in terms of borrowing, with only 19 percent reporting formal borrowing.

In terms of transactions, early-stage businesses average 25 transactions per month. This amount is higher than the stability-oriented businesses (21 transactions a month) as they most likely transact smaller amounts due to their lower turnover. This segment shows significant untapped potential as well with KGS 1.1 billion (\$13.5 million) in 'quick-win' SME lending volumes and KGS 7.4 billion (\$89.1 million) in estimated transformational SME lending volumes.<sup>23</sup>

As women entrepreneurs in their starting phase, this segment expressed a strong need for learning, guidance, and a sense of community to help them establish their business in the long run. Many early-stage entrepreneurs feel "lost in the woods" when it comes to their finances and often have little to no experience in financial planning. As a result, this segment would welcome easier access to relevant expertise and assistance with getting connected to clients and suppliers. At the same time, these new business owners are also actively looking to meet peers and experienced entrepreneurs who could potentially help them navigate the typical roadblocks faced by new businesses. They are particularly keen to take advantage of networking events that enable them to expand their circle of business contacts.

<sup>20</sup> Lending and saving volumes are based on survey responses on SME loan uptake and saving frequency and amount for each segment. SME loans could be used for working capital and growth finance among other things, the model does not include further product-level differentiation of SME loans. This is extrapolated across the entire segment to obtain the total volumes.

<sup>21</sup> The 'quick-win' market opportunity describes the more immediately available potential based on survey responses on future financial service uptake thus providing a snapshot of the immediately available market potential that could be reached with some incremental changes in market practices in the next couple of years. For the methodology, see appendix B.

<sup>22</sup> The 'transformational market opportunity' is based on international benchmarks and it estimates what the market could look like if inclusive financial service practices were fully adopted. It can be interpreted as a medium- to long-term goal for the market. For the methodology, see appendix B.

<sup>23</sup> For the methodology, see appendix B.



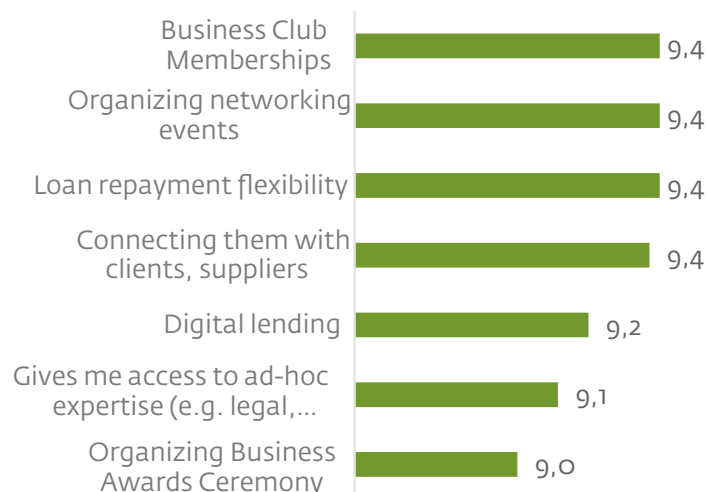


Figure 9: Top seven banking services most attractive for early-stage entrepreneurs

### 3.1.5 Stability-Oriented Women Entrepreneurs

Unmet Market Potential – Stability-Oriented Women Entrepreneurs						
KGS billions	Lending Volume <sup>24</sup>	Deposit Volume	Lending Revenue	Deposit Revenue	Transactions Revenue	Insurance Premiums
Current	3,553.4	212.1	326.7	9.4	102.6	0.2
Quick-win Market Opportunity <sup>25</sup>	1,860.9	513.0	168.4	15.5	120.5	1.8
Multiple to Current	0.5X	2.4X	0.5X	1.7X	1.2X	8.7X
Transformational Market Opportunity <sup>26</sup>	7,602.7	539.2	310.0	88.4	247.7	31.0
Multiple to Current	2.1X	2.5X	0.9X	9.4X	2.4X	147X

Table 9: Potential market estimates – stability-oriented entrepreneurs

Stability-oriented women entrepreneurs are the smallest segment in size with around 8,000 businesses in this category (or 18 percent of WMSMEs), but they are characterized by stronger ties to formal financial institutions. Over 60 percent have an account at a financial institution, which is higher than the Kyrgyz average (43 percent, based on 2017 Findex results), but there is still room for improvement when compared with growth-oriented women entrepreneurs, who have a formal account ownership rate of 76 percent.

However, stability-oriented women entrepreneurs lead WMSMEs in terms of borrowing, with 38 percent reporting to have borrowed in the past. Remarkably, our survey respondents reported to sourcing these loans entirely from formal institutions, which is the highest result out of the three

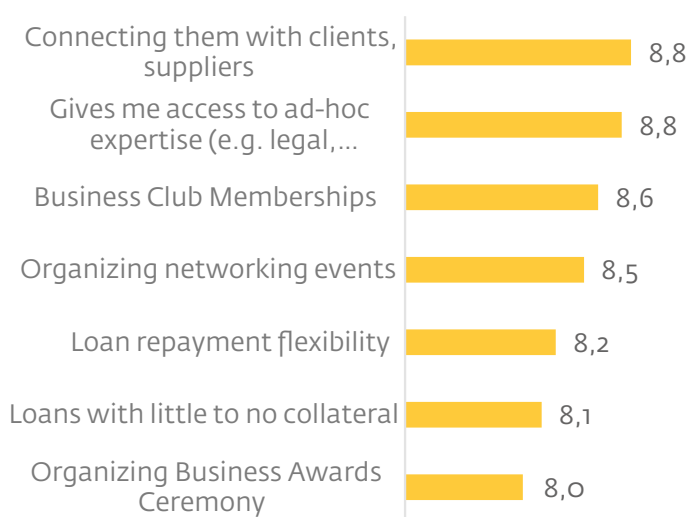
<sup>24</sup> Lending and saving volumes are based on survey responses on SME loan uptake and saving frequency and amount for each segment. SME loans could be used for working capital and growth finance among other things, the model does not include further product-level differentiation of SME loans. This is extrapolated across the entire segment to obtain the total volumes.

<sup>25</sup> The 'quick-win' market opportunity describes the more immediately available potential based on survey responses on future financial service uptake thus providing a snapshot of the immediately available market potential that could be reached with some incremental changes in market practices in the next couple of years. For the methodology, please see appendix B.

<sup>26</sup> The 'transformational market opportunity' is based on international benchmarks and it estimates what the market could look like if inclusive financial service practices were fully adopted. It can be interpreted as a medium- to long-term goal for the market. For the methodology, see appendix B.

WMSME segments (the rest hovering around 80 percent of loans sourced formally). Current borrowing volumes for the segment can be estimated at around KGS3.6 billion (\$42.6 million).<sup>27</sup>

This makes the segment an important source of WMSME lending revenue for formal financial institutions, which can be estimated at around KGS326.7 million (\$3.9 million). The segment also indicated an interest in further borrowing. This could amount to an immediate 'quick-win' potential of KGS1.9 billion (\$22.3 million) and a transformational potential of KGS7.6 billion (\$91.2 million) in lending volumes.



**Focused on stable business development, flexible and tailored solutions are especially important for this segment.** These entrepreneurs would look to their FI to connect them to clients and suppliers, as well as to organize networking events. This segment places particular value on obtaining loans with little or no collateral. They would also welcome greater loan repayment flexibility. Organizing of networking events was also identified by them as a feature of their ideal bank. Stability-oriented women tend to value business advice received from formal sources over informal sources such as friends or family.

Figure 10: Top seven banking services most attractive for stability-oriented entrepreneurs

<sup>27</sup> See appendix B. Lending and saving volumes are based on survey responses on SME loan uptake and saving frequency and amounts for each segment. SME loans could be used for working capital and growth finance, among other things, The model does not include further product-level differentiation of SME loans. This is extrapolated across the entire segment to obtain the total volumes. Revenues are then obtained by calculating the interest revenue based on interest rate data from commercial banks and the refinancing rate reported by the central bank. A share of non-performing loans, reported by the central bank, is deducted from loans. For the methodology, see appendix B.

### 3.1.6 Growth-Oriented Women Entrepreneurs

Unmet Market Potential – Growth-oriented Women Entrepreneurs						
KGS billions	Lending Volume <sup>28</sup>	Deposit Volume	Lending Revenue	Deposit Revenue	Transactions Revenue	Insurance Premiums
Current	5,198.8	2,980.6	425.5	131.8	649.8	1.8
Quick-win Market Opportunity <sup>29</sup>	20,666.1	5,865.9	1,679.6	218.1	729.1	12.5
Multiple to Current	4x	2x	3.9x	1.7x	1.1x	6.8x
Transformational Market Opportunity <sup>30</sup>	95,459.5	8,477.0	2,766.6	1,314.6	2,838.8	351.8
Multiple to Current	18.4x	2.8x	6.5x	10x	4.4x	193.3x

Table 10: Potential market estimates – growth-oriented entrepreneurs

The growth-oriented women entrepreneurs' segment is one that is highly bullish in terms of financing, and seems to be more aware of the use of financial services for its needs. These women also constitute the largest segment, at almost 61 percent of WMSMEs (about 28,000 businesses). This segment shows the highest level of financial inclusion, with 76 percent reporting to having an account at a formal financial institution (compared with 53 percent of early-stage and 62 percent of stability-oriented businesses).

They also lead WMSMEs in insurance uptake and transactions. In the latter, they show significantly higher numbers of monthly transactions (at an average of 127 per month), roughly six times more than their stability-oriented counterparts. This makes the segment the most important revenue driver for transaction and insurance in the WMSME category, with their transaction revenue around KGS 649.8 million (\$7.8 million).<sup>31</sup>

Unsurprisingly, growth-oriented women entrepreneurs also seem to be the most bullish in their stance towards further borrowing and insurance uptake. Over a quarter of them indicate a willingness to avail further borrowing, which is highest among the WMSME segments. What makes this segment an outstanding potential revenue driver is the combination of high interest with high amounts (leading other segments in both) indicating a 'quick-win' lending potential estimated at KGS 20.7 billion (\$248 million) and a transformational lending volume estimated at KGS 95.5 billion (\$1.1 billion).<sup>32</sup>

<sup>28</sup> Lending and saving volumes are based on survey responses on SME loan uptake and saving frequency and amount for each segment. SME loans could be used for working capital and growth finance among other things, the model does not include further product-level differentiation of SME loans. This is extrapolated across the entire segment to obtain the total volumes.

<sup>29</sup> The 'quick-win' market opportunity describes the more immediately available potential based on survey responses on future financial service uptake thus providing a snapshot of the immediately available market potential that could be reached with some incremental changes in market practices in the next couple of years. For the methodology, see appendix B.

<sup>30</sup> The 'transformational market opportunity' is based on international benchmarks and it estimates what the market could look like if inclusive financial service practices were fully adopted. It can be interpreted as a medium- to long-term goal for the market. For the methodology, see appendix B.

<sup>31</sup> See appendix B. Transaction values and frequency is obtained from survey results and then extrapolated to the entire segment. Transactions fees are obtained from commercial banks, which inform the transaction revenue calculation.

<sup>32</sup> See appendix B. Future lending and saving volumes are based on survey responses on lending and saving interest and amount for each segment. This is extrapolated to the entire segment to obtain the total volumes. Revenues are then obtained by calculating the interest revenue based on interest rate data from commercial banks and the refinancing rate reported by the central bank. A share of non-performing loans, reported by the central bank, is deducted from loans

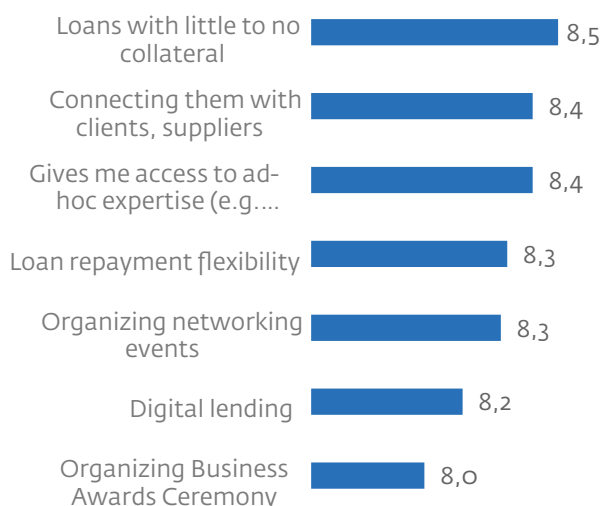


Figure 11: Top seven banking services most attractive for growth-oriented entrepreneurs

The growth-oriented entrepreneurs segment aims to significantly grow business in the coming years and requires support to do so. Assistance with loans, with minimal collateral and repayment flexibility, were at the top of this segment's banking services wish list. For Kyrgyz growth-oriented women, an ideal FI partner is one who facilitates their connections to new clients and suppliers. Like the other segments, easier access to expertise is at the very top of their needs. It is of particular importance for these women who prefer to focus on the areas of their business they are best suited for. Growth-oriented entrepreneurs are also hungry to connect and learn from other more seasoned business owners. They expressed a strong need for networking opportunities, which would enable them to find the right mentorship to help them realize their ambitions.

