



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

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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 needs of women-led businesses and women individuals are not yet met in Tajikistan by the retail banking segment, which means 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 bank-product utilization. Tajik women express a strong desire to see banks becoming more convenient to use, have shorter waiting times, and show more respect and professionalism.

Women-led businesses face additional challenges due to lack of access to finance, information, and markets. Women entrepreneurs across the three detected segments (early-stage entrepreneurs, stability-oriented entrepreneurs, growth-oriented entrepreneurs) have diverse needs. But they all face constraints unique to women-owned micro, small and medium SMEs (WMSMEs) as they juggle multiple responsibilities at home and at work. Therefore, the need to extend accessibility of banking services to assist those who have time constraints. This could be done through the development and expansion of agency banking, which is especially relevant since Tajik WMSMEs seem to still prefer face-to-face interaction over digital channels.

Tajik women in the retail segment look for more guidance on achieving financial stability. All three retail banking women segments (urban young professionals, urban family managers, women outside of urban areas) expressed strong interest in working with FIs, including banks and microfinance institutions, to plan a more secure financial future. FIs should understand the diverse

banking needs of these women's segments and offer tailored solutions to help them achieve their goals. A key to this is the establishment of trust that was damaged due to frequent bankruptcies in the financial system. Trust is especially important in women's needs in the retail segment as they shoulder multiple responsibilities of their own education and career growth (urban women without children), their children's future (urban women with children), and the wider community (rural women). Women look for a partner in FIs that could assist their financial planning in their diverse fields. Additionally, religion may be an aspect that FIs should keep in mind when designing their product offerings.

Ease and convenience of use is an area where FIs must improve. Women express a strong desire to see reduced waiting lines and friendly and helpful interactions with staff. This would also improve women's perception of FIs' trustworthiness. Accessibility seems to be a weak point in the Tajik financial system, according to the desk research. Lack of bank branches in rural areas hinder rural women's access to finance. Therefore, expansion of agency banking could be beneficial for the retail segment of the women's market. In terms of financing, there is a need for credit offerings that are cheaper, and more flexible. The current financial system puts women at a disadvantage as it is structurally biased towards larger (often state-owned) companies with a bigger credit demand. This leads to women customers having to pay higher interest rates and fees, which may discourage their use of FIs. For urban young professionals 'buy now, pay later" (BNPL) schemes are especially relevant, where they make household purchases on credit and pay back in instalments.

For FIs, the Tajik banking market translates into untapped commercial opportunity of up to TJS4.8 billion (\$369.5 million) in annual revenue in the 'transformational' scenario,

or a more immediate market opportunity of TJS1.3 billion (\$100.1 million) in the 'quick-win' scenario, while the current market is estimated at TJS1.1 billion (\$84.5 million).¹ The assessment of the potential that women clients represent for Tajik financial service providers reveals a substantial untapped upside. This is true even before accounting for potential collateral benefits that women offer as a strategically important clientele.

Research conducted for this study serves as a basis to estimate the business volumes and potential revenues in Tajikistan under three settings:

- Firstly, the current-level of use of formal finance — in the absence of sex-disaggregated supply-side data, our demand-side research considers this an “as-is snapshot”.
- Secondly, a “quick win market opportunity,” reflecting the current unmet financial needs, which could be implemented quickly.
- And 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.

The Tajik enabling environment presents a mixed picture of strong socio-cultural limitations as well as a supportive domestic legislative drive and international assistance, strengthening female financial inclusion. Although the Tajik government has taken concrete steps to promote the development of the economy, entrepreneurship, and the general business environment in the country, there has not been much activity to promote women’s economic empowerment. Tajikistan scores slightly below peers in gender equality, driven by low female labor force participation rates. In the United Nations Gender Inequality Index (GII), Tajikistan’s GI score for 2019 was 0.314, 70th out of 162 countries. This compares negatively to nearly

all its neighbors: Kazakhstan (44th), Russia (50th), Uzbekistan (62nd), Kyrgyzstan (82nd). The country’s overall GI score is well below many of its peers, and this is mainly due to the large gender gap in labor force participation: female participation (29 percent) compared to male participation rates (51 percent).

Tajikistan has a large variety of financial institutions (69 credit FIs) regulated by the National Bank of Tajikistan. State-owned banks dominate the landscape, having 83 percent of loans and 96 percent of deposits in the country. The microfinance sector is undergoing consolidation (from 86 players to 50) and holds around \$248 million. The banking market is characterized by a large proportion (44 percent) of loans in foreign currency, driven by Tajikistan’s heavy dependence on remittances. The financial sector has seen notable turbulence in recent years, with several institutions seeing their licenses revoked and non-performing loans at over 30 percent of the loan books in commercial banks. Reach of financial services could also be improved, as growth in this area is still limited, and focused on smaller “banking service centers” rather than full-service branches. Financial services are mostly concentrated in urban areas and lack agency banking, indicating this as an area for future improvement.

While the transformational market potential for FIs is significant, legacy positions are under threat from disruptors and foreign market entrants. Tajikistan’s financial sector, and the creation of the standardized national payments system, create new opportunities. At the same time, new digital entrants who use disruptor models to provide more convenience and cost benefits, are driving the disintermediation of the financial services market. Incumbents — largely product-centric in their approach — tend to 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. Integration of

¹ 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, please see appendix B.

foreign services to the national system is yet to materialize, but there could be momentum for change.

To address this opportunity, FIs should make this a strategic priority, measure and analyze data, establish a gender-inclusive mindset, and develop holistic value propositions for women and women-led businesses. Broader value propositions, composed of a mix of financial and non-financial services, should be at the forefront of future product development efforts for women's markets in

Tajikistan. Making client-centricity the basic principle of organizing FIs' retail and (M)SME operations is at the heart of moving towards success in this new setting.

IFC can help FIs build internal and external capacity to mobilize their 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

Qualitative Research From May to July 2021	<ul style="list-style-type: none"> 5x focus group discussions with individual women comprising the retail segment 5x focus group discussions with women entrepreneurs comprising the business segment 8x in-depth interviews with women-owned and -led medium-sized companies 10x follow-up interviews with individual women from focus groups 10x follow-up interviews with women entrepreneurs from focus groups 9x in-depth interviews with key executives from country's financial sector
Quantitative Research From September to October 2021	<ul style="list-style-type: none"> 104x computer-aided telephone interviews with individual women 100x computer-aided telephone interviews with women entrepreneurs

Figure 1 — Overview of research methodology

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

This report assesses the demand-side of women's markets by distinguishing between the business and retail segments. This principal division is then further subdivided into achieve a more nuanced representation of the segments, based on the stage of life, as per 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 businesses
Early-Stage	11,877	22%
Stability-oriented	9,448	17%
Growth-oriented	32,662	61%

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 individual women	% of all individual women
Urban Young Professionals	155,403	5%
Urban Family Managers	689,603	23%



Rural Women	2,098,241	71%
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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 Tajik financial service providers reveals a substantial untapped upside. This is true even before accounting for potential collateral benefits that women offer as a 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 Tajikistan under three settings.

The settings are — firstly, the current-level of use of formal finance. In the absence of sex-disaggregated supply-side data, our demand-side research considers this as a “as-is” snapshot.

Secondly, a “quick win market opportunity,” reflecting the current unmet financial needs. 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 in the long term into a more inclusive, innovative value proposition and service model rather than the banking as usual. The transformational scenario presents a snapshot that fully embraces a more inclusive approach to banking practices.²

Unmet Market Potential – Tajikistan		
TJS millions	Business	Retail
Current	321	778
Quick-win Market Opportunity ³	355	940
Multiple to Current	1.1X	1.2X
Transformational Market Opportunity ⁴	1,560	3,233
Multiple to Current	4.9X	4.2X

Table 3 — Potential market estimates: business segments

In terms of full potential, it is worth more than four times its current value; a more gender-intelligent financial sector stands to gain nearly TJS3.7 billion (\$325 million) in annual revenue from the inclusion of women, both in retail and business segments, based on our transformational model.⁵ Individual women represent a transformative upside of almost five times current revenue compared to less than half as much relative growth potential for the already better-served women MSMEs. Thus, the full transformative revenue potential for women in the retail segment is estimated to be around TJS3.2 billion (\$285 million), while businesswomen represent a total latent transformational potential of TJS1.6 billion (\$137

² For methodology, please see appendix B.

³ 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.

⁴ The ‘transformational market opportunity’ is based on international benchmarks and 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.

⁵ 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.

million). Most of the upside that female businesses hold for banks is in the field of serving their professional financial needs. However, their private financial needs offer a bigger relative potential for increase and could account for one-third of all revenue from women MSME clients, up from less than one-fourth (23 percent) today.

Unmet Market Potential – Women Entrepreneurs							
TJS millions	Lending volume	Deposit volume	Lending revenue	Deposit revenue	Revenue from transactions	Revenue from insurance	TOTAL
Current	1,743.4	55.6	227.7	3.0	88.2	1.7	320.63
Quick-win Market Opportunity ⁶	1,894.9	107.4	247.9	5.4	98.8	3.2	355.30
Multiple to Current	1.1X	1.9X	1.1X	1.8X	1.1X	1.9X	1.1X
Transformational Market Opportunity ⁷	7,958.3	231.5	1,064.1	66.4	398.1	31.3	1,559.92
Multiple to Current	4.6X	4.2X	4.7X	21.9X	4.5X	18.5X	4.9X

Table 4 – Potential market estimates: business segments

Unmet Market Potential – Individual Women							
TJS millions	Retail lending volume	Deposit volume	Lending revenue	Deposit revenue	Revenue from transactions	Revenue from insurance	TOTAL
Current	983.9	587.9	148.4	32.1	583.9	13.9	778.3
Quick-win Market Opportunity ⁸	1,271.0	2,819.9	201.9	115.8	589.7	32.5	939.9
Multiple to Current	1.3X	4.8X	1.4X	3.6X	1.1X	2.3X	1.2X
Transformational Market Opportunity ⁹	11,898.5	7,897.1	2,017.2	309.4	843.6	63.1	3,233.2
Multiple to Current	12.1X	13.4X	13.6X	9.6X	1.4X	4.6X	4.2X

Table 5 – Potential market estimates: individual women segments

Currently, serving women’s financial needs is worth an estimated volume of TJS2.7 billion in loans (\$240 million) and TJS376 million in revenues (\$33 million). The resulting contributions to financial institutions’ revenue may come first from transaction services (over 60 percent of the total) but the net interest income on lending could also account for over 30 percent of the total revenue potential and less than 10 percent from the interest spread on deposits.

6 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.

7 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.

8 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.

9 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.

Brokerage fees for insurance policies are only about 4.4 percent of revenue.

In terms of current segment composition, individual women already account for 1.5 times the revenue and loan volume of businesswomen. The total retail segment of the women's market in terms of revenues can be estimated to be TJS778 million (\$68 million) and the businesswomen's segment to be around TJS320 million (\$28 million). For women SME clients, the bulk of the revenue pool they represent comes from the net interest income from saving and lending (70 percent of retail women's revenue). Currently, for women in the retail segment, transactions make up the largest source of FI revenue at over 75 percent.

Field research indicates an interest and appetite for formal financial services from institutions that take some first key 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 TJS1.3 billion (\$114 million), presenting 1.2 times the current revenue.¹⁰ There is an encouragingly strong latent demand for more credit (1.2x in the 'quick-win' scenario and 7.3x in the transformational scenario compared to 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 likely worth more than 60 percent of revenue in the "quick-win" context (TJS810 million or \$71 million). For incumbent FIs, the banking relationships can achieve the full credit potential once the best-in-class (digital) lending offers based on data, trust, and ease of use become a reality in a more transformational and inclusive future of Tajik finance.

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 Tajikistan for both men and women, clients' needs, constraints, and preferences are not properly addressed.¹¹ 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 add more clients and achieve greater business volumes, FIs should aim for more inclusiveness rather than balancing out different client needs. By striving to meet women's 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 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 role as spouses. These are exactly the type of use-cases for which newer market entrants or ambitious smaller players are well-positioned to poach clients, or gain new 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

¹⁰ 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.