### 3.1.7 Summary of Key Needs: Business Segment

	Needs	Potential approaches
Shared among all	<ul style="list-style-type: none"> <li>• <b>Current formal lending</b> options - too <b>expensive</b> and <b>too limiting</b> in their <b>collateral requirements</b></li> <li>• Help with <b>operational business challenges</b></li> <li>• Often <b>time-constrained</b> and <b>wearing too many hats</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Credit offerings</b> in line with <b>international best practices</b></li> <li>• Provide <b>access to experts</b> on <b>ad-hoc basis</b></li> <li>• <b>Offer services</b> that <b>benefit her personal and family needs</b> in <b>embedded or digital way</b> to <b>address time-constraints</b></li> </ul>
Early-stage	<ul style="list-style-type: none"> <li>• <b>Learning, guidance,</b> and a <b>sense of community</b> to establish their business on the long run</li> <li>• Help with making <b>smaller investments</b> on <b>reducing the financial stress</b> these women often face is pushing their business into the next stage</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Business Club Memberships</b> offering preferential service, discounts</li> <li>• <b>Training on business skills</b></li> <li>• <b>Networking events</b></li> <li>• More <b>flexible loan repayment periods</b></li> </ul>
Stability-oriented	<ul style="list-style-type: none"> <li>• <b>Help with identifying trustworthy partners</b> such as <b>potential suppliers, more experienced business-persons</b> and <b>relevant experts</b> for their business</li> <li>• Reach <b>greater 'peace of mind'</b> when borrowing and help them be <b>on top of their responsibilities</b> in <b>meeting outstanding payments</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Marketplace platform</b> enabling her to find <b>potential suppliers and advisors</b></li> <li>• <b>Networking events</b> that enable her access to a network of peers as well more <b>seasoned entrepreneurs</b> providing her with a greater opportunity to connect and learn</li> <li>• More <b>flexible collateral and loan repayment requirements</b></li> </ul>
Growth-oriented	<ul style="list-style-type: none"> <li>• <b>Access to finance</b> and <b>finding optimal financing options</b> to <b>fuel their growth</b></li> <li>• <b>More easily acquiring new clients</b> or <b>establishing connections with new suppliers</b></li> <li>• <b>Connecting with like-minded peers</b> and <b>finding right mentorships</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Loans with little to no collateral:</b> enable them to <b>purchase equipment</b> or <b>cover business expenses</b> in <b>installments</b></li> <li>• <b>Marketplace platform</b> enabling her to find <b>new clients, suppliers or advisors</b></li> <li>• Provide them with access to <b>greater networking opportunities</b></li> </ul>

Figure 12: Needs/potential approaches summary overview – business segment



## 3.2 Financial and Non-Financial Needs of Individual Women in Kyrgyzstan

### 3.2.1 Introduction

The market of individual women in the retail segment provides another interesting opportunity for FIs to innovate with products and services targeted to women's needs. Our assessment of the retail financial potential of Kyrgyz women focuses on three high-priority segments differentiated by life-stage and context: 1) urban women without children (urban young professionals), 2) urban women with children (urban family managers), and 3) women living in rural areas. 36 percent women live in urban and 64 percent in rural areas.

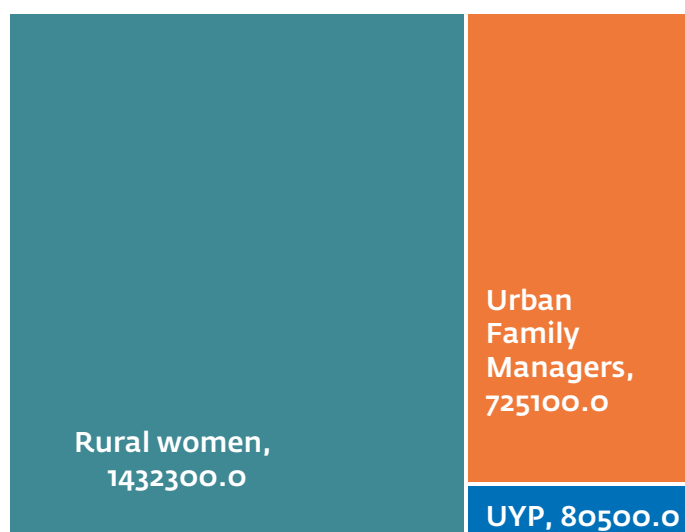


Figure 13: Retail Segment population estimates

With regard to education, there seems to be a clear relationship between the level of schooling and bank account-ownership rates. The more educated respondents in the sample are more likely to have a bank account, while the ones with lower levels of education seem less likely to have one. In terms of employment, full-time and part-time employed women score above the average, in contrast to the unemployed in the sample, who score below the base.

	Urban Young Professionals	Urban Family Managers	Rural Women
<b>Total %</b>	<b>3.6%</b>	<b>32.4%</b>	<b>64%</b>
<b>Bank Account Ownership</b>	65%	56%	53%
<b>Saves (% Saving at Bank)</b>	44% (47%)	47% (50%)	41% (21%)
<b>Past Formal Borrowing</b>	38%	52%	60%
<b>Expected to Borrow Next Two Years</b>	44%	47%	53%
<b>Average Borrowing Next Two Years (KGS)</b>	497,200	887,500	305,000

Table 11: Women retail segment summary table

### 3.2.2 Overview of Key Findings and Resulting Gaps: Retail Segment

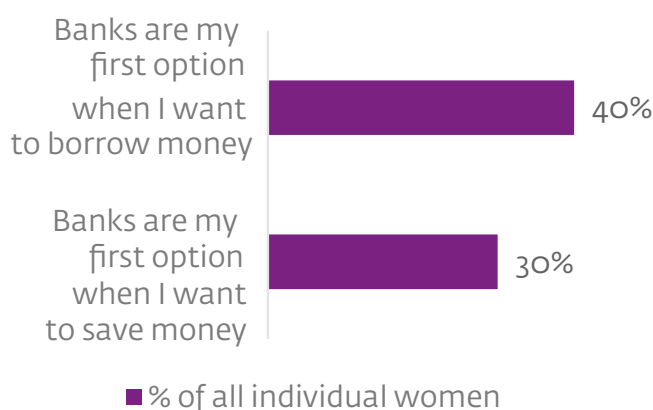


Figure 14: Attitudes toward banks – retail segment

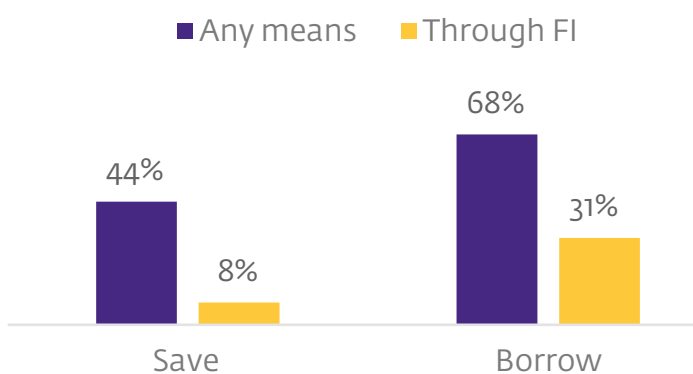


Figure 15: Financial Behavior: retail segment

Customer-centricity is missing from the core of FIs' business models. This hinders the development of broader value propositions – a mix of standard financial services products and NFS elements – which would address women's needs more appropriately. Non-financial services for the retail segment are largely non-existent, revealing a vast untapped potential for onboarding new women clients and improving existing relationships. For financial services, figure 13 shows that only 40 percent of Kyrgyz women consider banks their first choice when it comes to borrowing money, and only 30 percent look to save money in banks. These results illustrate that there is a vast untapped market in the retail sector for savvy FIs to harness.

Overall, there is significant room for further integration of women into the formal financial sector. In our survey sample, 44 percent of Kyrgyz women reported that they are saving currently, yet only 8 percent save using a bank account. Most women savers do so by keeping cash at home, presenting a huge opportunity for deposit mobilization. Likewise, 68 percent of the women in our sample reported having borrowed in the past, while only 31 percent cited an FI as the source for their loan. This large gap between the attitude toward banks for financial services and actual behavior indicates that FIs do not yet serve women close to the existing potential.

All three women's retail banking segments (urban young professionals, urban family managers, women outside of urban areas) expressed strong interest in working with FIs to plan a more secure financial future. Helping them with financing their education (urban women without children), or their children's education (women with children) emerged as a key need to seek formal financing. FIs should understand the diverse needs of the women's retail banking segments and offer tailored solutions to help them achieve their goals. A key to this cooperation is incorporating a customer-centric mindset in future product-development efforts, to allow FIs to position themselves as partners instead of providers.

While borrowing money seems to be widely accepted, particularly in urban areas, taking out loans from FIs is largely perceived as something risky and hard to control. Urban women report a higher inclination to borrow compared with rural women, though the segment of younger urban women with no children uses friends or family as the main source for borrowing. Women in our focus groups from all segments hinted that borrowing starts from friends or family.

In general, attitudes towards banks are positive among the three segments, though banks do not seem to be strongly associated as outlets for support. Rural women appear to have a slightly more positive sentiment towards banks than their urban counterparts. On the other hand, urban women without children seem to be the most demanding target group, holding the highest expectations of customer-centricity. Overall, the three segments hold a relatively neutral viewpoint on perceiving banks as a support partner in their lives.

### 3.2.3 The Ideal FI Offers Unique Features Tailored to Individual Women's Needs

The key demands toward financial services of an ideal bank for Kyrgyz women are flexible and tailored solutions – convenient access to banking services, timely money transfers, and reliability when it comes to keeping their money safe. Kyrgyz women often face time and mobility constraints. They would appreciate banks that offer to mediate these challenges, demonstrate flexibility, and offer convenience. In this research, we have seen that the Kyrgyz cultural context still often hinders women having their own bank account. Nevertheless, women would naturally appreciate solutions that allow them to keep money in their own name, and to keep it safe through life's changing circumstances.

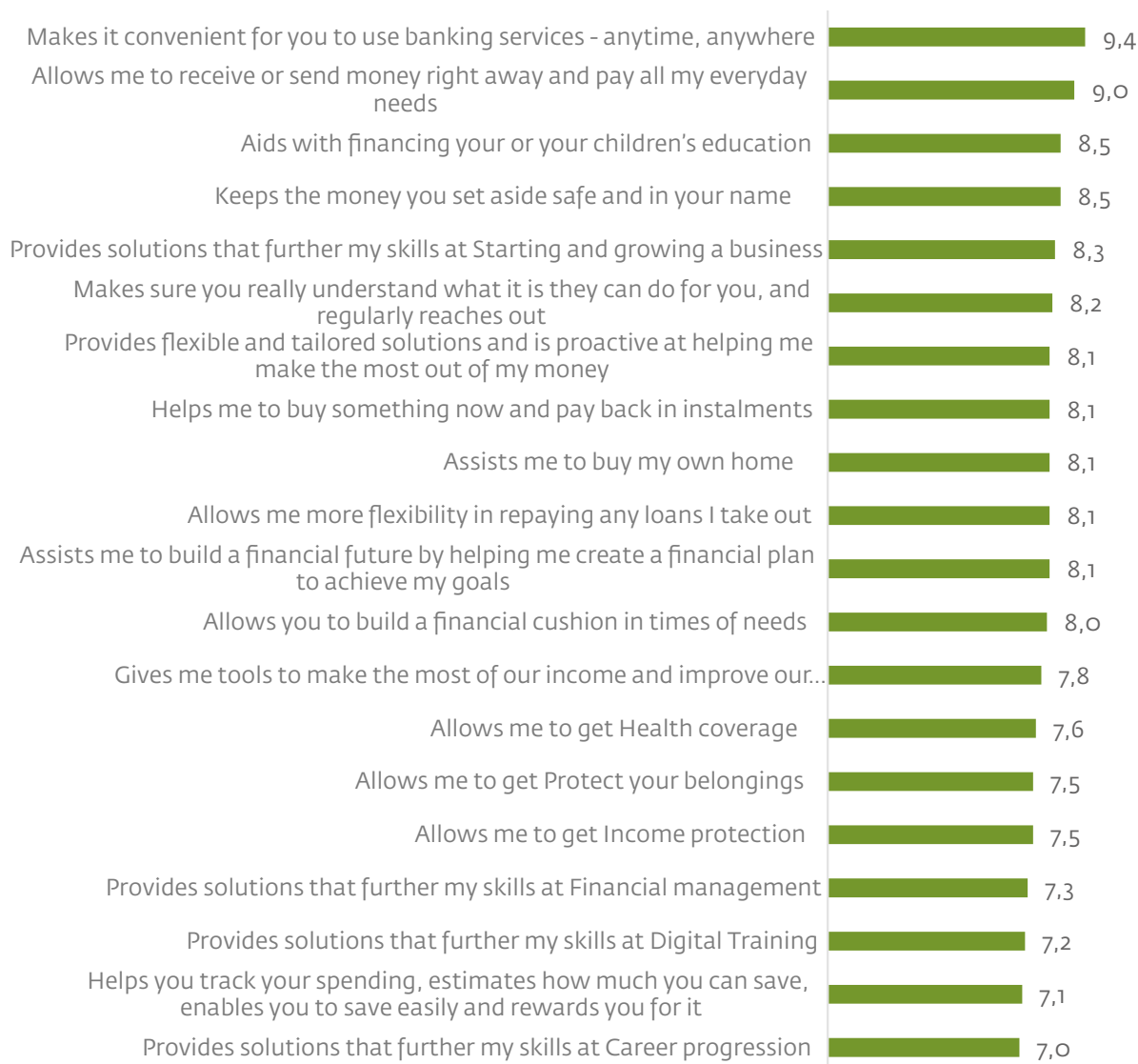


Figure 16: Most important services of the ideal bank: retail segment

In general, Kyrgyz women do not consider themselves financially literate, but express a strong interest in educating themselves on financial topics and improving their work skills. Women across all segments conveyed a vigorous curiosity on financial management topics. They had a high awareness of the benefits this learning would provide, in establishing a more financially secure future for themselves.

Using digital technologies seems to be the norm across all segments, even for older women in rural areas. Alluding to convenience as the strongest factor, they display a preference for maximum interactions with banks through digital means, except for consultations, which they prefer to do in person.

On the aggregate level, individual women expressed strong latent demand for credit offerings in line with international best practices, low-cost and easy-to-use payment solutions, and receive support from FIs for building and sustaining their wealth. However – while some of their needs may overlap – each segment points to its own set of features, which are further explored in the individual sub-segment sections below.

### 3.2.4 Urban Young Professionals

Unmet Market Potential – Urban Young Professionals						
KGS millions	Retail lending volume	Deposit volume	Lending revenue	Deposit revenue	Revenue from transactions	Revenue from insurance
Current	1,670.8	1,211.2	149.8	56.6	58.7	2.1
Quick-win Market Opportunity <sup>33</sup>	3,065.9	2,239.2	198.4	94.6	79.9	5.2
Multiple to Current	1.8x	1.8x	1.3x	1.7x	1.4x	2.4x
Transformational Market Opportunity <sup>34</sup>	9,017.0	6,342.1	1,474.7	245.7	237.3	47.8
Multiple to Current	5.4x	5.2x	9.8x	4.3x	4x	22.4x

Table 13: Potential market estimates – urban young professionals

Numerically the smallest market, young urban professionals may have strategic relevance to financial service providers in several aspects. Numbering around 80,570, they are less than 4 percent of the number of women in retail finance covered in this research. Most of these women are open to offers by digital disruptors, and are potential influencers and multipliers for formal financial practices of their parents, siblings, and peers.

Therefore, they present a potential gateway well beyond their own market share, indicating openness to longer-term financial planning, precautionary savings, and loans. FIs can engage these younger women with good (digital, low-cost) channels and also explore with a set of potential product use-cases. If done well, there will be significant opportunities to launch

<sup>33</sup> The 'quick-win' market opportunity describes the more immediately available potential based on survey responses on future financial service uptake thus providing a snapshot of the immediately available market potential that could be reached with some incremental changes in market practices in the next couple of years. For the methodology, see appendix B.

<sup>34</sup> The 'transformational market opportunity' is based on international benchmarks and it estimates what the market could look like if inclusive financial service practices were fully adopted. It can be interpreted as a medium- to long-term goal for the market. For the methodology, see appendix B.

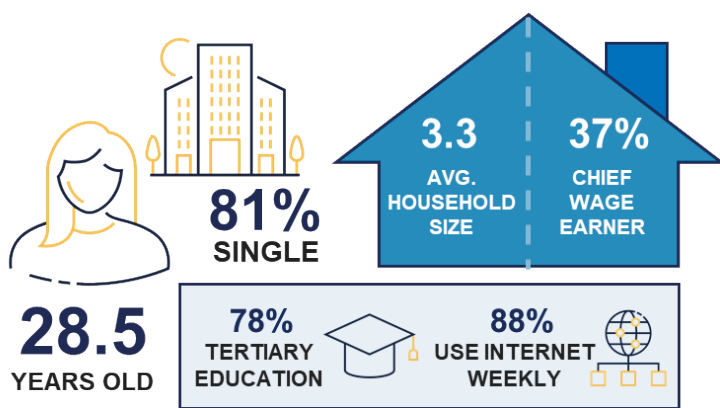


Figure 17: Demographics: urban young professionals



Figure 18: Top ten banking services most attractive for Urban young professionals

free domestic and international payments are reported as another strong need of this segment. Kyrgyz women without children also placed the most importance on training sessions organized by banks, indicating the strongest preference for training on how to start and grow a business. The importance of FIs helping them with the purchase of their own homes is also important for this group.

life-long banking relationships, build early loyalty at low relative cost, and limit the risk of strategic disruption.<sup>35</sup>

Urban young professionals form a financially and digitally savvy segment with the highest per capita banking revenue among the three women's retail banking segments. This is likely driven by their high account ownership rate of 65 percent, the highest in the three segments with a high transaction frequency. In terms of further willingness to save or borrow, all the surveyed urban women without children reported a willingness to save in future, and 44 percent reported a willingness to borrow. This constitutes a 'quick-win' potential of KGS3.1 billion (\$36.8 million). The full transformational market potential of the segment can be estimated to reach KGS9 billion (\$106 million) in lending revenue and KGS245.7 million (\$2.9 million) in deposit revenue.<sup>36</sup>

The same as the other two retail segments, urban young professionals place the highest importance on the convenience of banking services. When accounting for each individual opportunity area, banks providing convenient service and shorter waiting times had the highest score, pointing to the significance of ease-of-use in any bank offering. Hassle-

<sup>35</sup> Even before the age of fintechs, such strategic opportunities could be exploited: a dedicated engagement model targeting young professionals, often already during their studies, has been the core of Germany's MLP SE since the early 1970s, now advising assets-under-management worth €42.7 billion, and with reported revenue of roughly €750 million in 2020. The company effectively squeezed into the business of conventional banks and insurers as an intermediary that has access to high earners by engaging them while still neglected by classical MSME or private wealth approaches

<sup>36</sup> See appendix B. Lending and saving volumes are based on survey responses on lending and saving frequency and amount for each segment. This is extrapolated to the entire segment to obtain the total volumes. Revenues are then obtained by calculating the interest revenue based on interest rate data from commercial banks and the refinancing rate reported by the central bank. A share of non-performing loans, reported by the central bank, is deducted from loans



### 3.2.5 Urban Family Managers

Unmet Market Potential – Individual Women						
KGS millions	Retail lending volume	Deposit volume	Lending revenue	Deposit revenue	Revenue from transactions	Revenue from insurance
Current	17,733.9	33,029.8	1,486.8	1,645.9	375.4	15.8
Quick-win Market Opportunity <sup>37</sup>	30,566.3	46,943.4	2,510.5	2,160.7	638.2	40.4
Multiple to Current	1.7X	1.4X	1.7X	1.3X	1.7X	2.6X
Transformational Market Opportunity <sup>38</sup>	67,420.5	45,676.8	9,628.7	1,734.4	1,480.7	357.5
Multiple to Current	3.8X	1.4X	6.5X	1.1X	3.9X	22.7X

Table 14: Potential market estimates – urban family managers

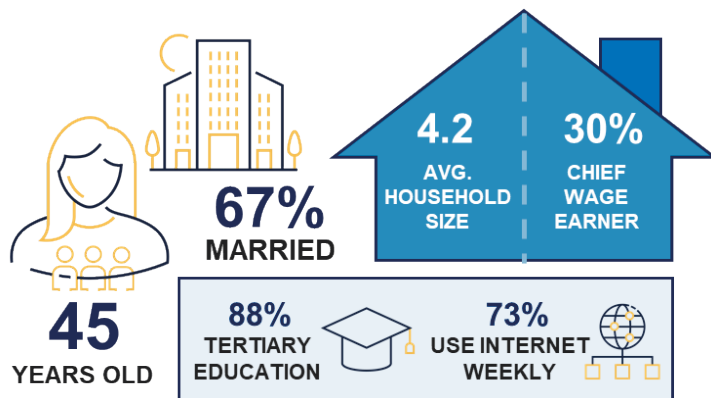


Figure 19: Demographics: urban family managers

By far the most important in terms of numbers, the additional importance of urban family managers in the Kyrgyz context may be their influence over household decision-making. Currently, the urban women with children segment, estimated at 725,000 women, is the biggest contributor to formal financial service use in terms of volume.

Despite its relatively smaller size, the segment shows the highest volumes in saving (KGS33 billion or \$396 million), and lending (KGS17.7 billion or \$64.7 million).<sup>39</sup> Not only are they the highest share of those who save (47 percent), but they are also most likely to save at a formal financial institution (50 percent).

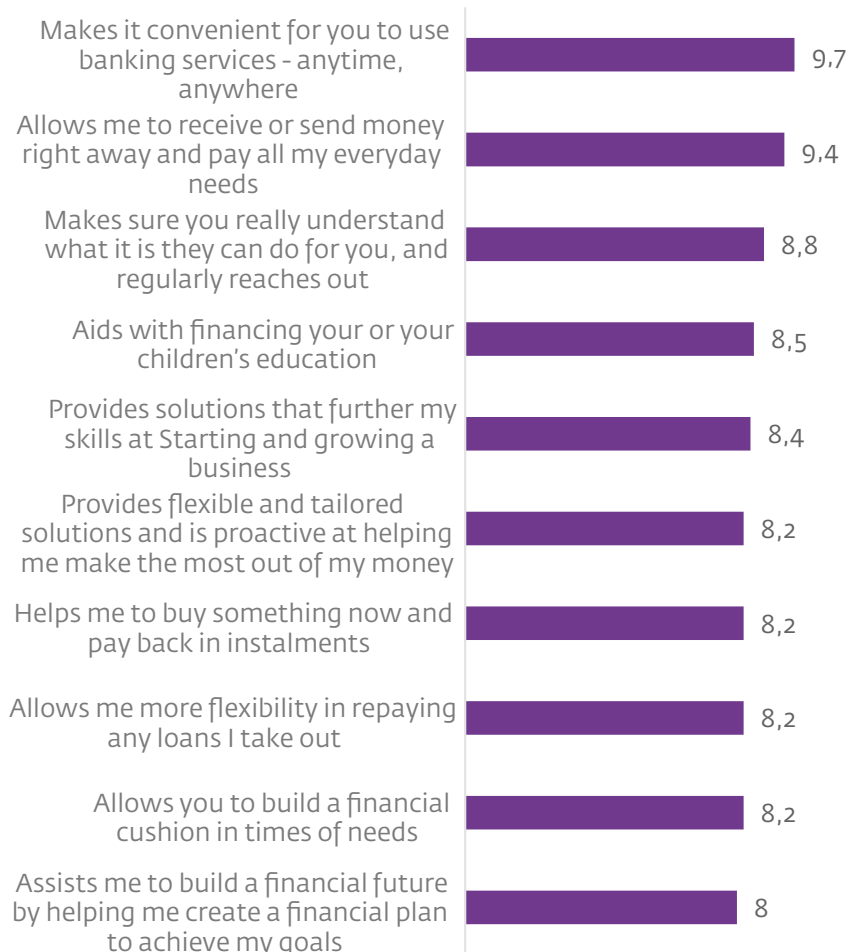
Almost half (47 percent) of women with children report willingness to obtain further loans driven by a strong interest in mortgages (half of potential borrowing would be in the form of mortgages). Banks could capture this 'quick-win' potential of KGS30.6 billion (\$366.8 million) in

<sup>37</sup> The 'quick-win' market opportunity describes the more immediately available potential based on survey responses on future financial service uptake thus providing a snapshot of the immediately available market potential that could be reached with some incremental changes in market practices in the next couple of years. For the methodology, please see Appendix B.

<sup>38</sup> The 'transformational market opportunity' is based on international benchmarks and it estimates what the market could look like if inclusive financial service practices were fully adopted. It can be interpreted as a medium- to long-term goal for the market. For the methodology, please see appendix B.

<sup>39</sup> Lending and saving volumes are based on survey responses on lending and saving frequency and amount for each segment. This is extrapolated across the entire segment to obtain the total volumes. Revenues are then obtained by calculating the interest revenue based on interest rate data from commercial banks and the refinancing rate reported by the central bank. A share of non-performing loans, reported by the central bank, is deducted from loans.

lending volumes and KGS46.9 billion (\$563.3 million) in saving volumes.<sup>40</sup> This could lead to a net interest revenue of KGS2.5 billion (\$30.1 million) for lending and KGS2.2 billion (\$25.9 million) for saving products.<sup>41</sup> Based on survey responses we can also see a demand for larger ticket items, indicating a need for increasing long-term lending to retail customers.



**Ease in handling transactions, sending remittances (domestic or international), and making payments were reported as the most needed services from a bank for urban family managers.** Again, banking convenience was the most sought-after feature by this segment. Banks providing convenient service and shorter waiting times scored the highest compared with the other individual opportunity areas. For credit-related needs, these urban women with children look for banks that offer financial aid for education for themselves or their family. They are open to Buy Now, Pay Later (BNPL) schemes, and would appreciate loan repayment flexibility. This segment would also welcome training that would help them start their own business.

Figure 20: Top ten banking services most attractive for urban family managers

<sup>40</sup> See appendix B. Based on the share of survey respondents who expressed interest in future financing from formal institutions and their reported average borrowing amount, extrapolated to the entire segment.

<sup>41</sup> See appendix B. Revenues are obtained by calculating the interest revenue based on interest rate data from commercial banks and the refinancing rate reported by the central bank. A share of non-performing loans, reported by the central bank, is deducted from loans.