¹¹ 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

securing low-cost deposits as a source of funds. This opportunity for maximizing share-of-wallet for an individual woman or a 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 performance analysis of around 130 financial institutions globally,¹² and in more detail for 38 members of the Financial Alliance for Women.¹³ 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 growth (by 6 percent per annum). This is accompanied by notably lower ratios of loan losses, lower nonperforming assets, and higher segments and in credit cards (for example, by 4 percent for women compared to men); even as in many institutions, the number of women clients

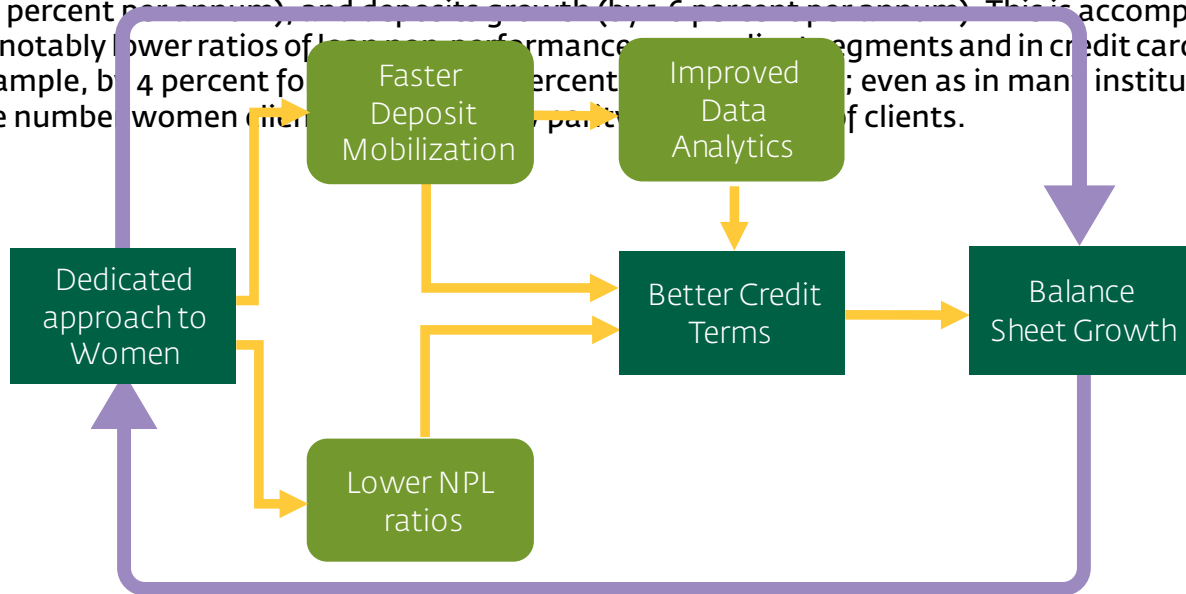


Figure 2 - Positive Loop Cycle Enabling Long-Term Sustainable Competitive Advantage

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

¹² 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

¹³ Measuring the Value of the Female Economy, Financial Alliance for Women, 2020: <https://financialallianceforwomen.org/download/measuring-the-value-of-the-female-economy-2020/>

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 cost for FIs. Strategic use of social media can help trigger even more of this behavior.

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.¹⁴ 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 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 before¹⁵ and during crises such as the Covid-19 pandemic.¹⁶ 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.¹⁷ As more and 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 Tajikistan's women's market.

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

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

16 Such as Togo's innovative "Novissi" program to informal workers ramped up within days at the outset of the pandemic.

17 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 TAJIK 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 the Republic of Tajikistan, as well as to quantify the potential 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 Tajikistan

3.1.1 Introduction

WMSMEs constitute around 17 percent of the SME landscape in Tajikistan.¹⁸ We estimate there are over 11,000 early-stage, 9,000 stability-oriented, and 32,000 growth-oriented WMSMEs in Tajikistan.

Early-stage businesses are those WMSMEs that have recently embarked on their entrepreneurship journey. These are businesses launched within the past two years and, consequently, have less experience and knowledge of the market or business management. Their focus is more characteristic of new ventures striving to establish their place in the market.

Stability-oriented businesses are more established WMSMEs, with at least two years since they were founded. These businesses are characterized by a more risk-averse, stability-focused strategy linked to moderate but balanced growth of less than 10 percent.

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

Regardless of business life-stage or growth outlook, most women entrepreneurs in our sample operate primarily in the retail and wholesale commerce, and textiles and leather space. Horticulture (fruits) is the second most popular sector for early-stage women entrepreneurs.



Figure 3 — Business Segment Population Estimates

	Early-stage	Stability-oriented	Growth-oriented
Commerce: Retail & Wholesale	18%	29%	31%
Textiles & Leather	32%	25%	17%
Horticulture (fruits)	21%	7%	11%
Cotton Cultivation	-	4%	9%
Hospitality	3%	-	6%
Agriculture	6%	11%	3%
Livestock Herding	6%	4%	3%

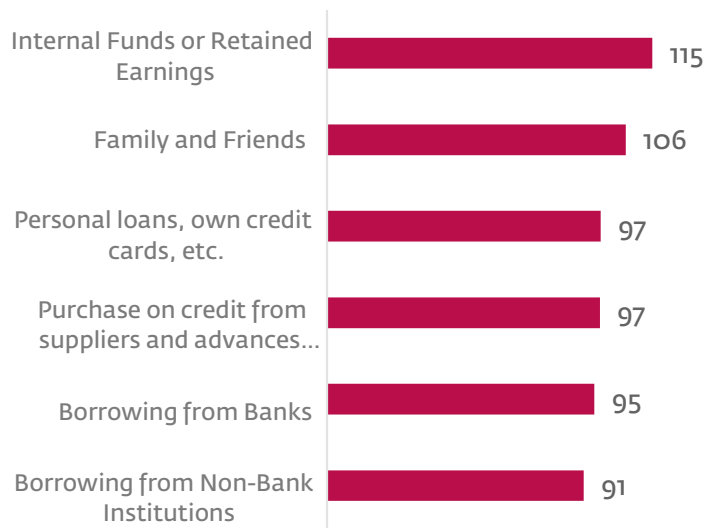
Table 5 — Top seven industries WE operate in: business segment

¹⁸ SME Finance Forum, 2021.

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 sub-sections 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 table below presents an overview of the key sub-segment descriptors.

	Average number of employees	Average annual turnover (USD)	Business bank-account ownership	Business loan in the past	Anticipated business loan from FIs
Early-stage	4.0	8,288	18%	59%	44%
Stability-oriented	12.9	30,535	46%	50%	25%
Growth-oriented	13.3	13,127	60%	62%	57%





3.1.2 Overview of Key Findings & Resulting Gaps: Business Segment

The most popular sources of financing for Tajik women entrepreneurs are internal funds and retained earnings, alongside family and circle of friends.¹⁹ These are followed by personal loans and purchasing on credit. Borrowing from banks and NBFIs is the least popular choice among survey respondents, which should have banks asking why they are missing out on so much potential business. The demand

for additional financing on the part of female business owners exists, but turning to banks is not their preferred choice of financing for their businesses.

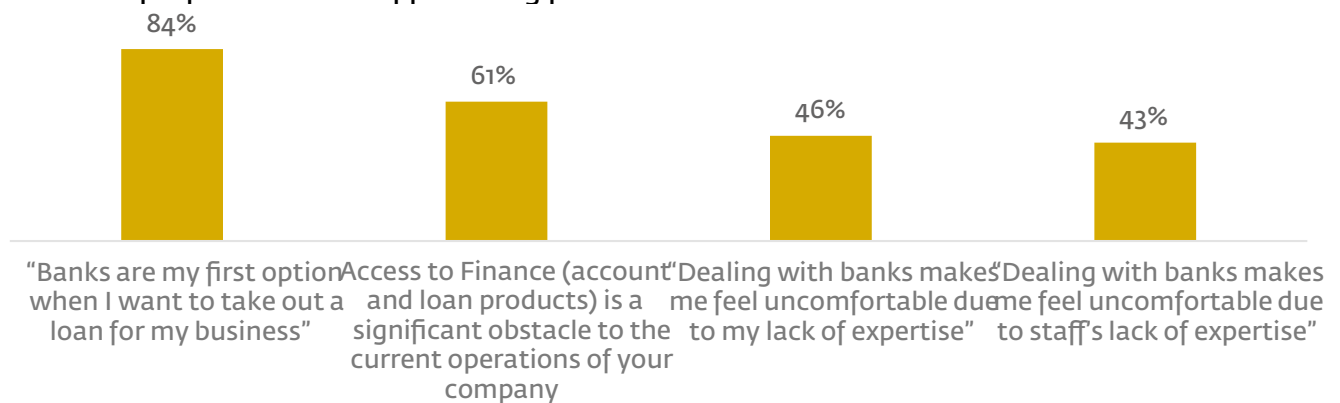


Figure 5 — Attitudes towards FIs – Business segment, percentage of respondents who agree

Figure 5 further supports the impression that the Tajik banking sector is leaving a lot of money on the table by not fully meeting female entrepreneurs' demand for financing. 61 percent of businesswomen interviewed, identified lack of access to bank accounts and loan products as significant obstacles to running their companies. Over 80 percent of these female entrepreneurs consider banks as their first option for loans, yet most still actually turn to family and friends or to internal funding. Almost half of the respondents noted their lack of comfort with banks due to their own lack of expertise, while 43 percent pointed to the lack of expertise of the banks' staff as a source of discomfort.

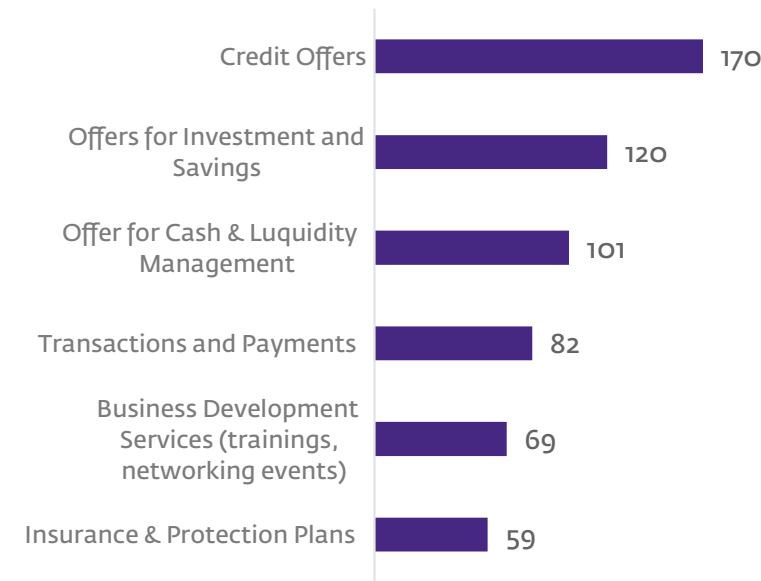
Based on these responses, it is apparent that there is a need for financial literacy to be improved among businesswomen. At the same time, banks should train their staff to be more knowledgeable about banking products and how to best communicate with their women clients. Banks have an excellent opportunity to take the lead in both areas. This will ultimately

¹⁹ This figure as well as the others reflects findings from the field research conducted for this study

lead to better-informed staff serving more knowledgeable, satisfied business clients, who will be more likely to increase their demand for banking services.

3.1.3 Improved credit offers are a key attribute for an ideal FI to better serve WEs

The fact that access to finance is the biggest obstacle to growth is reflected in the expectations women-led business have towards banks: Improved, flexible, and tailored credit offerings in line with international best practices. Women entrepreneurs across all segments express strong demand for credit with lower interest rates, and more flexible collateral



requirements and conditions. Stability-oriented entrepreneurs in particular, would highly appreciate flexible lending solutions with support from FIs during the process of borrowing, and assistance in learning how to make good use of different credit offerings.

Figure 6 — Most Important Banking Services for their business. Average rank score indexed

Improved credit offers are the most critical condition to increase client satisfaction. Next, women-led businesses are interested in investment and saving solutions and consider banks a qualified supplier for these offerings. This interest ranks above a similarly strong expectation for excellent offers for their businesses' cash and liquidity management.