### 3.2.6 Rural Women

Unmet Market Potential – Individual Women						
KGS millions	Retail lending volume	Deposit volume	Lending revenue	Deposit revenue	Revenue from transactions	Revenue from insurance
Current	12,599.0	7,987.1	897.0	330.2	303.5	32.8
Quick-win Market Opportunity <sup>42</sup>	32,173.5	55,661.8	3,101.2	2,094.1	464.5	81.8
Multiple to Current	2.6x	7x	3.5x	6.3x	1.5x	2.5x
Transformational Market Opportunity <sup>43</sup>	98,537.2	66,253.7	18,159.2	2,505.2	508.9	522.5
Multiple to Current	7.8x	8.3x	20.2x	7.6x	1.7x	16x

Table 15: Potential market estimates – Rural Women

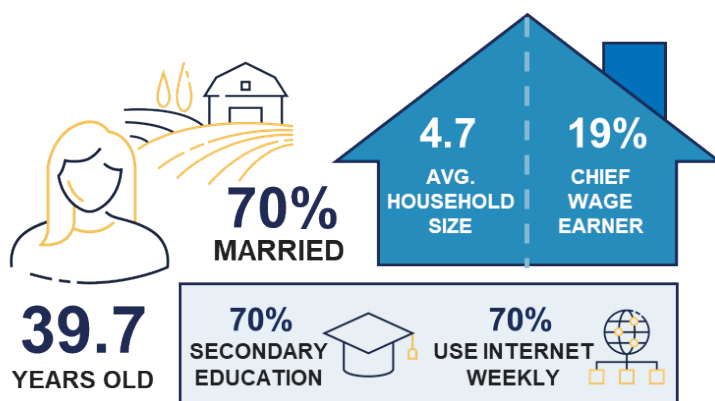


Figure 21: Demographics: Rural Women

While by far the largest in number (1.43 million), rural women in the Kyrgyz Republic have been typically catered to by rural-based microfinance institutions. Their above-average interest rates could indicate how the overall revenue potential reaches a similar order of magnitude as for urban women. The relatively sizable deposit volume of rural women (at least 50 percent of the volume of urban women with children) requires new lower-cost distribution channels to reach these clients and effectively mobilize funds.

Being the most populous retail segment, rural women are important drivers of banking revenue. However, the reach of formal financial services is still below potential, and is a missed opportunity. They are responsible for almost half (49 percent) of the women’s banking revenue. Only slightly over half of rural women report having an account with a formal financial institution and the POS penetration is also below 10 percent. Lending is the leading component of the segment’s revenues with KGS12.6 trillion (\$151.2 million) in lending volumes generating an estimated KGS897 million (\$10.8 million) in net interest revenues. A significant component is the large transaction revenue of around KGS303.5 million (\$3.6 million) generated by this segment.<sup>44</sup>

Given the size of the segment, improvement in the use formal financial services could boost banks’ revenues. This can be seen in the segment’s reported further financial service uptake, with

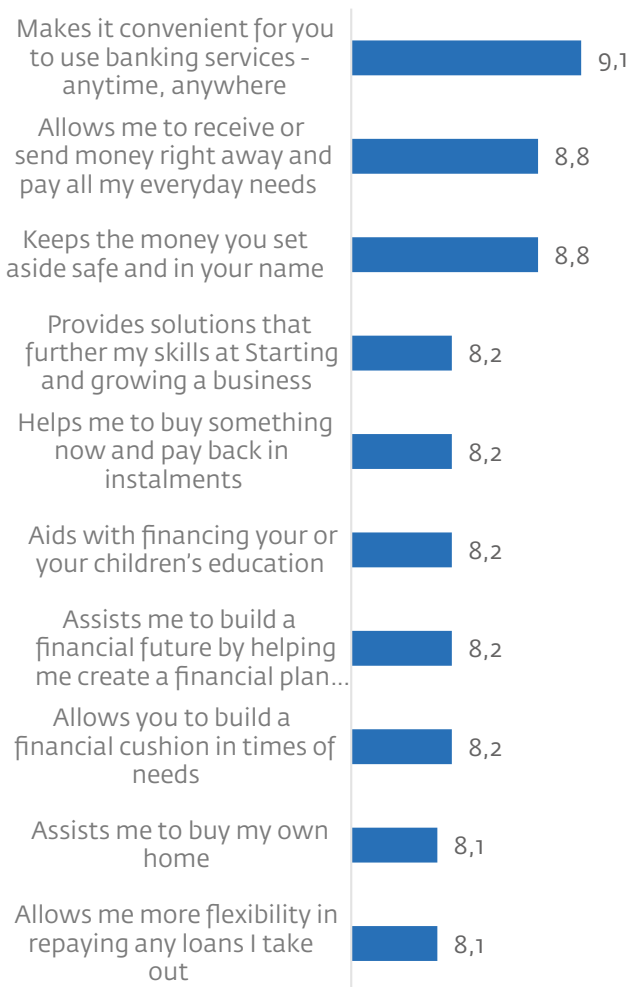
<sup>42</sup> The ‘quick-win’ market opportunity describes the more immediately available potential based on survey responses on future financial service uptake thus providing a snapshot of the immediately available market potential that could be reached with some incremental changes in market practices in the next couple of years. For the methodology, see appendix B.

<sup>43</sup> The ‘transformational market opportunity’ is based on international benchmarks and it estimates what the market could look like if inclusive financial service practices were fully adopted. It can be interpreted as a medium- to long-term goal for the market. For the methodology, see appendix B.

<sup>44</sup> See appendix B. Transaction values and frequency is obtained from survey results and then extrapolated to the entire segment. Transactions fees are obtained from commercial banks which inform the transaction revenue calculation.

53 percent of rural women willing to avail further loans and 94 percent showing an interest in further savings. This makes up a total KGS32.2 billion (\$386.1 million) potential 'quick-win' credit volume that could generate KGS3.1 billion (\$37.2 million) of revenue.<sup>45</sup>

Furthermore, because of the relatively low financial inclusion rate of this segment, the total transformative potential of the segment is substantial at KGS98.5 billion (\$1.2 billion) in lending volumes and KGS18.2 billion (\$217.9 million) in lending revenues.<sup>46</sup>



Like their urban counterparts, needs centered on convenient transactions, and access to credit, show up as the areas where banking services could have the most impact for rural women. In terms of importance, rural women would most appreciate the ability to easily send or receive money, and make domestic and international payments. For credit-related needs, quick loans for smaller purchases, and financial aid for education for themselves or their family, are the top contenders. These are closely followed by housing finance, and the need for banks to pay greater attention to their current situation in life and allow better flexibility in loan repayments. Ranked third in importance, but still scoring above the indexed average, are the opportunity areas clustered around savings and wealth creation. Rural women place the most importance on banks keeping their money safe and in their name. Beyond the product-centric opportunity areas, similar to the urban Kyrgyz women, convenient service with shorter waiting times shows the highest average score as the most important banking feature.

Figure 22 — Top ten banking services most attractive for Rural Women

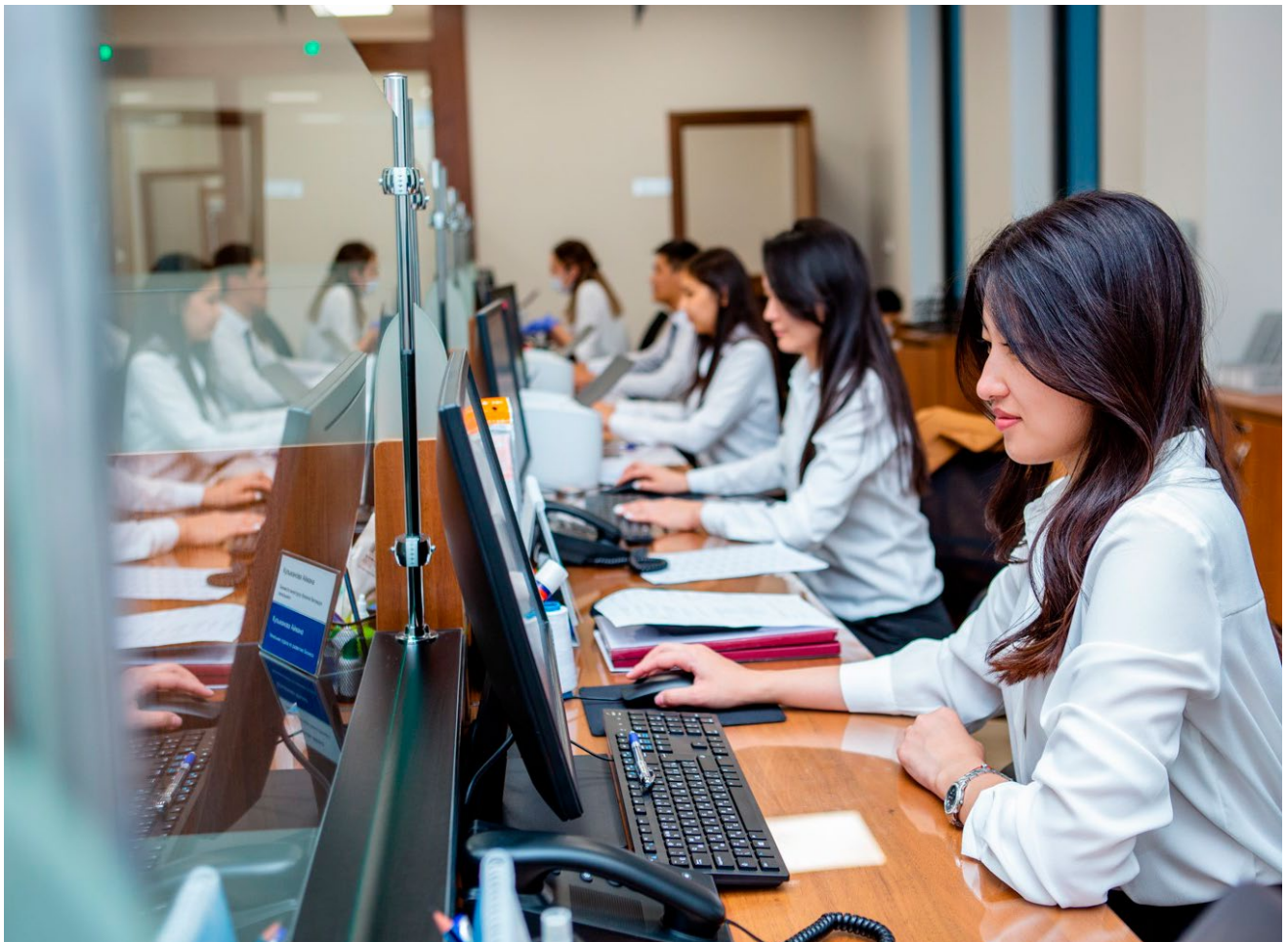
<sup>45</sup> See appendix B. Based on the share of survey respondents who expressed interest in future financing from formal institutions and their reported average borrowing amount, extrapolated to the entire segment. Revenues are then obtained by calculating the interest revenue based on interest rate data from commercial banks and the refinancing rate reported by the central bank

<sup>46</sup> See appendix B

### 3.2.7 Summary of Key Needs: Retail Segment

	Needs	Potential approaches
Shared among all	<ul style="list-style-type: none"> <li>• <b>Openness to credit</b>, albeit with <b>lower interest rates</b> and <b>more flexibility</b></li> <li>• Often <b>time-constrained</b> and <b>juggling too many tasks</b></li> <li>• <b>Secure financial future</b> for themselves and their families</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Credit offerings</b> in line with <b>international best practices</b></li> <li>• Improving the <b>functionality and quality of digital (mobile) interaction channels</b> and <b>shorter waiting times at banks</b></li> <li>• <b>Financial guidance</b> and <b>planning services</b> to <b>finance their family's education</b></li> </ul>
Urban Young Professionals	<ul style="list-style-type: none"> <li>• Keeping their <b>money safe</b> and in their <b>own name</b></li> <li>• Focused on <b>building a better life</b> for themselves in the future</li> <li>• As the segment most likely to use <b>domestic and international transactions</b> and expressed a strong need for <b>more affordable and convenient payment options</b></li> </ul>	<ul style="list-style-type: none"> <li>• Provide <b>additional guarantees</b> to <b>cement their trust</b></li> <li>• <b>Providing aid and advice</b> with <b>financing their education and career progression</b></li> <li>• <b>Low-cost and hassle-free payment options</b> mainly driven by <b>innovative, digital approaches</b></li> </ul>
Urban Family Managers	<ul style="list-style-type: none"> <li>• <b>Ease of use</b> and <b>leveling out of ongoing liquidity issues</b></li> <li>• <b>Key priority</b> in life is <b>ensuring</b> they can <b>finance their children's education</b></li> </ul>	<ul style="list-style-type: none"> <li>• Help her and her family with <b>Buy Now, Pay Later (BNPL)</b> schemes</li> <li>• Aid and advise with financing their children's education</li> </ul>
Rural Women	<ul style="list-style-type: none"> <li>• More <b>convenience</b> when it comes to <b>payments or remittances</b></li> <li>• <b>Buying a home</b> is made more difficult by unclear offers lacking in adequate levels of customer support</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Improved and convenient payment options</b> bridging distances and reducing transportation costs</li> <li>• Assist with home purchasing through <b>improved and flexible housing finance offers</b></li> </ul>

Figure 23: Needs/potential approaches summary overview – retail segment





## 4. SUPPLY-SIDE ASSESSMENT

Kyrgyzstan has a well-balanced, diverse financial system with many institutions dominated by the private sector – foreign and local capital, upmarket and mass market, microfinance, upscaled microfinance institutions, and conventional commercial banks. The financial system recently underwent significant changes as large non-bank financial institutions leading the microfinance activities upscaled into commercial banks. There are currently 23 commercial banks and 657 non-bank financial institutions. Many conventional banks have excess liquidity,<sup>47</sup> a phenomenon exacerbated by a large Russian-Kyrgyz industrial development fund (RKDF), but bank financing and overall financial inclusion lag in comparison to the achievements of peer countries. Between 2017 and 2020, financial inclusion is likely to have progressed to around 55 percent of adults. Continuing to bring local regulation in line with global best practices may help unleash competition and foster pro-inclusive dynamics.