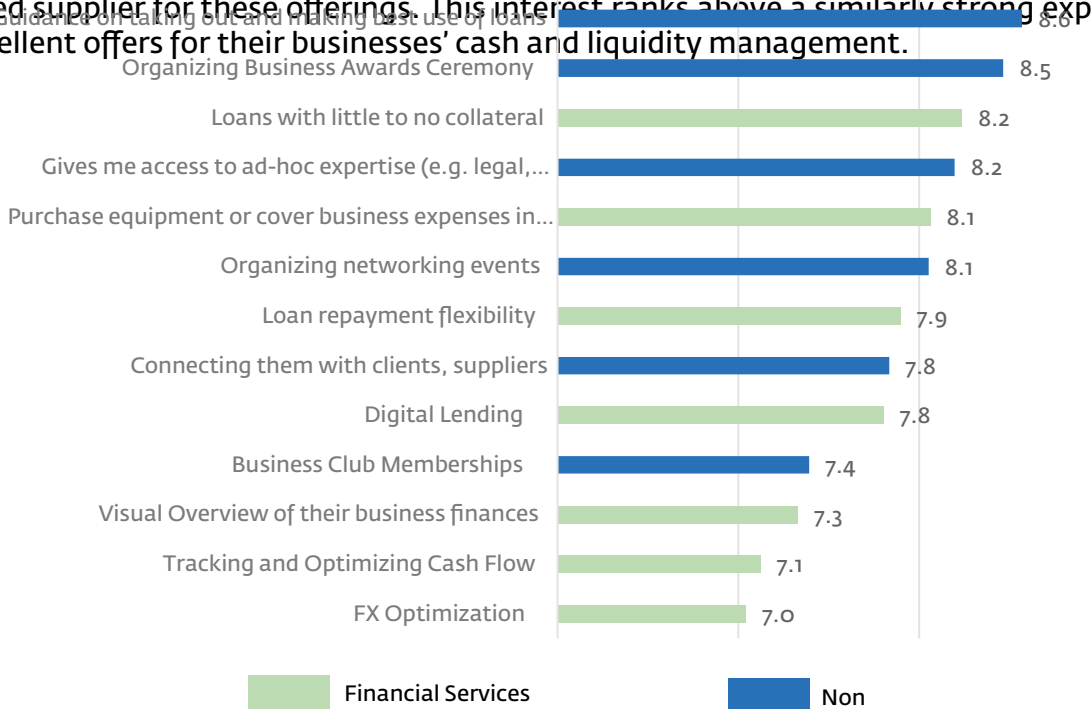


Figure 7 — Ranking of products/service solutions to support the business: business segment

While tailoring bank services to meet the specific needs of women entrepreneurs, it is important to note that they are most interested in support on the following: 1) availing and using loans, 2) organizing business award ceremonies, and 3) loans without collateral or with more flexible collateral requirements. The most popular feature of receiving guidance on taking out and making the best use of loans indicates a need for financial literacy training and is a potential reason for low formal financial services uptake. Although such a service would be highly welcomed by all the segments, it was favored most by growth-oriented women businesses who often struggle with requirements outside their core business while managing their company's growth.



Overall, we see that women are keen to receive support from banks in the areas of 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 in the use of financial services, it can also be 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, or similar solutions. 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

Figure 8 — Top 5 Customer Service Items most often selected

attractive.

When considering the approach FIs should take to better serve women entrepreneurs, a holistic and customer-centric approach to serving not only their business, but also their individual needs, presents an interesting opportunity. Women entrepreneurs in Tajikistan indicated a particular awareness of FIs ability to understand their needs and serve women customers specifically. Such a need for customer centricity was highlighted 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 banks to communicate their products and value propositions better.

	Formally Registered	Formal Without Business Bank Account
Early-stage	82%	18%
Stability-oriented	86%	64%
Growth-oriented	91%	55%

Table 7 — Business bank account ownership rate: business segment

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. Offering rewards for loyalty comes up as a key factor in assessing FI services for stability-oriented women. For early-stage women entrepreneurs, loyalty programs seem to be of secondary importance compared to receiving detailed information on FIs and their products. This is likely due to the less developed nature of the FI relationship among early-stage entrepreneurs. Each segment merits a specific approach towards serving their financial and non-financial needs, which are further explored in the deep dive sections below.

3.1.4 Early-stage Women Entrepreneurs

Unmet Market Potential – Early-Stage Women Entrepreneurs						
TJS billions	Lending Volume ²¹	Deposit Volume	Lending Revenue	Deposit Revenue	Transactions Revenue	Insurance Premiums
Current	178.2	3.0	25.1	0.3	5.2	0.1
Quick-win Market Opportunity ²²	259.4	15.3	36.6	0.7	11.7	0.6
Multiple to Current	1.5X	5.1X	1.5X	2.5X	2.2X	4.3X
Transformational Market Opportunity ²³	1,064.2	31.6	151.7	8.6	47.7	3.8
Multiple to Current	6X	10.4X	6X	32.5X	9.1X	29.5X

Table 8 – Potential Market Estimates: early-stage entrepreneurs

Early-stage women entrepreneurs constitute a segment that is not yet reached by banks, but offer a major opportunity for future growth. Early-stage entrepreneurs are the least well-integrated into the formal financial system. Their current borrowing volume is TJS178.2 million (\$15.7 million), generating an estimated TJS25.1 million revenue (\$2.2 million).²³ The segment has an immediately available ‘quick win’ lending potential of TJS259.4 million (\$22.8 million) that could be captured if FIs manage to channel this demand to formal borrowing. The total transformational market potential is estimated to be around TJS1.1 billion (\$93.7 million).

Insurance use is not yet prevalent in the segment. The most popular insurance product is property insurance (12 percent of early-stage women entrepreneurs reported having property insurance). This is still significantly lower than growth-oriented women entrepreneurs (28 percent have property insurance). However, survey respondents expressed interest with

²⁰ 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.

²¹ 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.

²² 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.

²³ 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. 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.

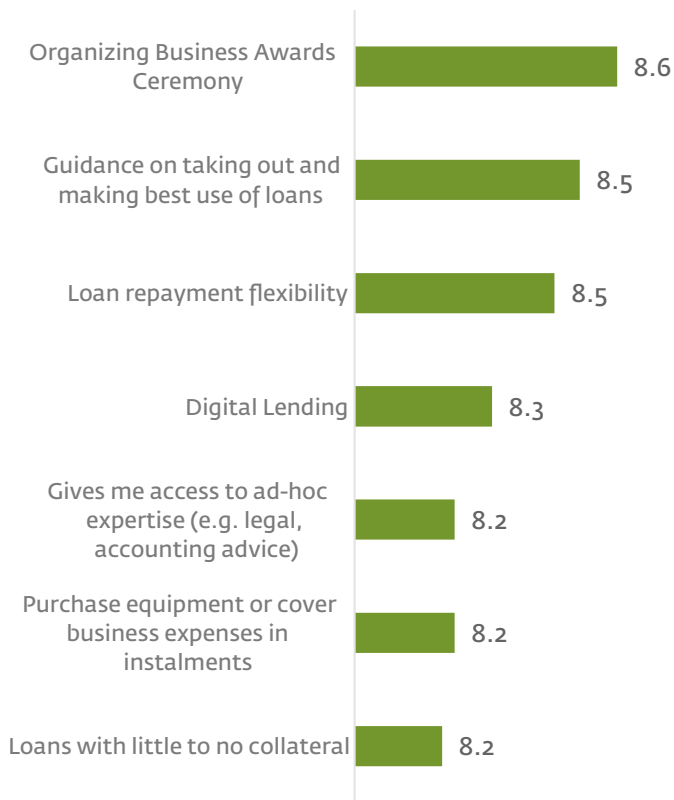


Figure 9 — Top 7 Banking Services most attractive for early-stage entrepreneurs

58 percent indicating willingness to acquire further insurance products. The transformational market potential is TJS3.8 million (\$0.3 million).

Early-stage entrepreneurs tend to be largely in the discovery phase on how to set up initial business processes, create invaluable business networks, and understand financing options. As early-stage businesses, these entrepreneurs look for business connections, and networking events like business award ceremonies could provide an excellent opportunity. A demand for additional support on lending practices and use-cases comes a close second in the top most attractive services.

The owners of early-stage WMSMEs often possess basic knowledge on running their enterprises, either through studies or from work experience. Many have participated in training programs offered by donor organizations, banks, or other forms of non-bank institutions (22 percent in our survey sample). Many early-stagers

point to a strong feeling of being “lost in the woods” when it comes to managing both personal and business relationships. While the importance of keeping records is fully appreciated, not all businesses know about the tools for managerial records, which can simplify their life. Nevertheless, seemingly fully aware of their shortcomings and eager to learn, early-stagers express the strongest interest in non-financial services such as training and mentoring



3.1.5 Stability-oriented Women Entrepreneurs

Unmet Market Potential – Stability-Oriented Women Entrepreneurs						
TJS billions	Lending Volume ²⁴	Deposit Volume	Lending Revenue	Deposit Revenue	Transactions Revenue	Insurance Premiums
Current	146.7	19.2	18.6	1.0	32.3	0.4
Quick-win Market Opportunity ²⁵	317.6	37.7	40.1	1.8	34.1	0.8
Multiple to Current	2.2X	2X	2.2X	1.8X	1.1X	2.3X
Transformational Market Opportunity ²⁶	2,625.5	54.8	342.2	20.4	133.2	11.1
Multiple to Current	17.9X	2.9X	18.4X	20.2X	4.1X	31.4X

Table 9 – Potential market estimates: stability-oriented entrepreneurs

Stability-oriented women entrepreneurs run relatively large, well-established businesses with the highest annual turnover among the three segments (TJS329,000, almost four times as much as early-stage businesses and 2.3 times their growth-oriented counterparts) and are also relatively well embedded in the formal financial system. This segment has the highest share of formal lending with all interviewees reporting having FIs as their source of credit.

Stability-oriented women entrepreneurs are also the most frequent users of transactions. They transact on average 3.6 times a month. They are also likely to have the highest transaction amounts, thanks to their relatively high business turnover. Thus, the segment's estimated revenue from transactions is TJS32.3 million (\$2.8 million).²⁷ In the transformational scenario the transaction revenues from the segment could reach TJS133.2 million (\$11.7 million).

Insurance use is relatively low and could present an opportunity for growth as 68 percent of women entrepreneurs in the segment reported an interest in obtaining further insurance solutions. The transformational market potential is TJS11.1 million (\$1 million), which is more than 30-times its current value.

Interest in borrowing is also relatively low, possibly due to the risk-averse attitude of the segment, with only 35 percent expressing interest in obtaining further financing. However, the average financing amount they need is higher, leading to a significant 'quick win' potential lending volume of TJS317.6 million (\$28.0 million).²⁸ The transformational market potential is even higher at TJS2.6 billion (\$231 million) in lending volumes.

Most stability-oriented entrepreneurs typically operate in areas where they can address people's everyday needs, and they consciously look for recognition in these areas. These businesses are often more traditional, and less innovation-driven, in sectors such as food

²⁴ 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 total volumes.

²⁵ 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.

²⁶ 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.

²⁷ Transaction values and frequency is obtained from survey results and then extrapolated across the entire segment. Transactions fees are obtained from commercial banks which inform the transaction revenue calculation.

²⁸ 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. 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 10 — Top 7 banking services most attractive for stability-oriented entrepreneurs

and drink, hotels, tourism and catering, textiles and footwear, and professional services. Such businesses are likely to rely on reputational assets that could be boosted by their participation in business awards ceremonies.

Guidance on availing loans comes as the second most sought-after offering from FIs, indicating a lack of general understanding of financing options. This demand for further guidance from more established businesses may indicate the need for FIs to better communicate their services and ways in which they can help their business clients.

Bureaucracy and informal practices, instability, and emergencies affect stability-oriented women entrepreneurs' businesses and the purchasing power of their customers. In such circumstances, flexibility in loan repayment and access to special business support becomes especially crucial for businesses.

3.1.6 Growth-oriented Women Entrepreneurs

Unmet Market Potential – Growth-oriented Women Entrepreneurs						
TJS billions	Lending Volume ²⁹	Deposit Volume	Lending Revenue	Deposit Revenue	Transactions Revenue	Insurance Premiums
Current	1,418.6	33.4	184.0	1.8	50.6	1.2
Quick-win Market Opportunity ³⁰	1,317.8	54.3	171.2	3.0	53.0	1.8
Multiple to Current	0.9X	1.6X	0.9X	1.7X	1X	1.5X
Transformational Market Opportunity ³¹	4,268.5	145.1	570.2	37.3	217.3	16.5
Multiple to Current	3X	4.3X	3.1X	21.2X	4.3X	13.6X

Table 10 — Potential market estimates: growth-oriented entrepreneurs

²⁹ 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.

³⁰ 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.

³¹ 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.

Growth-oriented women entrepreneurs are currently the most financially included and the biggest revenue source for FIs in the WMSME lending space. This segment has reported both the highest current incidence of borrowing (61 percent) and the highest interest in future borrowing (52 percent). Consequently, they represent a transformational market potential of TJS4.3 billion (\$375.6 million) in borrowing volume, in addition to their current lending volume of TJS1.4 billion (\$124.8 million).³²

Transactions form an important revenue source in the growth-oriented women entrepreneur space owing to the robust turnover figures observed in the segment. At present, transaction revenues are the highest in this segment among women entrepreneurs at TJS50.6 million (\$4.5 million). In the transformational scenario, this can be expected to increase to TJS217.3 million (\$19.1 million).

Growth-oriented women entrepreneurs' insurance use is the highest among WMSMEs, with property and health insurance being the most popular products (seen in uptakes of 28 percent and 14 percent, respectively). They represent a significant transformational market potential for insurance products, which would mean an increase in the current banks' insurance market from TJS1.2 million (\$110,000) to TJS31.3 million (\$1.5 million), almost a 14-fold increase.

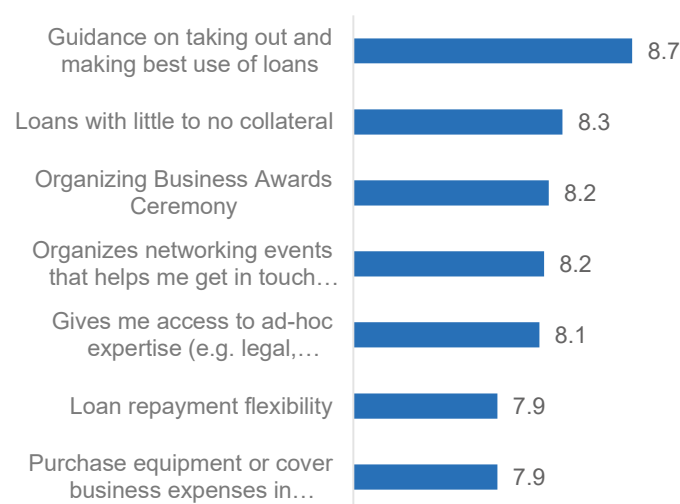


Figure 11 — Top 7 Banking Services most attractive for Growth-oriented entrepreneurs

Growth-oriented enterprises are most focused on getting assistance in obtaining flexible financing solutions. Larger growth-oriented enterprises often constitute a group of connected companies with a higher appetite for financing. Furthermore, these women see business as their main focus, indicating a dedication to grow their businesses.

Networking and creating business connections remains a highly sought-after service for growth-oriented businesses as well. Growing clientele and building a robust business reputation are key for these entrepreneurs to achieve their ambitious growth aims.

³² 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. 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.

3.1.7 Summary of Key Needs: Business Segment

	Needs	Potential approaches
Shared among all	<ul style="list-style-type: none"> • Current formal lending options - too expensive and too risky to lose collateral • Help with operational business challenges • Often time-constrained and wearing too many hats 	<ul style="list-style-type: none"> • Credit offerings in line with international best practices • Provide access to experts on ad-hoc basis • Offer services that benefit her personal and family needs in embedded or digital way to address time-constraints
Early-stage	<ul style="list-style-type: none"> • Learning, guidance, and a sense of community to establish their business on the long run • Guidance on the process of taking out loans to grow her business 	<ul style="list-style-type: none"> • Business Awards Ceremonies • Training on business skills • Provide additional guidance on the process of taking out a loan
Stability-oriented	<ul style="list-style-type: none"> • Aid with building and maintaining positive brand image • Guidance on the process of taking out loans (particularly working capital) and making best use of them 	<ul style="list-style-type: none"> • Business Awards Ceremonies or Marketplace platforms help celebrate her success and enable her additional networking opportunities • Provide additional guidance on the process of taking out a loan
Growth-oriented	<ul style="list-style-type: none"> • Help them grow faster by enabling them to purchase equipment or cover business expenses in installments • Aid in better understanding her most optimal financing options • Connecting with like-minded peers and finding right mentorships 	<ul style="list-style-type: none"> • Enable them to purchase equipment or cover business expenses in installments • Advisory services that enable her to make more confident and informed decisions in evaluating her financing options • Provide them with access to greater networking opportunities

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



3.2 Financial and Non-Financial Needs of Individual Women in Tajikistan

3.2.1 Introduction

The market of individual women in the retail segment represents another interesting space for FIs to innovate with products and services targeted to their needs. In our research, we assess three sub-segments differentiated by life-stage and context to gain more granular insights into their financial and non-financial needs: 1) “Urban Young Professionals” (urban women without children), 2) “Urban Family Managers” (urban women with children), and 3) women living in rural areas. It is estimated that 28.7percent of women live in urban and 71.3 percent in rural areas.³³ Facing substantially different infrastructural

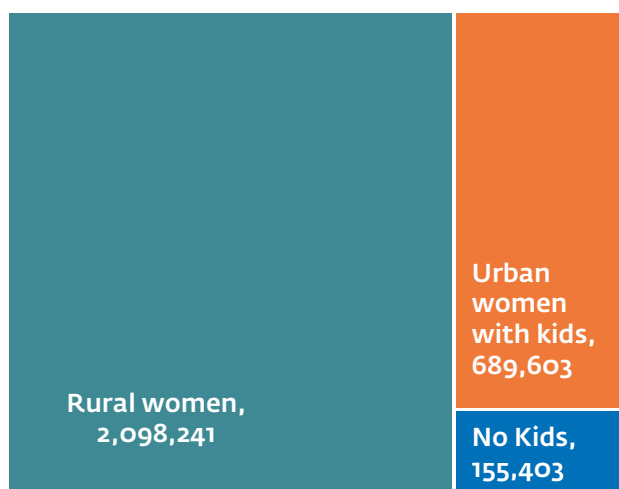


Figure 13 — Retail Segment Population Estimates

conditions, typically lower levels of education, earlier motherhood, and often incorporated closely into agricultural activities, rural women are considered a distinct segment. With around 2.1 million women, they account for almost two-thirds of the women covered by our analysis. Financial service providers tend to focus more on urban women as they are immediately accessible. Out of some 845,000 urban women, it is estimated that roughly 18 percent are women with no children, and 82 percent are women with children.³⁴ Women within the age range 18-40 on average have higher account ownership rates compared to older women aged over 40. Accounting for education, there seems to be a clear relationship between the level of schooling and bank account ownership rates – those with higher education in the sample were 58 percent more likely to have a bank account.

	Urban Young Professionals	Urban Family Managers	Rural Women
Saves (% Saving at FI)	32% (16%)	17% (3%)	18% (9%)
Past Borrowing from FI	16%	31%	29%
Expects to Borrow Next Two Years	10%	22%	24%
Avg. Anticipated Borrowing Needs (TJS)	3,000	2,900	10,123
Formal Transactions (at least once per month)	26%	28%	38%
Has Some Form of Insurance	16%	22%	26%
Considers Insurance Future	23%	19%	21%

Table 12 — Key descriptors and financial behavior: retail segment

In our quantitative survey, attitudes towards managing their finances and banks seem largely positive and uniform among the three segments. Although showing a relatively high

³³ World Values Survey, 2020.
³⁴ World Values Survey, 2020.

positive sentiment, urban family managers score the lowest in perceiving banks as a source of support and understanding compared to the other two segments. Nonetheless, in our exploratory phase we discovered their considerable lack of trust in banks when it came to keeping their money safe, a fear that could be attributed to the relatively recent collapse of several banks in Tajikistan.

3.2.2 Overview of Key Findings and Resulting Gaps: Retail Segment

The vast majority of women interviewed state that banks are their first option to save money (86 percent) and to borrow money (84 percent). This result reflects an overall positive attitude of many women in Tajikistan towards FIs in general.

However, there is significant room for further integration of women into the formal financial sector. In our survey sample, 22 percent of Tajik women reported they are currently saving, yet only 9 percent save using a bank account. Currently, approximately one half of the women savers do so by keeping cash at home, suggesting a huge opportunity for deposit mobilization. When it comes to lending, just above 33 percent of women in our sample reported to have borrowed in the past, while approximately 25 percent cited a financial institution as the source for their loans. While this suggests FIs already capture a large share of the existing women borrowers, there is considerable potential to improve credit offers and expand the market—considering the vast majority of women (84 percent) indicate banks to be their first option when they want to borrow money.

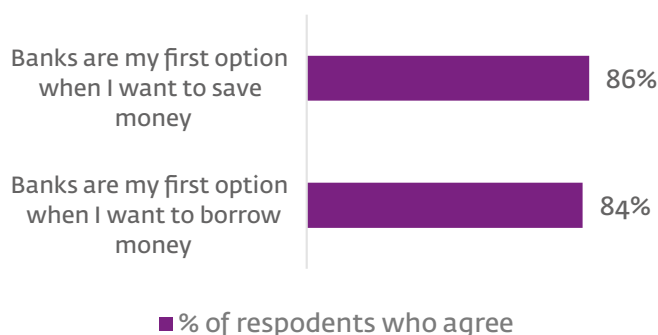


Figure 14 — Attitudes toward banks: Retail Segment

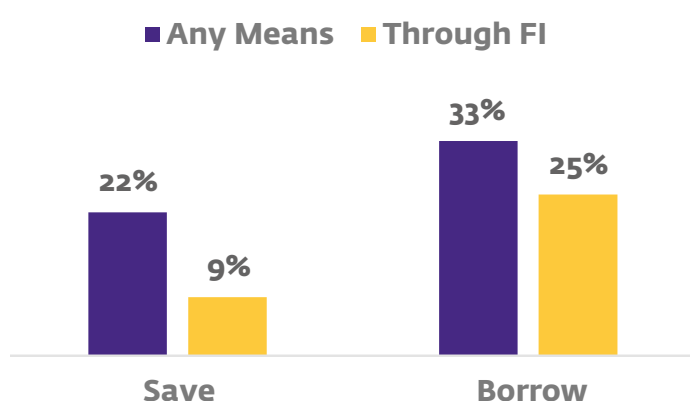


Figure 15 — Financial Behavior: Retail Segment

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

Individual women’s key demands for financial services from an ideal bank include flexible, tailored, and convenient solutions that are reliable and keep their money safe. Tajik women

often face time and mobility constraints, and they will appreciate banks with offers that mediate these challenges and demonstrate flexibility. In this research, we have seen that the cultural and geographical context often still hinders women from having bank accounts.

Regarding non-financial solutions provided by FIs, women will appreciate guidance on building a stable financial future for themselves and their families. They consider their personal advancement and career as a key contributor to this and show interest in solutions that can help them drive their personal advancement. Investment in their children's education is considered key for financial stability of their families. However, this comes with challenges around planning and financing this education. FIs could make this a part of their overall financial guidance and planning services for women. This would help to create a strong emotional connection.