	Currently primarily banking as a commodity (basic banking)			Broad Women-centric Value Propositions	
	Identify Women Segment: Retail / Business	Track portfolio by gender: Retail / Business	Awareness of Women's potential and gender strategy	Customer-centric and needs-led segmentation	Customer-centric and needs-led financial services for women
Selected banks (~29% of market)	Bank A	✓ ✓	🟢	○	○
Bank B	✓ ✓	✓ ✓	🟢	○	○
Bank C	🟢	✓ ✗	🟢	○	○
Bank D	🟢	✓ ✗	○	○	○
Bank E	🟢	✓ ✗	○	○	○
Remaining Supply-side	Large part of the remaining supply-side (~71% of market) with no women-specific offer for women yet				

Figure 24: Supply-side assessment

Currently, supply-side gender data is not available to substantiate the full extent of women's participation in Kyrgyz finance. Many MFIs, as well as former NBFIs that have upscaled into commercial banks, disaggregate data on their clients as a reflection of a legacy of mission statements linked to gender equality. This is not the case for more conventional commercial banks, nor is gender-disaggregated data mandatory while reporting to regulators. As in many countries, registered businesses remain a blind spot in the absence of a uniform definition of women (M)SMEs, or practices to qualify clients as such. Consequently, no up-to-date consolidated picture of the effective supply of formal financial services to women (and women SMEs) is currently available in Kyrgyzstan. Relevant gender-data practices highlighted by the Alliance for Financial Inclusion (AFI), of which the National Bank of the Kyrgyz Republic is a member, have not yet been put into practice.

Kyrgyz finance has seen rapid growth in inclusivity and has important players strategically interested in underserved segments. Kyrgyzstan presents a fairly dynamic, private sector-led model for financial sector development. Operating in a lower-middle-income country with a small corporate and public sector, many industry players already have their sights on the mass market and SMEs. State banks are much less prevalent than in neighboring Uzbekistan, and the microfinance sector has more capable players than either there or Mongolia. Foreign capital and experiences from development-linked networks who are shareholders or financiers of many

<sup>47</sup> Across commercial banks, the IMF Financial Access Survey registers loans at 89.8 percent of deposits for 2020, an average that would be substantially lower if not for the upscaled MFIs, which still tend to have a weaker basis of deposit-funding.

important banks and NBFIs can be beneficial. Where gender-intelligent finance and serving women with a dedicated banking approach are concerned, international best practices have not yet caught on.

**While it shows promise, Kyrgyzstan still remains on the brink of substantially more inclusive distribution models.** There has been a comparatively high penetration of mobile phones and smartphones, resulting in a good adoption of e-payments, and a recently active space of digital financial services. This indicates that Kyrgyzstan presents a conducive starting point for bringing these services to more unserved and underserved clients.

The affordability of mobile data, although better than in Tajikistan and many East African countries, is not as favorable as it is in most of the regional peers.<sup>48</sup> However, a broader adoption of the best practices around non-branch, but assisted channels for acquiring and onboarding clients,<sup>49</sup> and the respective regulations to enable such channels, are not yet a priority in Kyrgyzstan. These are important to boost the number of women clients.

**In 2018, 55.1 percent of microcredit clients were women. However, women entrepreneurs also need access to larger loans.** On an average, loans from MFIs are between \$650 and \$1,000, which are not sufficient to help a WSME scale up its operation. Special lending products with lower interest rates and collateral levels are required to overcome historic financing barriers for women-led small businesses.

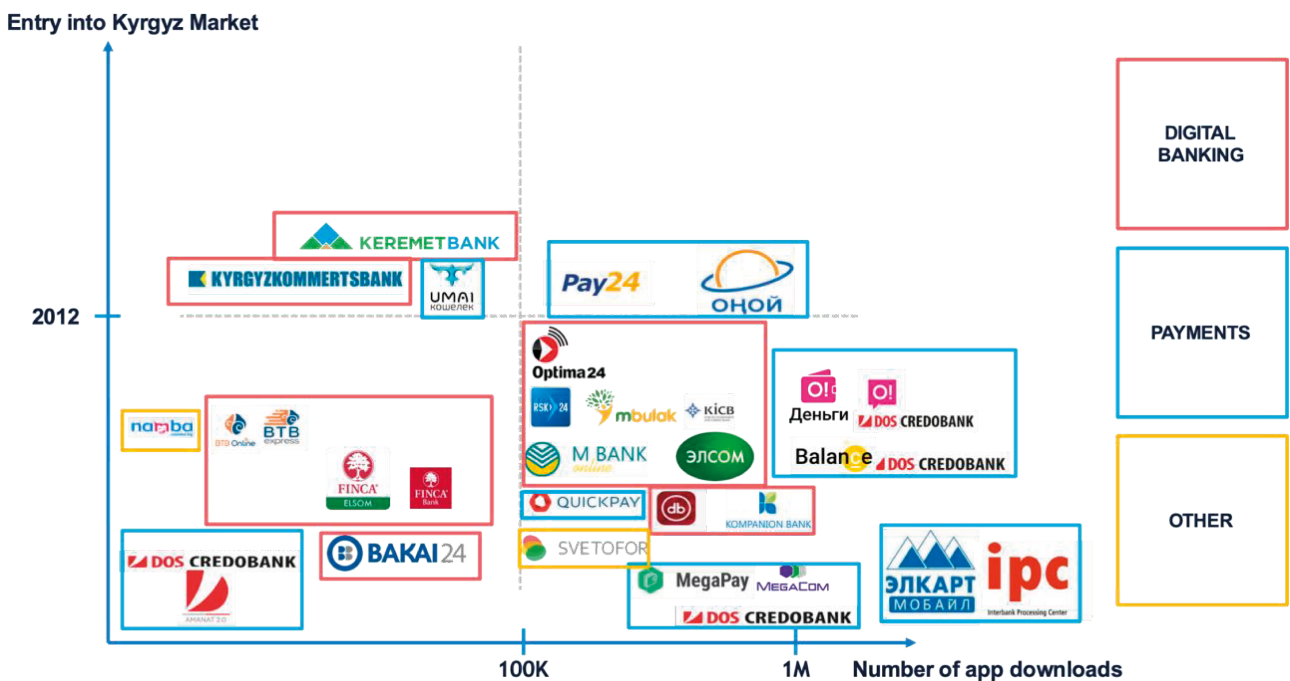


Figure 25: Digital finance offers

48 A4AI, 2020.

49 Tyme Bank of South Africa is the most recent success story to put this principle into practice in partnership with the Pick'n'Pay supermarkets. Tyme Bank attracted clients during the pandemic with fully digitized onboarding in e-kiosks with staff trained to educate and assist clients in opening accounts, and issue an instantly activated card.

## 5. ENABLING ENVIRONMENT

The Kyrgyz enabling environment is a mixed picture of strong socio-cultural limitations and the substantially supportive digital driver, which is strengthening female financial inclusion. While the country's legal and regulatory framework and the existing support systems are currently neutral drivers, both areas hold potential to significantly move the needle for women navigating their way through the Kyrgyz financial sector.

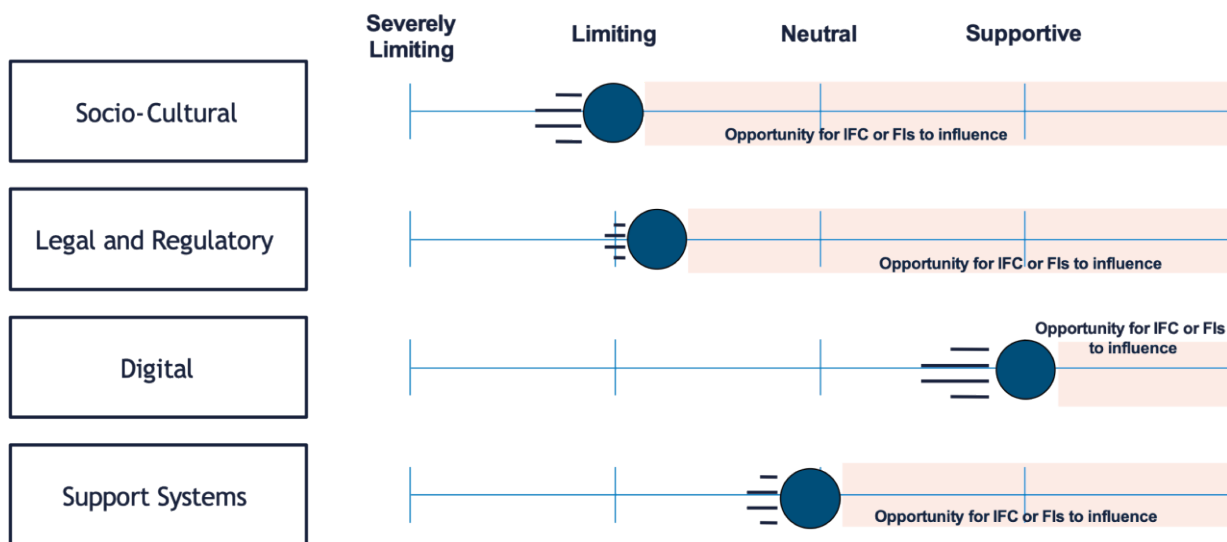


Figure 26: Key Drivers of the enabling environment

### 5.1 Social and Cultural

At the cross-roads of nomadic, post-Soviet, and Islamic traditions, legal gender equality does not outweigh social norms. This causes wide gaps in economic inclusion. Except for residual occupational limits from the Soviet past, gender equality is ensured in the Constitution and laws, although it may not be fully implemented in practice. This is partly due to entrenched social practices (including relatively early marriage and motherhood, few rights to family assets, incidence of domestic violence, and bride-kidnapping) exacerbating conventional challenges for women's economic activity. This is visible in relatively low labor participation rates that have gone down since independence, deviating from regional trends. Women's above-average educational achievements lose their potential in well-below-average workforce participation.<sup>50</sup>

Kyrgyz women's limited economic inclusion is likely a major drag on sustainable growth, with (partially internalized) social norms as the main reason. Effective economic inclusion is making slow progress despite solid educational achievements, the legacy of female professional activity in agriculture, and legal guarantees for gender equality. Like other Central Asian countries, Kyrgyzstan experienced a marked downward social and economic trend during its post-Soviet transition in the 1990s. Lower living standards, high unemployment, and poverty rates resulted in the marginalization of women, children, ethnic minorities, and rural communities. The inequitable privatization of public property, and the reduced employment opportunities for women with the closing of childcare facilities and social support institutions, also exacerbated the situation. In these circumstances, women may have little choice but to stay at home as the primary caregiver of children. Patriarchal cultural norms influenced by

<sup>50</sup> Human Development Report, 2020.

Islamic and Turkic traditions provide an additional layer of expectation on women to shoulder household responsibilities. With a fertility rate of 3.3 per woman, Kyrgyz women may have few opportunities to devote time and resources to economic activities.<sup>51</sup>

## 5.2 Legal and Regulatory

**There is no legal discrimination against women's participation in land tenure, but the customary practice supports registering all property (for example, land and houses) in the name of male family members.** Most of households' own housing (62 percent) is registered in the name of males, with only 29 percent registered in the name of females. All other household assets are mainly registered in the name of a male (residential premises/houses/apartments), in addition to those in which the household lives (62 percent in the name of a male), commercial real estate (61 percent in the name of a male), land (80 percent in the name of a male), passenger transport (90 percent in the name of a male), freight (93 percent in the name of a male), and agricultural holding (93 percent in the name of a male). As a result, women's ability to manage household assets is markedly lower than that of men.

**The absence of targeted programs supporting the development of SMEs is aggravated by general institutional problems.** The poor implementation of legislation, the lack of a regulatory and proper legal basis for the development of investment projects, ineffective institutional structures for the attraction and promotion of investments, high levels of corruption within regulatory authorities, and the vulnerability of the ownership rights of entrepreneurs, are all significant obstacles to SME growth, which ultimately lead to lower economic stability. Corruption, and the insufficient enforcement of regulations are obstacles to business development, for citizens and foreigners alike.

**Government efforts to improve Kyrgyzstan's business climate have had a moderate effect, yet the country remains below the regional average in terms of business competitiveness.** According to the latest survey of 190 countries in 2020, the Kyrgyz Republic ranked 80 in ease of doing business, well ahead of Tajikistan (ranked 106), but far behind Kazakhstan (ranked 25) and the Russian Federation (ranked 28).<sup>52</sup> The investment climate in the Kyrgyz Republic is characterized by considerable risk and uncertain time horizons. Widespread corruption within the country (ranked 124 of 179 on Transparency International's Corruption Perception Index)<sup>53</sup> and the uneven application of the law, continue to be major obstacles for the business community.

## 5.3 Digital

**In the government's 2017 national development strategy, the expansion of digital financial services was a priority, but execution has been somewhat limited. Despite this, the adoption of digital finance has grown steadily.** The government has committed to increase its reliance on the national digital payment system for social assistance, which has boosted the knowledge of digital finance among Kyrgyz citizens. Still, over 50 percent of Kyrgyz pensioners received their assistance all in cash last year.<sup>54</sup> The national bank has been tasked with providing a digital banking and payment platform for the regional governments, which has not yet been completed. Even with this slow progress, the adoption of e-wallets has been swift (a 63 percent increase between 2015 and 2019). Currently, at least two million Kyrgyz citizens have an account,

<sup>51</sup> World Bank, 2021.

<sup>52</sup> World Bank, 2020.

<sup>53</sup> Transparency International, 2020.

<sup>54</sup> The World Bank, 2020.

and most government agencies do accept payment by e-wallet. Credit card ownership has increased in parallel.

While lagging behind richer neighbors, the Kyrgyz population is rather well connected digitally. In 2019, mobile phone usage was already nearly universal at 134.4 mobile subscriptions per 100 inhabitants, an important contribution to overcoming the challenging geography by establishing linkages between the various parts of the country.<sup>55</sup> 98.3 percent of the population has access to mobile phones (basic or smart).<sup>56</sup> The affordability of mobile data and smartphones is likely to lead to the fast availability of apps and communication for business and banking. Internet usage – almost all of it via mobile devices – can be expected to further increase in Kyrgyzstan.

## 5.4 Support Systems

There are many domestic and foreign organizations operating in Kyrgyzstan with the mission of fostering and supporting entrepreneurship and female financial inclusion, as shown in the chart below. FIs can become more involved in supporting these efforts by stepping in to better address critical gaps in the Kyrgyz banking sector, improve their market share, and increase their profitability.



Figure 27: Overview of support programs

<sup>55</sup> International Telecommunication Union, 2019.

<sup>56</sup> Kyrgyzstan Multiple Indicator Cluster Surveys, 2019



### **5.4.1 Business Support for SMEs and Economic Development**

The Kyrgyz government has several initiatives focused on entrepreneurship support (for example, Open Joint Stock Company Guarantee Fund, Osh Entrepreneurship Support Center). There are also many non-governmental organizations (for example, The Chamber of Commerce and Industry of Kyrgyzstan, The Aga Khan Foundation) in Kyrgyzstan working to enhance entrepreneurial activity in the country. The current gaps in this area offer FIs the chance to join by offering financial literacy and management training, business support through the provision of tax and regulatory advice, business management solutions, and mentoring opportunities.

### **5.4.2 Women-Specific Advocacy**

Advancing female financial inclusion is currently undertaken by a number of domestic and foreign groups (for example, Women's Forum Kurak, EBRD's Central Asia Women in Business Program, UNDP). However, there is still ample opportunity for forward-looking FIs to take advantage of the existing gaps in this space. Women have demonstrated a continued demand for access to financial training, networking events, easier access to credit, and greater flexibility in repaying loans. Additionally, FIs can cooperate in this effort by introducing female-specific financial products, developing sex-disaggregated analytics, and improving the functionality and quality of digital (mobile) interaction channels.

### **5.4.3 Youth-Specific Advocacy**

Similar to the above two areas, advocacy for Kyrgyz youth entrepreneurship in the financial sphere needs to be geared toward focusing on gaps related to financial literacy and access to credit for new business ventures, but also on improving employment prospects. There are very few organizations in the country that deal specifically with youth-related issues. The High Technology Park of the Kyrgyz Republic is a government organization aimed at building an innovation ecosystem in the country. Its main activities are supporting the IT community, creating opportunities for youth, and cultivating a tech culture. The only other noteworthy effort has been the launch of a project by UNDP to enhance youth entrepreneurship via mentorship programs. FIs have a clear opportunity to meaningfully engage with young Kyrgyz through internships, financial education, and support for young entrepreneurs with credit and financial advisory services for their startups.

Overall, there are positive developments in Kyrgyzstan's enabling environment in terms of female financial inclusion, but there is still much work to be done. Some of this effort can be further aided with the help of domestic and international organizations that have already established a presence in this area. Furthermore, enterprising Kyrgyz FIs have an excellent opportunity to contribute meaningfully, while expanding their market reach and improving their profitability.

## 6. CONCLUSIONS AND RECOMMENDED ACTIONS

### 6.1 Conclusions

While the transformational market potential for FIs is significant, legacy positions are under threat from savvy local disruptors and foreign market entrants. Commercial banks using disruptor models that focus on providing more convenience and cost benefits are driving the disintermediation of the Kyrgyz financial services market. Furthermore, as reforms in Kyrgyzstan's financial sector create new opportunities, foreign market entrants leverage their strong market positions and advanced digital transformation into momentum for entry. Incumbents – who remain largely product-centric in their approach – will lag in meeting evolving consumer expectations. Their legacy positions are not guaranteed to fend off upcoming competition considering the mismatch with client expectations and the general change agenda.

**Existing disruptors seize what may initially seem like part of clients' total "wallet" of financial services.** These include managing everyday finances, especially via payments to peers and merchants as well as international remittances. As disruption from new actors—local challenger banks, fintech-neobanks, and successful players from abroad—plays out over the next few years, even current market leaders are bound to find their market position under threat unless they move beyond the "banking as usual" approach, which this research has identified as not matched to client needs. But loss of this ongoing engagement with clients, and the data and deposits it generates, carries the strong risk of disintermediation for incumbents.

**Developing as a worldwide trend, including in Kyrgyzstan, other innovators in the financial services industry are turning to 'embedded finance'** utilizing non-linear models of distribution across multiple value chains. Such players most strongly emphasize being in the right place, at the right time for consumers, embedded and integrated into their lives. They aim to position financial services products as means to an end instead of products desirable for their own sake. Financial services are best deployed right when the underlying economic interactions happen, such as (online or offline) checkout at a merchant. This approach transcends the usual banking value chain and encompasses high degrees of customer-centricity, all of which may pose a strong potential threat to linear and vertical-based models in the future.

**Moving to client-centricity as a basic principle of organizing FIs' retail and (M)SME operations is at the heart of getting onto the right track for success in this new setting.** Organizations with a customer-centric mindset focus on placing the customer at the forefront of any solution development efforts. They emphasize continuously understanding their customers' needs. Like most international peers in the past, Kyrgyz financial institutions remain highly product-centric. This is a major cause for the continued mismatch of the present offering with the preferences and latent demand documented in this research. Once a provider has made a strategic choice of (sub-) segments, the proven approaches of customer-centricity can point the institution to solutions that fit the purpose. As indicated in this study, such an approach is likely to lead to a holistic value proposition, which includes non-financial offering strongly informed by lifecycle events and the banks' role in enhancing clients' risk-reward profiles in these principal opportunities and adversities they may face. The result will be far superior to standalone financial products that may soon be commoditized, and will help build a loyal client base with strong revenue-per-client.

**Kyrgyz women, as principal handlers of their own and their households' everyday finances, are likely to be the cornerstone to these strategic paths forward.** They are the main target group for the convenient management of daily cashflows (and shortfalls thereof), which is likely the key battleground between incumbents and disruptors. Prolific in word-of-mouth, women may also prove the best launchpad to seize larger shares of this market. As clients interacting

with the widest group of merchants, women are the natural constituency for lobbying for a wider adoption of digital and cashless modes of payments at the many smaller Kyrgyz businesses, which on their own resist this move over concerns of transparency to tax authorities and a perception that cash is good.

**The commercial opportunities of the women’s market, and the ability of a gender lens to inform successful transformation of their value propositions, provide strong strategic impetus for Kyrgyz financial institutions to focus on women.** This study identified substantial short-term gains, which turn into significant revenue growth opportunities if providers get serious about inclusive and innovative offers that meet clients’ needs and expectations. The discipline of designing solutions with these in mind promises an even bigger upside: a) the collateral benefit of an offer that also works substantially better for the broadly underserved market of men, and b) as a customer-centric guideline for the transformation required to play a leading role in Kyrgyz finance in the 2020s.

Through this banking transformation and increasing competition among FIs, women will significantly benefit by having access to better-suited financial products, higher quality customer service, more favorable credit offers, and valuable non-financial services. Women and their families can expect to see more opportunities opening up for them, more innovative financial solutions, increased satisfaction with their banks, a growing level of trust in the financial sector, and a higher standard of living. Their enhanced financial resilience and mobilization of their deposits should, in turn, enhance the growth prospects of individual financial institutions, and equally, those of the entire country.

Kyrgyzstan, like other Central Asian markets, is at a pivot point in its financial sector development, and incumbents need to act before their window of opportunity closes. In the blend of market reforms including privatizations, macro-economic changes, the emergence of new business models, service delivery channels, as well as regulatory changes to enable more of an inclusive financial services ecosystem, Kyrgyz finance is on the cusp of major transformation. Incumbent players – both commercial banks and microfinance institutions – are facing a notable need for organizational change in terms of business models, capabilities, and corporate culture. Their geographic presence, existing client base, and brands, provide a starting base. However, that base is growing weaker with time because fintech disruptors, with strong VC funding, and experienced foreign market entrants, are expanding their presence. As the offerings of such new entrants broaden – the examples showcased by markets in Kyrgyzstan’s neighborhood – and the digital skills of (potential) clients grow over time, the ability of incumbents to preserve their position in client relationships is bound to diminish, unless they act soon.

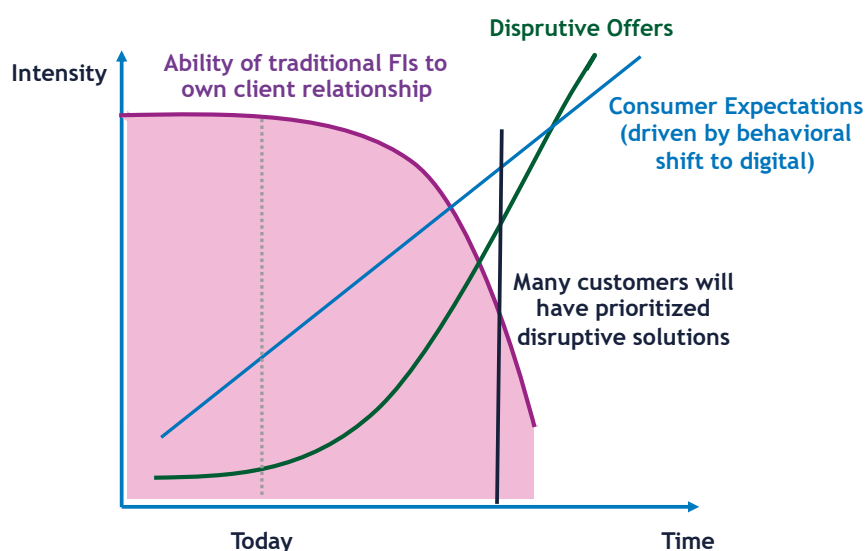


Figure 28: Ability of traditional FIs to own client relationship

## 6.2 Recommended Actions for FIs

**Building of digital and relationship banking capacities promises to bridge the gap between a banking as usual approach that is unfit for the purpose, and the strong potential of Kyrgyz women.** At the heart of this evolution are two changes: 1) the shift from product focus to customer-centricity— putting customers' needs and expectations at the forefront of all strategic and operational efforts, and 2) the shift from providing standalone services to facilitating relationship banking that is up to digital realities and fosters engagement with clients. These changes are essential to secure an FI's privileged position as the financial partner-of-choice to clients, and thereby, its strategic role in Kyrgyzstan's impending Retail and (M)SME finance ecosystem.

Figure 29 provides a guideline on the three pillars of improvement much-needed for FIs to move beyond the mismatched offers of today, to a women-centric bank in the future. First, a focus on the high-frequency, everyday management of finance to attract and retain clients. Second, the improved use of the track records of data and client contacts from this engagement, to forge improved capabilities for client-centricity. And finally, building out up-to-date value propositions embedded and seamlessly integrated into women's lives that continuously address their evolving financial needs throughout their lives.

**The broad universal appeal to women of everyday financial use-cases and their role as enablers of data-driven engagement puts them at the start and at the heart of the transformation.** These services help customers achieve daily goals, such as making payments, finding and buying a smaller item, or paying off debt. For businesses, this means being able to serve and get paid by clients in the physical and digital realm, and maintain transparent cashflows while smoothing their administration for contractors, suppliers, and staff. Focusing on everyday use-cases allows FIs to keep clients continuously engaged, and build strong relationships that can help expand into other financial areas. These engagements can also be used to develop more sophisticated data capabilities and analytical models, allowing for better opportunities to identify consumer patterns and trigger new opportunities for cross-selling.