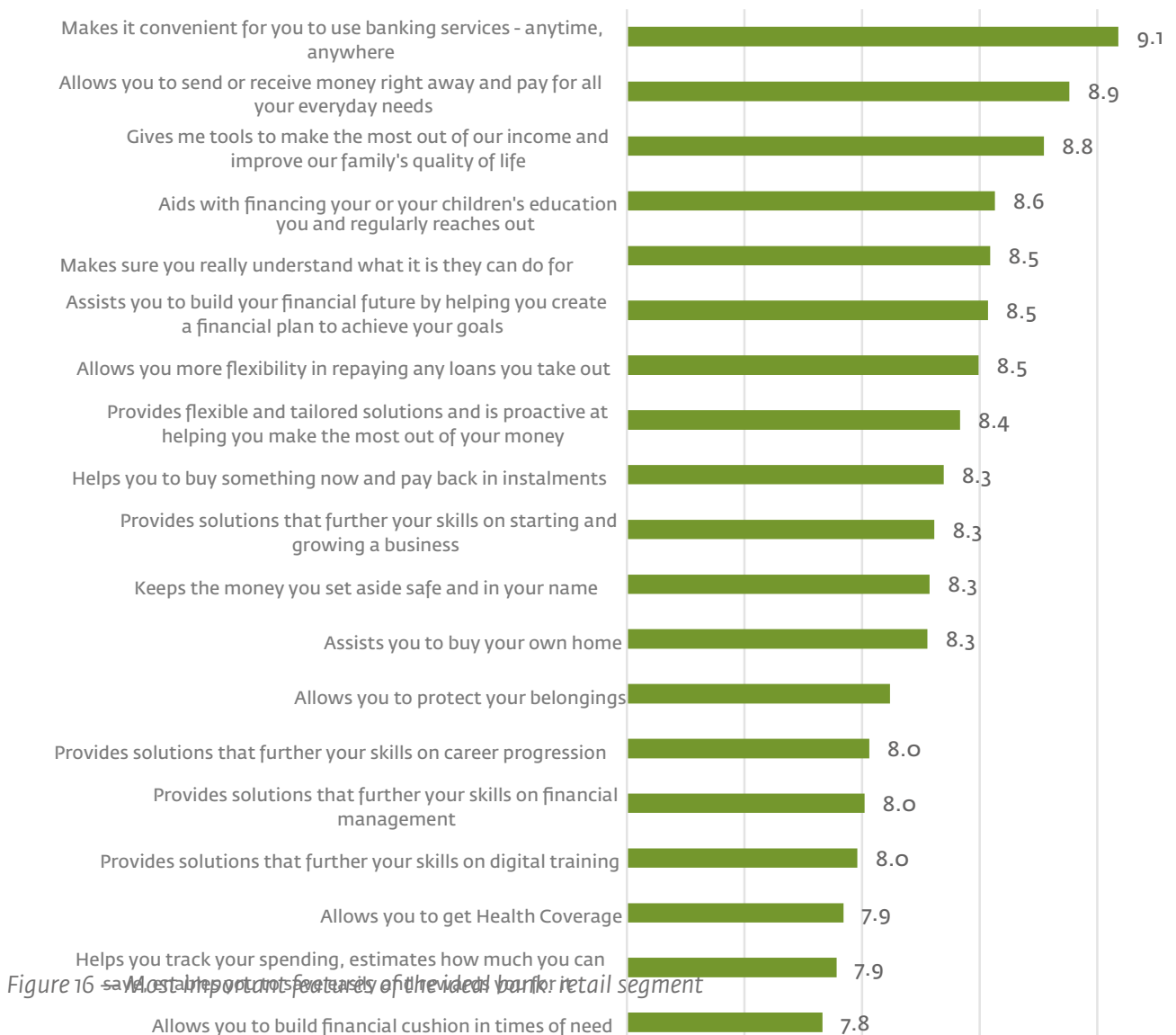


Figure 16 - Most important features of the ideal bank for retail segment

Improving the reach, functionality, and quality of interaction channels is critical. Availability of bank branches is still relatively low in rural areas, as the Tajik financial system is concentrated in the urban centers. As a result, Tajik women show an interest in ATMs and digital banking usage. Women in urban areas seem to prefer mobile banking and digital wallets, whereas women in rural areas still prefer to use ATMs. Further growth in digital banking can be

expected as technological innovations reach rural areas. This could also boost the availability of financial services in Tajikistan as the challenge of geographical distance is likely to become less crucial.

FIs employing a customer-centric approach to serve Tajik women are perceived as a strong necessity. More than half of Tajik women found it extremely important for FIs to understand their needs and show a keen interest in what it is they can do for them. Especially among rural women, there seems to be a strong demand for demonstrated customer centricity on the FI side with 73 percent of rural women stating that this would be of supreme importance to them.

On the aggregate level, individual women expressed strong latent requirement for credit offerings in line with international best practices, low-cost and easy-to-use payment solutions, and receive support from FIs in 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						
TJS millions	Retail lending volume	Deposit volume	Lending revenue	Deposit revenue	Revenue from transactions	Revenue from insurance
Current	38.0	166.5	5.5	8.0	59.6	0.5
Quick-win Market Opportunity ³⁵	87.2	204.9	9.3	9.4	60.0	2.8
Multiple to Current	2.3X	1.2X	1.7X	1.2X	1X	5.5X
Transformational Market Opportunity ³⁶	920.4	647.4	152.6	27.8	79.3	4.9
Multiple to Current	24.2X	3.9X	28X	3.5X	1.3X	9.6X

Table 14 – Potential market estimates: urban young professionals

Urban young professional women are a major untapped potential and an area of competition for FIs, as this segment has significant purchasing power, coupled with a more active use of financial transactions. The segment has around 155,000 women, but less than a third have accounts at FIs. Despite this relatively low account ownership rate, young urban professionals seem keen to save formally.

This segment reported the highest rate of savings (32 percent compared to 17 percent of urban women with children) of which roughly half was deposited at formal institutions. This is an estimated savings volume of TJS166.5 million (\$14.7 million). Their lending volume stands at TJS38 million (\$3.3 million).

³⁵ 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.

³⁶ 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.

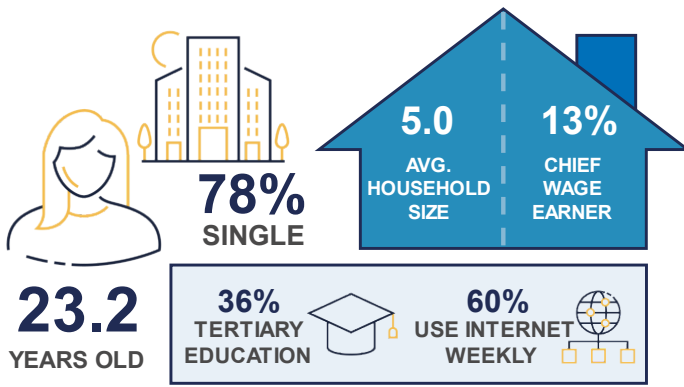


Figure 17 – Demographics: Urban Young Professionals

transferring or receiving money) leading to an estimated transaction revenue of about TJS59.6 million (\$5.2 million). Most transfers seem to be cross-border rather than domestic, supporting claims on Tajikistan’s remittance reliance. This is a key contributing factor to the segment’s per person revenue being the highest among the three segments.

This highly driven and ambitious segment seems to have a busier lifestyle, with a high affinity for digital solutions. Although convenient banking services, and the safety of the money they had deposited in their name in the bank, were the top two most attractive banking services for the retail segment, they are of particular importance for this segment too. Considerably younger than their counterparts, Urban Young Professionals are the most digital savvy and demanding target group. These women are primarily focused on building a better life for themselves in the future. As such, education and career are often on the top of their mind. They would strongly appreciate training that enabled them to progress in their career or helped them start their own side-business.

Also, since these women are often students, they would appreciate help with financing their higher education. As the most frequent users of payments and transactions, hassle-free and low-cost payment solutions are key for this segment. Driven by a notable desire to become more financially secure, they are keen to learn how to get better at regularly saving smaller amounts and investing part of their savings for long-term goals.

The immediately available ‘quick win’ potential indicated in further product uptake can increase lending volumes to TJS87.2 million (\$7.7 million) and savings volumes to TJS204.9 million (\$18 million). The total transformational market potential estimate shows a further increase to TJS920.4 million (\$81 million) in lending volumes and TJS647.4 million (\$57 million) in savings volumes.

Transactions is another area where the segment currently outperforms its peers. Urban women report the highest frequency of both domestic and international transactions (such as

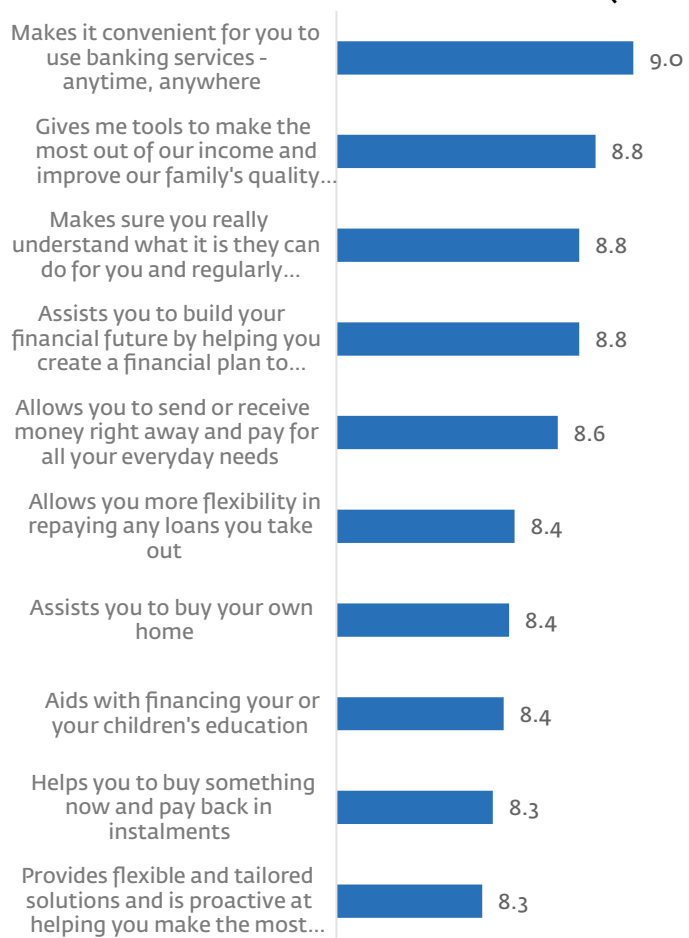


Figure 18 – Top 10 Banking Services most attractive for Urban Young Professionals

3.2.5 Urban Family Managers

Unmet Market Potential – Individual Women						
TJS millions	Retail lending volume	Deposit volume	Lending revenue	Deposit revenue	Revenue from transactions	Revenue from insurance
Current	361.3	176.1	48.4	13.4	292.1	2.8
Quick-win Market Opportunity ³⁷	444.4	587.5	63.5	28.9	294.2	6.8
Multiple to Current	1.2X	3.3X	1.3X	2.1X	1X	2.4X
Transformational Market Opportunity ³⁸	4,245.9	2,825.3	629.4	111.2	403.5	22.5
Multiple to Current	11.8X	16X	13X	8.3X	1.4X	8X

Table 15 – Potential market estimates: urban family managers

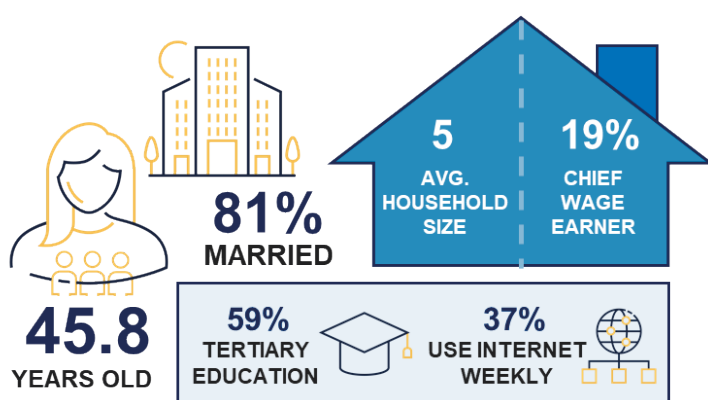


Figure 19 – Demographics: Urban Family Managers

Numerically, urban women with children are far from being the largest segment, but in terms of financial services use they form the most important source of retail lending revenue for FIs. The urban women with children segment, estimated at approximately 690,000 women, is currently the biggest borrower from formal institutions with 85 percent of those urban family managers who borrow having sourced their loans from formal institutions. Their current lending volume is estimated to be roughly TJS361.3 million (\$31.8 million), generating a revenue of over TJS48.4 million (\$4.3 million).³⁹

This estimate is limited to formal customers and the total credit demand is likely to be much higher. Reaching the immediately available 'quick win' potential would increase demand for lending to TJS444.4 million (\$39.1 million) in volumes. The total transformational market potential is estimated to reach TJS4.2 billion in lending volume (\$373.6 million) with a corresponding transformational lending revenue of TJS629.4 million (\$55.4 million).

In terms of saving, currently less than 10 percent of urban family managers save formally. This seems to be a missed opportunity because survey responses show that close to all urban family

³⁷ 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.

³⁸ 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.

³⁹ 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.