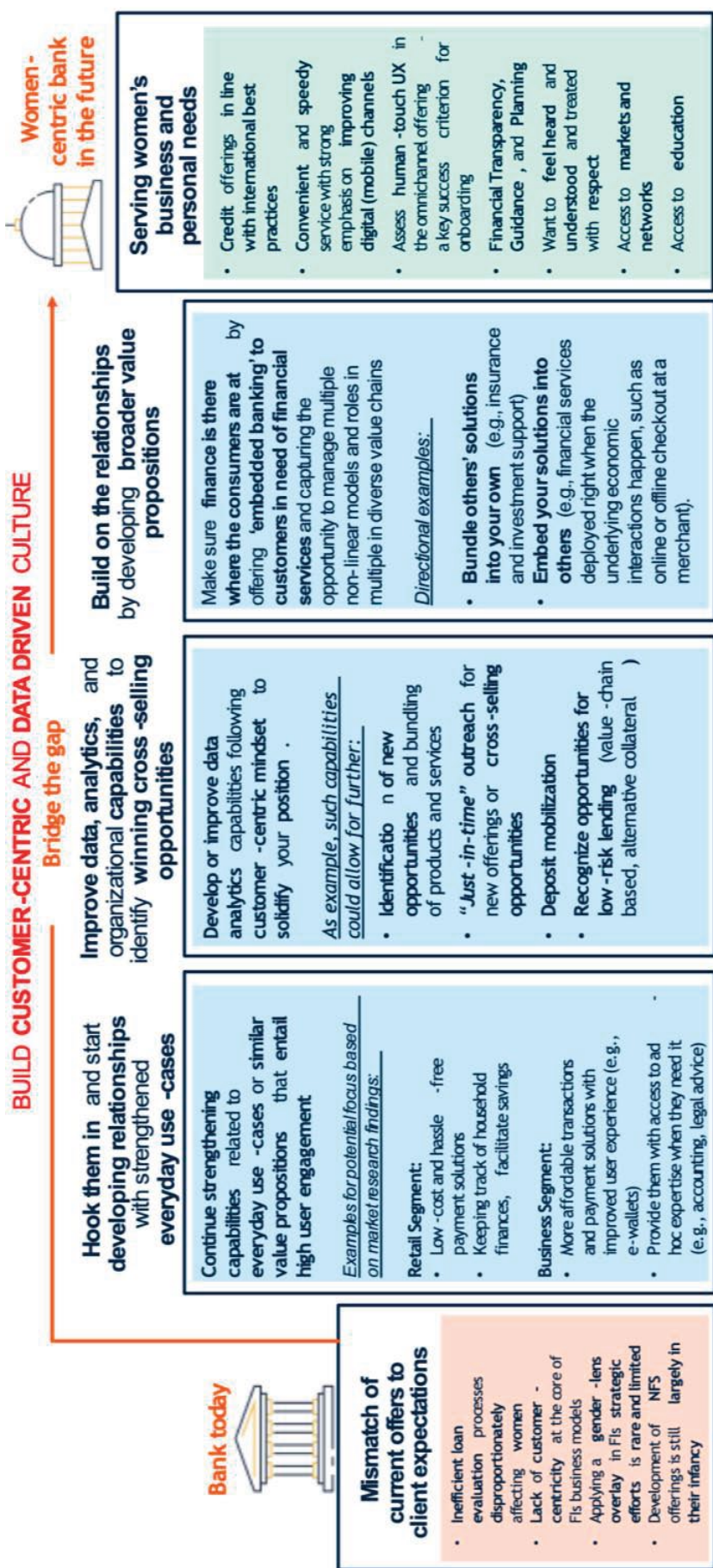


Figure 29: High-level guidelines to bridge the gap between current market offerings and women's needs

Given the importance of data for steering the institution and informing customer-centric strategies and value propositions, information management systems require attention and upgrading. Organizations still in the early stages of customer-centric development should focus on increasing the general level of sophistication of information management systems of FIs. They should accurately diagnose and address the organization's weak points on data management. Establishing a robust technical and organizational culture is paramount to adopting a more data-driven and customer-centric approach. The objective is to collect and analyze data so that it can be made available to client-facing staff such as relationship managers, out and in-bound contact center staff, and personnel at bank counters. It can also be integrated into electronic means of outreach (chatbots, bulk messaging). The client personas described above point to a customer-centric way in which data can be categorized for coherent client engagement. While this is not easy, the importance of such improvements goes well beyond the women's market. A wealth of up-to-date technical solutions including "banking-as-a-service" offers make this effort eminently feasible even for smaller institutions in Kyrgyzstan.

To seize and retain the role of primary partner for women's finances, institutions need to update and expand their value proposition to meet women's financial needs at the right place and time. As indicated by this research, this will require a combination of financial and non-financial needs for business and individual clients. This may require FIs to partner with NGOs, industry associations, B2B fintechs, and other non-bank financial institutions particularly for non-financial services, but possibly also for some financial services such as insurance, digital lending and specialist loans (mortgage, leasing, factoring). At the heart of these efforts is the motivation to secure an FI's ability to avoid disintermediation by any disruptor, and maximize its share of wallet and revenue-per-client as the partner-of-choice throughout (women's) financial lives.

Updating lending capabilities to international best practice is a must, but putting credit offers at the center of any initiative would miss broad swathes of potential clients at this stage. The strong latent demand and openness of Kyrgyz women to borrowing, as found by this research, signals major promise. However, it is conditional on fully revamped lending practices and supporting financial education and advisory components, neither of which are currently in place. Merely ramping up financing lines, or offering slightly advantageous rates (as may be justified by women's lower NPL) would mostly poach or cannibalize the low existing realized demand for loans rather than drive market expansion. Risk-adjusted flexible financing options that include unsecured loans and those secured with alternative collateral (including value-chain finance in the business context) are key to securing a large part of the potential revenue from Kyrgyzstan's women's market (and most certainly the men's market). It requires diligent work by FIs to bring their risk policies, credit processes, and related sales and advisory up to date, and achieve this.

This transformation informed by a gender lens should lead to FIs optimally positioned in Kyrgyz finance, as its sector dynamics are reconfigured in the 2020s. The discipline of a gender lens is instrumental to designing solutions that work well for the target clients – whether these are the entire market or any sub-segments thereof. It can serve as the catalyst to achieve that significantly more inclusive and innovative value proposition, which will be essential for any FI – incumbent or disruptor – aspiring for a leading market position in future. International experience shows that financial services that effectively meet women's needs will also appeal to men and promote their financial inclusion. Designing services for women simply means ensuring universally attractive features for savings accounts, loans, insurance plans, and other offerings.<sup>57</sup>

As the macro-economic outlook darkened in Q1/2022, mobilization of the potential of Kyrgyzstan's women in retail and MSME finance is likely to become even more important for FIs' resilience. The fall-out of Russia's invasion of Ukraine for Central Asia is only starting to emerge, but carries strong downsides. A rapid decrease in remittance volumes, disruption of value chains, and export prospects outside of the commodities space, are bound to lead to

<sup>57</sup> Digital Savings: The Key to Women's Financial Inclusion?, Women's World Banking, 2015

major disruptions. Broadening the basis of their business may hold some short-term respite, but more importantly it will put Kyrgyz FIs on a more balanced long-term footing. As indicated by the massive untapped potential in the current market, pioneering FIs may even compensate a medium-term depression of current business by way of expansion and intensification of their business with women (and with men) through more inclusive and innovative offerings.

IFC can help FIs build internal and external capacity to mobilize the existing potential to serve women clients by providing technical assistance across all stages. Given the lack of strong precedents in the local market, accompanying FIs with expertise will be essential. Such assistance would take the form of diagnostics and capability development, piloting quick fixes, and go-to-market strategy development. The terms-of-reference of such interventions may incorporate the types of activities indicated in figure 30:

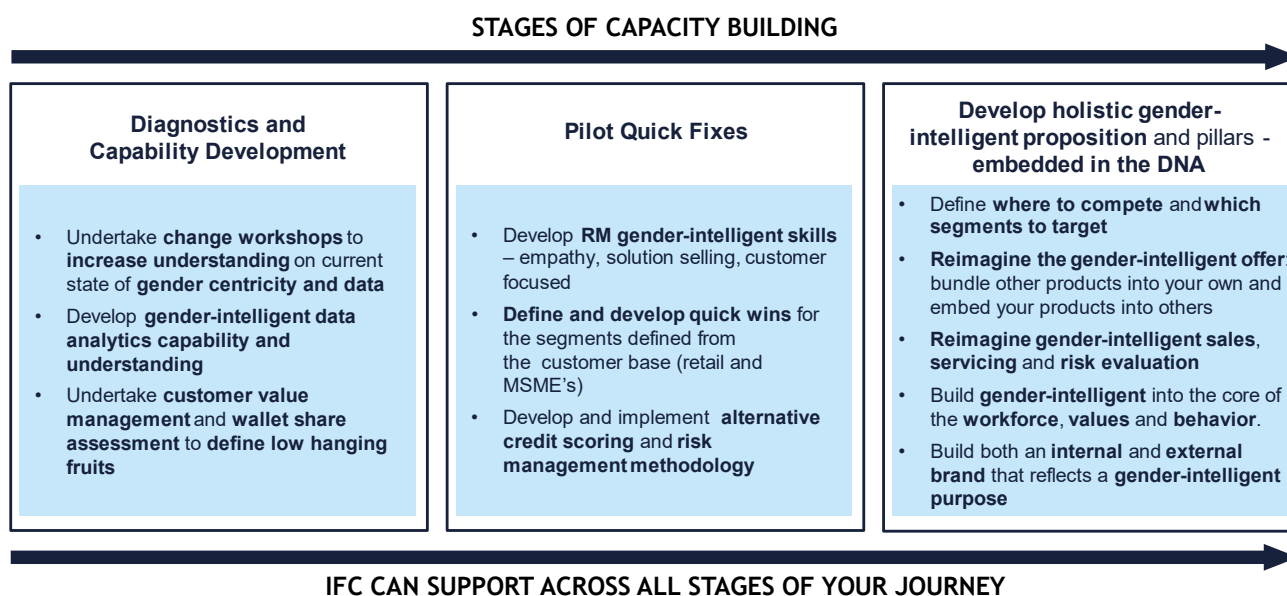


Figure 30: Stages of capacity building

## Appendix A: Qualitative and Quantitative Methodology

The research design draws upon the principles of Human-Centered design (HCD) and follows a three-step process outlined in the phases below:

1. **Inspiration phase:** Exploring and gaining a deep understanding of the women's market in the country through researching publicly available sources, conducting focus group discussions and in-depth interviews with women and women entrepreneurs, as well as financial institutions, insurance providers, and new disruptors (fintech firms) operating in the market.
2. **Ideation phase:** Conducting workshops with a wider team of experts to uncover insights and develop low-fidelity opportunity areas based on findings collected in the inspiration phase.
3. **Implementation phase:** Validating understanding and outputs of the ideation phase through computer-aided telephone interviews.

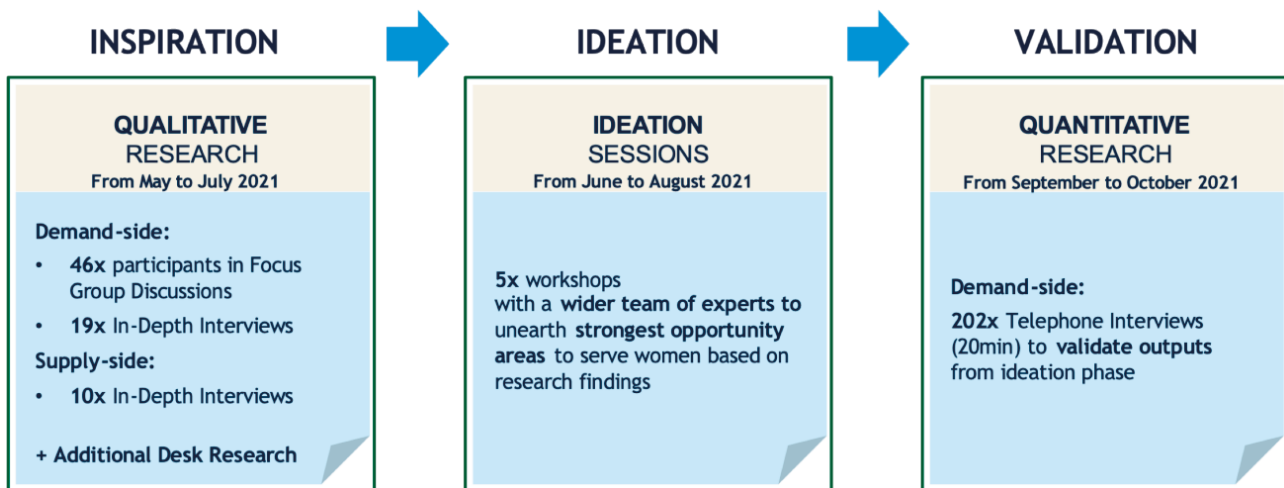


Figure 31: Overview of research design

### Qualitative Research

The qualitative research component incorporated the use of three principal methods:

- A set of **focus group discussions (FGDs)** with the prime objective of gaining a 360° understanding of women's markets segments regarding their overall profiles, needs, and constraints in their personal and professional lives, and their attitudes towards financial and non-financial services.
- **In-Depth Interviews (IDIs)** to (1) clarify and affirm the discussions from the set of focus groups by following up with few of the participants, (2) accommodate for participants with high time constraints (women running larger enterprises), and to (3) allow for the exploration and in-depth understanding of the supply-side of the markets.
- **Secondary (desk) research** to get a better grasp of the current state of the enabling environment, contextualize the socio-economic conditions of the women's markets, and complement and validate the findings from the primary research.