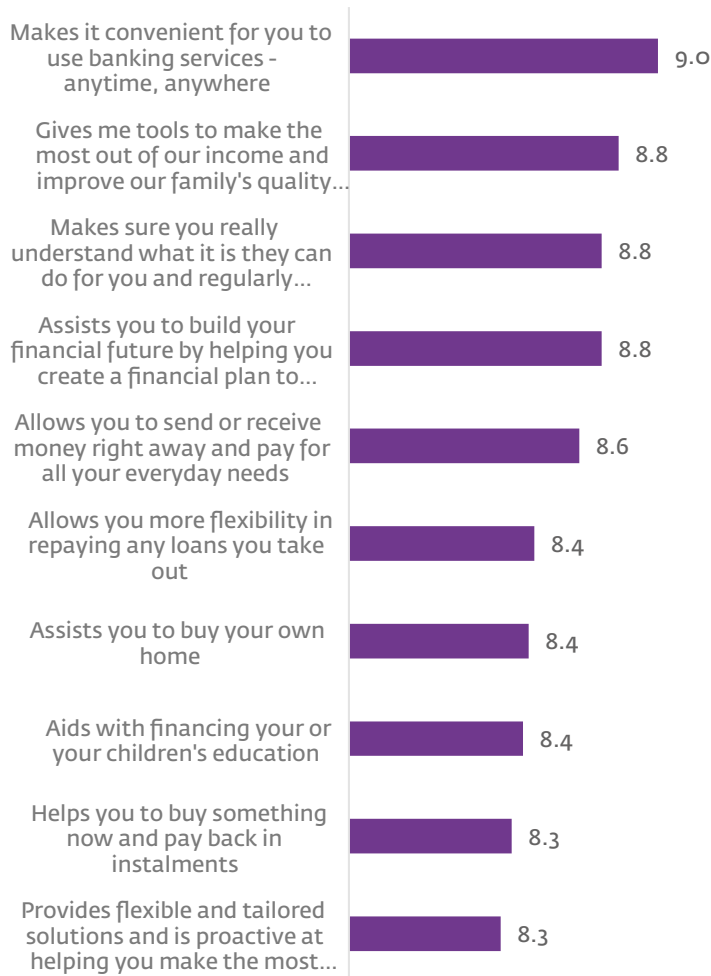


Figure 20 — Top 10 Banking Services most attractive for Urban Family Managers

managers (97 percent) would like to save in the future. This indicates a 'quick win' potential of TJS587.5 million (\$51.7 million) of saving volume. The transformational market potential for saving volume is TJS2.8 billion (\$248.6 million).

Urban family managers expressed a strong desire for flexible and convenient banking services. Urban family managers are the most likely women's segment to be chief wage earners in their families. As such, they tend to be time constrained, juggling family and professional responsibilities. Often fulfilling the de facto role of household heads, they care deeply about their family's future and want to ensure that household finances contribute to family wellbeing.

FIs should improve communication with their women customers to increase trust. Urban family managers also appreciate receiving more detailed and regular information from FIs. This points to their awareness of the gaps in financial service use and is a possible area of future improvement for FIs. Urban family managers are determined to provide a safer and better future for their families, and look for FIs to support them in this goal.

3.2.6 Rural Women

Unmet Market Potential – Individual Women						
TJS millions	Retail lending volume	Deposit volume	Lending revenue	Deposit revenue	Revenue from transactions	Revenue from insurance
Current	584.6	245.2	94.5	10.7	232.2	10.6
Quick-win Market Opportunity ⁴⁰	739.4	2,027.5	129.1	77.5	235.5	22.9
Multiple to Current	1.3X	8.3X	1.4X	7.2X	1X	2.2X
Transformational Market Opportunity ⁴¹	6,732.2	4,424.5	1,235.1	170.4	360.8	35.7
Multiple to Current	11.5X	18X	13.1X	15.9X	1.6X	3.4X

Table 16 – Potential market estimates: rural women

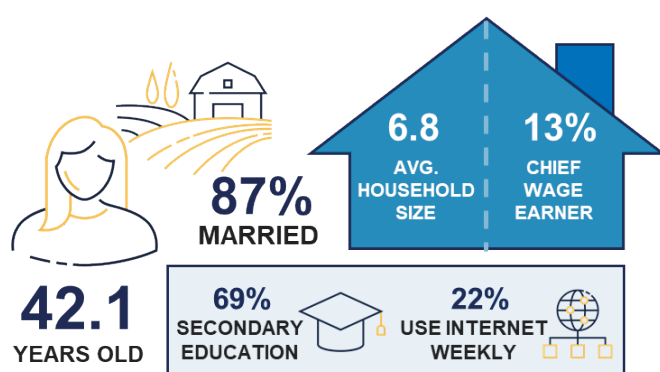


Figure 21 – Demographics: Rural Women

Only about a fifth of women outside of urban areas have accounts at FIs, possibly contributing to low formal savings uptake (9 percent). Deposit volumes are estimated to be around TJS245.2 million (\$21.6 million) due to the size of the segment.⁴² However, the average amount of savings the segment reports is the lowest among retail women, possibly due to their lower-than-average income levels (average TJS720 per month).

When asked about future saving plans, most women outside urban areas report wanting to save money (94 percent) and in relatively large amounts (on average TJS1,600), making up the largest 'quick win' market potential in saving volume among the three segments at TJS2 billion (\$178.4 million). In the transformational scenario, this could double to TJS4.4 billion (\$389.4) in savings volume.

In terms of lending, the segment shows average formal borrowing rates (29 percent) in consumer finance. Despite its lower average account ownership rate, the segment's current lending volume is estimated to be TJS584.6 million (\$51.4 million), which is also supported by the reach of microfinance institutions in rural areas. The segment was also inclined to increase its loan holding in the future, 24 percent reported interest obtaining further financing leading to TJS739.4 million (\$65.1 million) worth of 'quick win' lending volumes. The segment's transformational market potential is TJS6.7 billion (\$592.4 million) in lending volumes.

⁴⁰ 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.

⁴¹ 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.

⁴² 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.

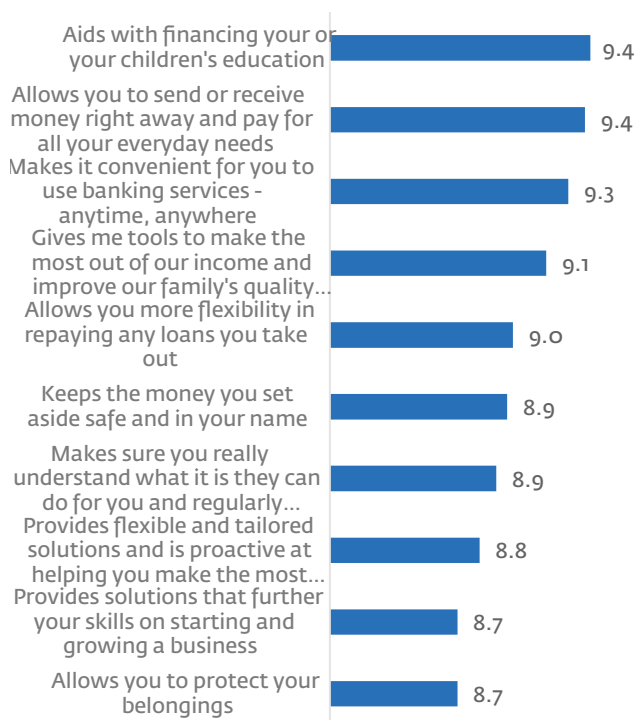


Figure 22 — Top 10 Banking Services most attractive for Rural Women

Women in rural areas highlight the importance of education and work hard, both for themselves and for their children to progress. Like their urban counterparts with children, rural women, often with a family of their own from a young age, are largely concerned about providing for their children's future and ensuring that they can sufficiently pass down the family's wealth to the next generation. As such, three of the five most important aspects of their ideal FI are more future and savings related: aid with financing their own or their children's education, tools for saving, and providing a safe space for savings under their name.

Distance is a major obstacle for rural women. Since they have longer commutes to their banks compared to their urban counterparts, and transport is more complicated, they would highly appreciate more convenience when dealing with payments or remittances. An accessible financial system would greatly benefit financial inclusion in Tajikistan, where banking services are still focused on urban centers.

3.2.7 Summary of Key Needs: Retail Segment

	Needs	Potential approaches
Shared among all	<ul style="list-style-type: none"> Openness to credit, albeit with lower interest rates and more flexibility Often time-constrained and wearing too many hats Secure financial future for themselves and their families 	<ul style="list-style-type: none"> Credit offerings in line with international best practices Improving the functionality and quality of digital (mobile) interaction channels and banking staff's customer service Financial guidance and planning services to finance their family's education
Urban Young Professionals	<ul style="list-style-type: none"> Focused on building a better life for themselves in the future As the segment most likely to use domestic and international transactions and expressed a strong need for more affordable and convenient payment options 	<ul style="list-style-type: none"> Providing aid and advice with financing their education and career progression Tools that help her make the most out of her finances Low-cost and hassle-free payment options mainly driven by innovative, digital approaches
Urban Family Managers	<ul style="list-style-type: none"> Ease of use and smoothening of ongoing liquidity issues Key priority in life is ensuring they can finance their children's education Buying a home they can pass down to further generations 	<ul style="list-style-type: none"> Help her and her family with Buy Now, Pay Later (BNPL) schemes Aid and advise with financing their children's education Assist her on her journey of purchasing a home
Rural Women	<ul style="list-style-type: none"> Due to larger distances in rural areas, more convenience when dealing with payments or remittances Buying a home is more common and happens earlier in rural areas They consider it of very high importance to know that their money is kept safe and, in their name 	<ul style="list-style-type: none"> Improved and convenient payment options bridging distances and reducing transportation costs Assist with home purchasing through improved housing finance offers Provide additional guarantees to cement their trust

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



4. SUPPLY-SIDE ASSESSMENT

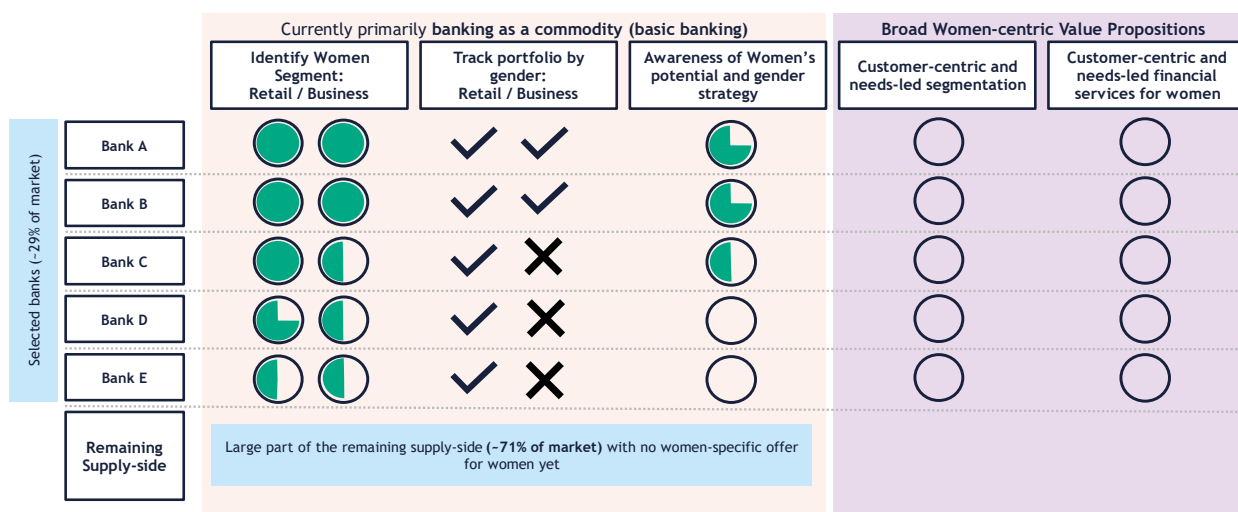


Figure 24—Supply-side assessment

Recent turmoil in the Tajik banking sector has left a less desirable image of banking services, which may slow down the inclusion of WMSMEs in formal financial services. Much work needs to be done by FIs to win trust and communicate their value proposition. WMSMEs, in general, seem content with the way they manage their finances and report having a good understanding of financial services, yet their usage is still limited. FIs' ability to change this perception is key to growing this market and a customer-centric, personal approach (for example, agency banking) can be a first step in achieving this. Serving WMSMEs' personal and business needs as part of a holistic approach could be the core of such a customer-centric approach. Early-stage entrepreneurs would find a holistic approach particularly relevant as their businesses tend to be closely connected to their private lives.

In addition to a legacy microfinance-orientation towards women, there may be momentum building for women's financial inclusion. Positive developments on the regulatory side provide an opportunity for FIs, as Tajikistan aims to become the regional leader on sex-disaggregated reporting of supply-side data. It is notable that Tajikistan is the only country in the Central Asian region to have a member institution in the Financial Alliance for Women. The National Bank of Tajikistan compiles a report on the volume of disbursed loans to women. All banks and MFIs are required to contribute to this. There are no comparable centralized statistics available in Kyrgyzstan or Uzbekistan. This report covers retail loans, which includes micro and small business exposures to sole proprietors. However, this information is not easily available, which may indicate that a serious interest on the FI side has not yet developed. Technical assistance in this sphere may be fruitful, considering the current momentum in the supporting organization ecosystem.

The stronger availability of gender data for analysis has not yet translated into a sense of the business case for the women's market among FI executives. Tracking of gender statistics is relatively strong in Tajikistan, which is not surprising because the National Bank of Tajikistan requires banks and MFIs to maintain such statistics. However, without an interest in strategic analysis of such data with a gender lens, or technical assistance in turning market-level and institution-level data into a business case, this data on its own does not trigger a deliberate women's market strategy. This consequently leads to a lack of initiative in gender finance, especially if the management's key growth strategy is centered on men and male-led businesses as is often the case for upscaling MFIs that are looking for a broader-based business model.

The key constraints to bigger impact are poor reach and an overall low mobilization of deposits. Despite the pandemic, local and foreign currency-denominated deposits rose in 2020, but still stood only at 13.5 percent of GDP by November 2020, of which 45 percent were held by individual clients.⁴³ This presents a structural challenge translating into high interest rates for borrowers and poor channelling of funds to Tajikistan's economic sectors. Despite a two-fold higher loan-to-deposit ratio, at 11 percent of GDP, Tajikistan has only about a fourth of the bank financing available to the real economy compared with peer countries at similar levels of GNI per capita.

The limited reach of Tajikistan's financial sector is also reflected in the geographic concentration of its activities. While only around 10 percent of the country's population resides in the capital Dushanbe, the city accounted for more than two-thirds of the deposit base at the end of 2020 (68.2 percent) and more than 55 percent of the newly issued loans. However, the microfinance sector is much less centered around the capital, with only 22 percent of newly issued loans. Even the Badakhshon Autonomous Mountainous Region has a share of microfinance loans roughly proportionate to its share of the country's population.⁴⁴

For loans accessible to smaller borrowers, including women, interest rates tend to be structurally high, as the microfinance institutions that serve them often obtain a high degree of their funding from international sources. MFIs and formal MFIs are the drivers of the women's lending market, as opposed to banks, which seem to be underperforming. Perhaps as a result of high interest rates, financial institution data suggests that lending to women underperforms within the share of borrowers.

The importance of microfinance in Tajikistan makes lending without conventional collateral a reality, but up-to-date lending practices are still lacking. Among countries with similar income levels, Tajikistan has the lowest share of loans requiring collateral (64 percent vs. nearly 94 percent in Kyrgyzstan and an average of 85 percent in a group of eight peers). However, the microfinance practices involved in this development do not address the issue of the "missing middle" of financing. This is in terms of medium-size loan amounts and medium to longer-term tenors, on the one hand, and the need for practices such as unsecured loan facilities for individuals, cashflow-based business lending, working capital finance, and lending linked to digital commerce (merchant credit/embedded finance, buy-now-pay-later).

International partnerships seem to be the main driver of the development of women's products that have not yet been embedded into the broader gender strategies or value propositions. Legacy exposure to women is no longer a defining feature of the strategy of microfinance institutions. This seems to be a general issue in the Tajik financial system, where despite IFI-led initiatives, gender finance has not received a deliberate and full strategic importance. Current dedicated offers to women are not holistic, but focused on credit and business banking, as it often is in IFI-led gender finance programs.

Early signs point to digital credit as an offer that resonates well with women, and digitization is being pushed by some key players here even more than in other markets. Our research indicates that Tajik women show solid interest in borrowing, if issues such as time and mobility constraints, collateral requirements, and cumbersome application processes are addressed. It seems likely that during the COVID-19 crisis, lending to women reduced more than to men, perhaps because women were more likely to stay at home than men.

Even though younger Tajik women are digitally competent relatively, the delivery of non-financial services is yet to catch up. For the most part, non-financial services are carried out by the FIs' own staff, financed internally, and primarily delivered through traditional face-to-face (rather than online) methods. NFS take the form of training in financial literacy and business development, in some cases. Few indicators on attendance of NFS are available, but

⁴³ National Bank of Tajikistan, *Banking Statistics Bulletin*, 12 (305)

⁴⁴ National Bank of Tajikistan, *Banking Statistics Bulletin*, 12 (305)

the relative underperformance compared with international markets may indicate the need for a tailored NFS approach. Banks with offers dedicated to individual women and women entrepreneurs typically see above average attendance and screen time spent among women participants.

Business development stands out as an important area where WMSMEs would welcome additional support. All WMSMEs indicated interest in business expansion regardless of their development stage, although as expected, growth-oriented and early-stage businesses reported being keener on this topic. Stability-oriented WMSMEs were especially interested in investment services that would put their excess cash to good use. Investment advisory services could be incorporated into the product offerings of FIs and NFS portfolios. Business management skills are also highly sought-after by all segments. Training on general business management skills (for example, accounting, taxation) could be a welcome addition to the FIs' current service offerings. Networking opportunities could be interesting for growth-oriented entrepreneurs.

For financial institutions looking to upgrade their NFS offering, Tajikistan offers partnership opportunities. In contrast to the relatively conventional, low-scale, high-touch set of NFS and business development services currently offered via financial institutions, this study found an emerging ecosystem of potential partners linked to the digital economy and digital capabilities training. Startup hubs offer methodological skills and physical settings needed to catalyze (women's) early-stage entrepreneurial activities. Used properly, a set of digital marketplaces can help scale up the reach and sales of small businesses faster. A set of sector-specific providers may also be well-placed for business partnerships with offline female businesses or for peer learning.

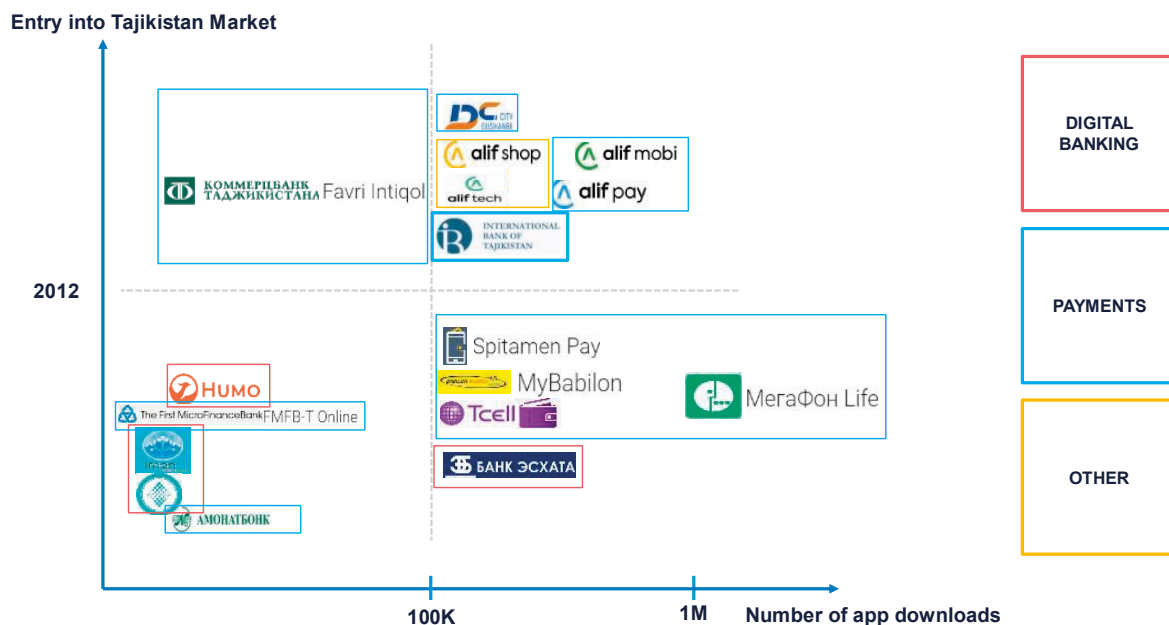


Figure 25 — Digital finance offers

All of the FIs reported having internet banking, mobile apps, mobile wallets, but open banking in Tajikistan is at a nascent level. Just one FI indicated that their staff use tablets to record loan applications. Only one of the supply-side interviewees offers an online marketplace with integrated financing. Low-cost, and remote “assisted channels”, which can play an important role in acquiring and activating women clients, remain sparsely used. Only two FIs in our sample reported that they take advantage of agency banking models to expand their outreach.

5. ENABLING ENVIRONMENT

The Tajik enabling environment presents a mixed picture of strong socio-cultural limitations and a supportive domestic legislative drive and international assistance to strengthen female financial inclusion. Although the Tajik government has taken concrete steps to promote the development of the economy, entrepreneurship, and the general business environment in the country, there has not been much activity to promote women’s economic empowerment.

At the same time, there is significant international assistance present in Tajikistan. National Bank of Tajikistan has been a member of the Alliance for Financial Inclusion since 2011 and has adopted the Maya Declaration commitments. Tajikistan also receives capacity-building from the OECD and the International Network for Financial Education as part of a program in six CIS countries that have drawn up a roadmap for a National Strategy for Financial Education. Also, international organizations are more active in the country since the Covid-19 pandemic. This may signal a scope for development, and potentially, a momentum for women’s empowerment with the assistance of international organizations.

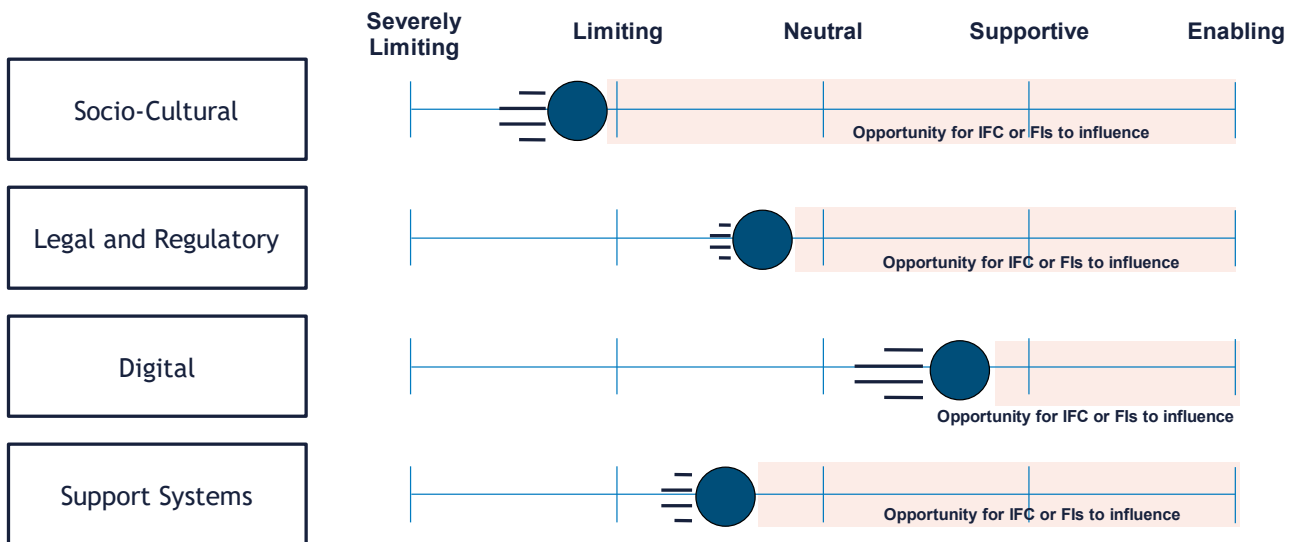


Figure 26 — Key drivers of the enabling environment

5.1 Social & Cultural

Strongly entrenched cultural traditions in Tajikistan closely associate women with the household, and their social status is defined by their husband’s status. Only one in five households (around 21 percent) have female household heads.

Women in Tajikistan lack access to crucial economic resources. Women’s right to own and make decisions relating to property is guaranteed by the Civil Code, but in practice there is resistance to women’s access to property. While land is state owned in Tajikistan, women have the same rights as men to manage public land. The legal provisions are in place, but cultural customs assign women a passive role in households and their property ownership is not allowed. Property certificates are commonly issued in the name of male members of the family.³² Women also face obstacles to land inheritance as inheritance rights are not maintained after marriage.