## Focus Group Discussions

Ten focus groups discussions were conducted, split equally across the retail and business segments. Eight out of the ten focus groups comprised of women in sub-segments previously identified as part of the desk research described in the break-down below. In addition, an additional focus group discussion, per the retail and business segments, comprised of men, was conducted to enable identification of patterns of needs and constraints that are gender specific. The FGDs breakdown is as follows:

- **4x FGD – Retail segment:**
  - 1x FGD with women without children living in urban areas
  - 1x FGD with women with children living in urban areas
  - 1x FGD with women living in rural areas
  - 1x FGD with men living in urban areas
- **4x FGD – Business segment:**
  - 1x FGD with early-stage women entrepreneurs
  - 1x FGD with stability-oriented women entrepreneurs
  - 1x FGD with growth-oriented women entrepreneurs
  - 1x FGD with male entrepreneurs

## In-Depth Interviews (IDIs)

As part of the exploratory phase, a total of 29 in-depth interviews were conducted—20 of which were part of the demand-side assessment, while the remaining nine contributed to the supply-side assessment of the women's market:

### 1. Demand-side:

- a. 8x IDIs with women entrepreneurs owning and running larger businesses with the same purpose as the FGDs.
- b. 12x Follow-up IDIs with two participants from each female focus group with the objective of clarifying and confirming findings from the focus groups and obtaining supplementary input for personas creation.

### 2. Supply-side:

- 10x IDIs with key executives from the country's financial sector to allow for initial understanding of the extent of interest, knowledge, and preparedness of financial sector players when it comes to the women's market:
- a. 6x IDIs with Financial Institutions
  - b. 2x IDIs with Insurance Providers
  - c. 2x IDI with up-and-coming market disruptor (fintech)



## Secondary (Desk) Research

Thorough review of publicly available literature and databases for a high-level assessment of the enabling environment in the country based on three principal levels of aspects:

- **Framework for women's inclusion:** Political system and rights, social norms, women's economic and social inclusion, macro-economic context.
- **(Gender) Investment Climate:** Ease of doing business (with the respective aspects covered therein), gendered and sectoral patterns of constraints, policy trends.
- **Financial sector development and inclusiveness:** Stage of development of the financial sector and overall capabilities (including delivery channels), structure and trends of the sector by providers, state and trends of regulation regarding the sector's inclusiveness.

In addition, where possible, data from publicly available datasets were used to complement and validate the findings from the primary research.

## Ideation Sessions

Following the completion of the exploratory phase, leveraging Human-Centered Design (HCD) principles, the core research team hosted a series of workshops with a wider team of experts, where the initial findings uncovered from the focus groups and in-depth interviews were presented. The objective of the workshops was to unearth additional insights and identify the key opportunity areas to be subsequently tested through quantitative methods during the implementation phase. The final output of these sessions was the development of opportunity area statements that were subsequently evaluated during the implementation phase (quantitative research).

## Quantitative Research

The goal of the quantitative assessment was to validate the outputs of the ideation session and produce additional quantitative input for market sizing estimates. Through a survey on a sample of 202 respondents, information was collected from 102 women from the retail segment and 100 women entrepreneurs from the business segment. The survey consisted of a 20-minute phone interview (computer-assisted telephone interviews – CATI) and was carried out during November and December 2021. The samples were structured to follow the sub-segments initially identified in the exploratory phase in an equal split:

Segment	Sub-segment	# surveyed
Retail	Urban women no children	34
	Urban women with children	34
	Rural women	34
Business	Early-stage WMSE	32
	Stability-oriented WMSME	26
	Growth-oriented WMSME	42

Table 16: Survey sample structure

## Limitations of the study

The research methodology applied serves well to uncover extensive findings and gain deep insights into the women's markets in the Kyrgyz Republic. However, several methodological limitations outlined below may impact the study findings and should be considered when interpreting the results.

1. **Relatively low sample sizes in the quantitative assessment.** Survey findings, particularly on the sub-segment categories, are very likely to capture trends well directionally. However, exact percentages should be interpreted with caution. Regarding the urban population, it should be noted that there is a relatively high concentration of respondents from the capital.
2. **The market sizing model uses estimations based on survey data.** Respondents may not be fully aware or fully accurate in describing their financial behavior. Data were spot-checked (that is, compared with income, turnover, and average in the group) to increase accuracy. The survey only interviewed a limited number of women and WMSMEs in the interest of efficiency, therefore, the overall figures for the population are estimations.
3. **Information on premiums is limited to what is available from insurance providers.** Data availability on the banks' share of the insurance market is scarce, therefore the internationally accepted 10 percent banks' share of premiums was applied to premiums. The model uses reported figure from 3-4 providers.
4. **Information on interest rates is limited to what is available from commercial banks.** The model uses the reported figure from 4-5 providers.
5. **Lack of sex-disaggregated data from publicly available sources.**



## Appendix B: Market Sizing Methodology

### General Remarks on Current Market Estimate

- Current market estimates reflect the current conditions for the women's segments.
- Inputs are survey results, National Bank data and benchmark, National Statistical Office data, World Values Survey, Global Findex, Global Entrepreneurship Monitor, FI data.
- Outstanding balances are calculated for savings, and lending products.
- Revenues are estimated for savings, lending (consumer finance and mortgages for the retail, and SME loans for the business segments), transaction, and insurance products.

### Current Retail Market Estimate

Retail market estimates include product level views on CA, savings, personal loans, mortgages, transactions (domestic, international, merchant payments, and ATM), and insurance figures.

#### Women's retail banking:

- Total female population obtained from the National Statistical Office or the World Bank.
- Total figures are broken down into the retail segments using shares obtained from the World Values Survey.

#### Volumes:

- Those who reported having a formal product (CA, saving, lending) were classified as formally included. Out of this we deducted those who used informal products along with formal products.
- Current balances on formal accounts were used for CA volumes. If not specified explicitly, those who had any amount on their formal accounts were classified as active account owners at FIs.
- Savings volumes were based on survey responses on saving practices (share of those who save formally), and amount of savings (nominal value, averaged across each segment).
- Lending balances were based on survey responses on lending practices (share of those who borrow formally), and amount of borrowing (nominal value, averaged across each segment). Questions on the purpose of borrowing were used to estimate share of personal loans (consumer finance) and mortgages. A cap was applied to personal loans based on yearly income (1x) to filter for outliers.

## Revenues:

- Saving revenue estimates were calculated based on the savings volumes obtained. Commercial bank data on interest rates and National Bank data on the refinancing rate were used to estimate margins, which were then applied to the savings volumes to estimate savings revenues.
- Lending revenue estimates were calculated based on the lending volumes obtained. Commercial bank data on interest rates and National Bank data on the refinancing rate were used to estimate margins. NPLs were removed from lending volumes and margins applied to calculate revenue estimates.
- Transaction practices on transaction amounts and frequency for domestic and international transfers were obtained from the survey. ATM and card use practices were also obtained from the survey. Commercial bank data was used for fees which were applied to survey transaction data to estimate revenues.
- Insurance use (by product) was obtained from the survey. Insurance company data on premiums (by product) was applied to survey insurance uptake figures. A 10 percent banks' share of insurance income was applied.

Illustrative table of rates (p.a.) and fees	
Refinancing Rate	6.0%
Term Deposit Rate	2.3%
Consumer Finance Rate	24.5%
Mortgage Rate	17.0%
Person-to-Person Transaction Fee	0.6%
Merchant Fee	2.0%
Insurance Premium (LCY)	685

Table 18: Illustrative table of rates (p.a.) and fees – Retail Segment

## Current Business Market Estimate

WMSME market estimates include product level views on SME loans, transactions (domestic, international), and insurance figures. Businesswomen were also assumed to have some retail financing needs.

### Businesswomen:

- Total SME population and share of WSMEs were obtained from the National Statistical Office or previous IFC research.
- Total figures were broken down into the business segments using the Global Entrepreneurship Monitor share of early-stage entrepreneurs (for early-stage), and those firms that were risk averse (for stability-oriented).

## Volumes:

- Those who reported having a formal SME loan were classified as formally included.
- Lending balances were based on survey responses on SME lending practices (share of those who borrow formally regardless of purpose of business loan), and amount of borrowing (nominal value, averaged across each segment). A cap was applied to personal loans based on annual turnover (1x) to filter for outliers.
- Businesswomen's retail banking needs were estimated based on Urban Family Manager's habits seen in the retail survey.

## Revenues:

- Lending revenue estimates were calculated based on the lending volumes obtained. Commercial bank data on interest rates and National Bank data on the refinancing rate were used to estimate margins. NPLs were removed from lending volumes and margins applied to calculate revenue estimates.
- Transaction practices on transaction amounts and frequency were obtained from the survey. Commercial bank data was used for fees which were applied to survey transaction data to estimate revenues.
- Insurance use (by product) was obtained from the survey. Insurance company data on premiums (by product) was applied to survey insurance uptake figures. A 10 percent banks' share of insurance income was applied.

Illustrative table of rates (p.a.) and fees	
Refinancing Rate	6.0%
Deposit Rate	2.3%
SME Loan Rate	20.9%
Transaction Fees (merchant acceptance, MDR)	2.0%
Transaction Fees (bank/wallet transfer)	0.3%
Insurance Premium (LCY)	817

Table 19 – Illustrative table of rates (per annum) and fees: retail segment

## General Remarks on 'Quick-Win' Market Potential

The immediately available 'quick win' potential is based on survey responses on future estimates. Survey respondents were asked about their intention to take up further financial service products in addition to their current financial service use. The results of this were used to quantify the potential volume and revenue from the current market and this additional future interest. Thus, the 'Quick-Win' opportunity represents the market potential that could be achieved by FIs with incremental changes. These are changes that do not require far-reaching reforms to current market practices (as opposed to the "transformational" market opportunity that represents what the market could look like if inclusive financial service practices were fully embraced). Results are calculated per segment.



## 'Quick Win' Market Potential – Retail

- Future financial service use estimates were based on survey results on future uptake questions.
- Survey questions on interest in further savings, lending, and insurance product were used to estimate future volumes and premiums.
- For personal loans, a cap was applied at 1x annual income to eliminate outliers.
- Savings were assumed to accumulate over a 1.5-2-year period to account for the stock nature of the product.
- Current market estimate margins were applied to future volumes to estimate future revenues and an additional loan affordability adjustment factor was applied to introduce a further sense checking mechanism.
- For transactions, the 'quick win' market includes those who currently do not use these services applying an increase of ATM and card use amounts of 50 percent.

## Business

- Future financial service use estimates were based on survey results on future uptake questions.
- Survey questions on interest in further lending, and insurance products were used to estimate future volumes and premiums.
- For loans, a cap was applied at 1x annual turnover to eliminate outliers.
- Current market estimate margins were applied to future volumes to estimate future revenues.

## General Remarks on Transformational Market Potential

The transformational scenario was added based on international benchmarks to estimate what the market could achieve with the adoption of inclusive financial service practices. Thus, it represents a potential development goal for the market that could be achieved in the medium to long term. Data on loan-to-GDP, saving-to-GDP, and premium-to-GDP from more advanced economies was used to estimate what level of inclusion could be feasible beyond (and including) the current and the 'Quick-Win' market potential. Results are calculated per segment.

## Transformational Market Potential – Retail

- International benchmarks were applied to estimate a possible medium to long-term trajectory for the women's financial market.
- For savings, the adjusted savings, net national savings (percentage of GNI) share from the World Bank was applied to retail customers' income to estimate the savings blue sky scenario.
- For lending, the outstanding loans from commercial banks to the household sector (percentage of GDP) from the Financial Access Survey were applied to retail customers' income to estimate the lending transformational market estimate.
- The margins calculated for the current market estimate were applied to the transformational market estimate volumes to arrive at revenue estimates.

- Transacted amounts as share of income were increased to 25 to 40 percent for card payments, and 10 to 20 percent for ATM withdrawals to reflect an expectation of increased digital use in the future. The share of income used in domestic and intentional transfers is set at 5 to 20 percent based on current rates.
- For insurance, the premium-to-GDP ratio from Sigma, and the European Insurance and Occupational Pension Authority was applied to retail customers' income to estimate the insurance transformational market estimate. Premiums were assumed to be the same as in the current market scenario (based on commercial insurance companies' data). The 10 percent banks' share of insurance revenue was kept.

## **Transformational Market Potential – Business**

- International benchmarks were applied to estimate a possible medium to long-term trajectory for the women's financial market.
- For lending, the outstanding small and medium enterprise (SME) loans from commercial banks (percentage of GDP) from the Financial Access Survey were applied to business customers' turnover to estimate the lending transformational market estimate.
- The margins calculated for the current market estimate were applied to the transformational market estimate volumes to arrive at revenue estimates.
- Transacted amounts as share of turnover were increased to a range between 70 and 90 percent.
- For insurance, the premium-to-GDP ratio from Sigma, and the European Insurance and Occupational Pension Authority was applied to estimate the insurance transformational market estimate. An assumption was added that between 20 and 30 percent of turnover is used for personal purposes and the retail value for life insurance to GDP share was applied to the resulting amount. Fees were assumed to be the same as in the current market scenario. The 10 percent banks' share of insurance revenue was kept.





PHOTOS: Bai Tushum Bank, IFC, KICB