Tajikistan performs well in international comparisons of women’s financial inclusion. However, it presents wider gender gaps than its peers, hinting at future potential. With 42.1 percent of women above the age of 15 years owning an account in 2017, the country is well ahead of Azerbaijan (28 percent) as well as its neighbors, Uzbekistan and Kyrgyzstan (36

percent and 39 percent, respectively), and is even ahead of Armenia (41 percent). Tajikistan fares particularly well if we compare the gender-inclusiveness of its financial sector to other countries at a similar level of development. At the same time, women in Tajikistan perform notably below regional peers (96 percent and 94 percent of men's levels, respectively) and about one percentage point below peers.

5.2 Legal and Regulatory

Since 1995, the government of Tajikistan has undertaken numerous efforts to develop and adopt a gender-responsive legislative framework that promotes gender equality and women's rights. Therecommendations for improvements were provided by the United Nations (UN) to improve legislation to secure women's rights and criminalize gender-based violence. The overarching legal framework on gender equality issues in Tajikistan is the "Law of the Republic of Tajikistan on State Guarantees of Equality of Men and Women and Equal Opportunities for their Realization" and the "Family Code of the Republic of Tajikistan." These laws regulate and ensure constitutional guarantees of equality of men and women in social, political, and cultural spheres, and are aimed at preventing discrimination on the basis of gender.

In recent years, the government has revised and modernized a number of critical laws and procedures to create a robust legal environment for entrepreneurship. One key change was the introduction of a social identification number in the certificate of registration of the company at the time of registration. The time it takes to start a business in Tajikistan has been reduced to seven days and is shorter than the regional average. This was accompanied by financial system reforms, such as the establishment of a national collateral registry and a centralized credit bureau. The goal of these reforms was to ensure that government red tape was not dissuading potential entrepreneurs from setting up their businesses. The Tajik government has also provided financing directly to entrepreneurs through the Entrepreneurship Support Fund (ESF). This fund provides entrepreneurs low-interest loans (generally 7 percent annual interest), serving SMEs that were previously unbanked. These steps have improved Tajikistan's performance on ease of doing business rankings.

5.3 Digital

Despite the country's difficult geography, limited network of service outlets, and the challenges of the COVID-19 pandemic, digital finance remains very limited. Less than 7 percent by number and less than 3 percent by value of payments in 2020 were done either through a mobile device or internet banking.⁴⁵ Given the time and mobility constraints experienced by women and women entrepreneurs, this limited digitization of financial services in Tajikistan presents them with an additional, unnecessary hurdle. One possible explanation for the lack of effective digital finance is the lack of connectivity between the international money transfer systems that facilitate remittances and Tajik's digital banking systems.

Most households with relatives abroad receive money from traditional MTOs such as Western Union and Moneygram. These services are not yet fully integrated into the national payments system ("Korti Milli"). Even though the development of "Korti Milli" has been a government priority, the development of account linkage functionality has been delayed. The pandemic has also seen a growth spurt in the number of accounts that were enabled for access by mobile device since the second quarter of 2020 in Tajikistan. The country ended the year with 2.2 times as many such accounts as it started. However, at 516,147 accounts this was

⁴⁵ NBT, *Banking Statistics Bulletin*, 12 (305).

still only slightly above 10 percent of individual accounts.⁴⁶ Even for a microfinance institution like IMON, electronic financial services are limited to cards and internet banking via a Google Smartphone App.⁴⁷

Geographic coverage of financial services would likely benefit from a more nuanced concept of outlets and reach. While the overall number of outlets has increased by only around 5 percent over the past five years, there was a shift from full-service branches to smaller “banking service centers.”⁴⁸ At the level of such outlets, Tajikistan seems to be doing fine with a level of penetration per 100,000 adults similar to that of Russia and Armenia, and over three times its peers. However, this contrasts strongly with the reach of ATMs, where Tajikistan lags post-Soviet peers by a factor of five. With most outlets concentrated in urban centers, and the country’s mountains allowing for a very low rate of urbanization, the lack of an agency banking infrastructure seems to be a major missed opportunity to drive inclusion further.

Despite a major push by the government, card-based digitization of finance remains limited. While more than three million Tajik holders of ATM and credit cards were reported at the end of 2020, these cards were used only around 2.5 times per year, on average, suggesting a high degree of inactivity. Though the rate of penetration with POS terminals (3,745 total) and ATMs (1,249 total) remains low, the relative low average value for goods and services payments per transaction (equivalent to \$3.70) suggests that cards do see application in everyday use. The state and G2P-led background of the “Kort Milli” drive can be seen in the footprint of issuers: state savings bank Amonatbank accounts for 51 percent of cards, another 23 percent a Dushanbe-based deposit-taking microfinance institution, and the remaining one quarter, the rest of the entire system.⁴⁹

Policy dialogue on these enabling factors for financial inclusion appears advisable. NBT is described as reluctant to actively address technology-driven opportunities for financial inclusion.⁵⁰ The generation of a level playing field open to capable providers independent of their industry background is typically seen as a key factor for expediting financial inclusion directly and indirectly by the stimulus of competitive senses of incumbents. The opportunities for driving down remittance costs by digital payments appear substantial, thereby improving the purchasing power of Tajik recipients (up to 1 percent of GDP per year).⁵¹

46 NBT, *Banking Statistics Bulletin*, 12 (305).

47 Imon, 2021.

48 NBT, *Banking Statistics Bulletin*, 12 (305).

49 National Bank of Tajikistan, *Payment Cards Market*, 2020.

50 Mogilevski, Asadov, 2019.

51 G20 initiative aims to bring down remittance cost to 5 percent or less, would imply savings of ca 3 percent, remittances are around 30 percent of GDP

5.4 Support Systems

There are many local and international organizations active in Tajikistan 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 Tajik banking sector, improve their market share, and increase their profitability.

	Business Support For MSMEs	Economic Development	Women-Specific Advocacy
Local			
International			
Gaps	<ul style="list-style-type: none"> Financial Literacy And Management Training Business Support (e.g. through the provision of tax and regulatory advice) Business Management Solutions and Mentoring Opportunities. 	<ul style="list-style-type: none"> Providing internships Financial education Supporting startups established by young entrepreneurs with credit and financial advisory services. 	<ul style="list-style-type: none"> Financial Literacy Female-specific financial product Developing sex-disaggregated analytics

Figure 27—Overview of support programs

5.4.1 Business Support for SMEs and Economic Development

There are already many governmental organizations in Tajikistan working to enhance entrepreneurial activity and economic development in the country. Some of the governmental organizations are: the State Committee for Investments and State Property Management of the Republic of Tajikistan, Ministry of Economic Development, and Trade of the Republic of Tajikistan, Ministry of Labor, Migration, and Employment of the Population of the Republic of Tajikistan. Examples of non-governmental organizations are: Chamber of Commerce and Industry of the Republic of Tajikistan, and National Association of Small and Medium Business of Tajikistan. The current gaps in this area offer FIs the chance to join them by offering financial literacy and management training, and business support through the provision of tax and regulatory advice, business management solutions, and mentoring opportunities.

5.4.2 Women-Specific Advocacy

Although the Tajik government has taken concrete steps to promote the development of the economy, entrepreneurship, and the general business environment in the country, there has not been much governmental activity in promoting women's economic empowerment. Advancing

female financial inclusion is currently undertaken by a number of domestic and foreign NGOs (for example, National Association of Women Entrepreneurs, National Association of Business Women of Tajikistan, and EBRD Women in Business Program). Tajikistan is also a member of several international organizations promoting financial inclusion (for example, Financial Alliance for Women). There is ample opportunity for forward-looking FIs to take advantage of the existing gaps in this area. Women have demonstrated a continued demand for access to financial training, networking events, easier access to credit, and greater flexibility in paying back 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 segments, advocacy for Tajik youth entrepreneurship in the financial sphere needs to be geared towards addressing gaps related to financial literacy, providing access to credit for new business ventures, and improving employment prospects. The institution, «Formation and Development of Entrepreneurship in Tajikistan» supports young entrepreneurs in the development of small and medium-sized businesses through methodological, informational, educational, legal, and financial services. FIs have a clear opportunity to meaningfully engage with young Tajiks by providing internships, financial education, and supporting startups established by young entrepreneurs with credit and financial advisory services.

Overall, there are positive developments in Tajikistan'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 in Tajikistan. Furthermore, enterprising Tajik FIs have an excellent opportunity to meaningfully contribute, 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 disruptors and foreign market entrants. Tajikistan's financial sector and the development of the standardized national payments system create new opportunities. However, new digital entrants employing disruptor models that focus on providing more convenience and cost benefits are driving the disintermediation of the financial services market. Incumbent FIs—largely product-centric in their approach—tend to 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. Integration of foreign services to the national system is yet to materialize but there could be momentum for change.

Currently, disruptors seize what may initially seem like only a part of client's 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—fintech-neobanks, successful players from abroad, and local challenger banks—plays out over the next few years, even the 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 being mismatched to client needs. But the loss of this ongoing engagement with clients along with the data and deposits it generates, carries the strong risk of disintermediation for incumbents.

Developing as a worldwide trend, including in Tajikistan, 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 a 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 place a strong emphasis on continuously understanding their customers' needs. Like most international peers in the past, Tajik financial institutions remain highly product-centric. This is a major cause of 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 might soon be commoditized, and it will help build a loyal client base with strong revenue-per-client.

Tajik 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 to be the best launchpad for seizing larger shares of this market. They represent a key opportunity to disperse persistent reputational concerns about the Tajik banking system, which it has been suffering from, owing to a recent banking crisis. As clients interacting with the widest group of merchants, women are the natural constituency for lobbying for wider adoption of digital and cashless modes of payments at the many smaller Tajik businesses, which on their own resist this move over concerns of transparency to tax authorities and a perception that cash remains good enough.

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 Tajik financial institutions to focus on women. This study identified substantial short-term gains, which turn into three-fold 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 Tajik 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. In the end, women and their families can expect to see more opportunities opening up for them, more innovative financial solutions, increased satisfaction with their bank, 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.

Tajikistan, 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 financial system reforms including a heightened focus on data collection, as well as regulatory changes to enable more of an inclusive financial services ecosystem, Tajik 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 expand, and the digital skills of (potential) clients grow over time, the examples showcased by markets in Tajikistan's neighborhood, the ability of incumbents to preserve their position in client relationships is bound to diminish – unless they act soon.

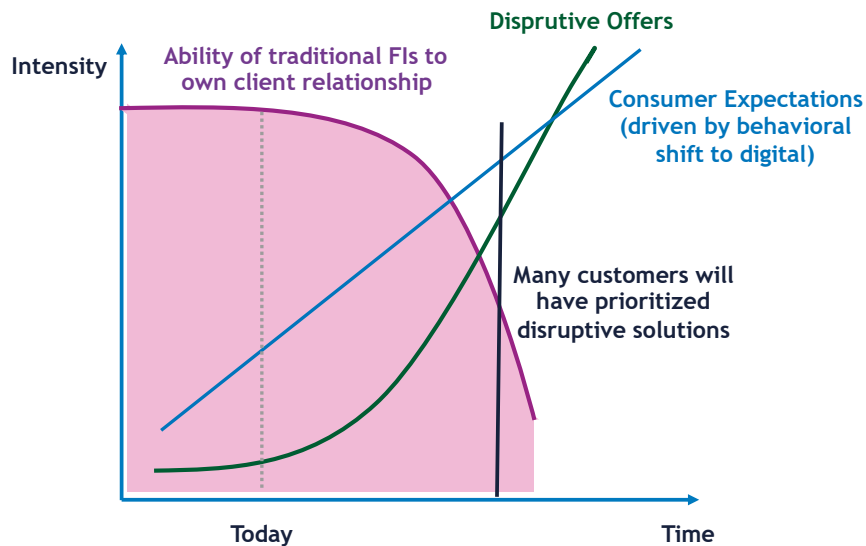


Figure 28 — Ability of traditional FIs to own client relationship

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 Tajik 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 Tajikistan's impending Retail and (M)SME finance ecosystem.

The figure below provides a guide 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. Secondly, 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 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, maintaining 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 analytics models, allowing for better opportunities to identify consumer patterns and trigger new opportunities for cross-selling.

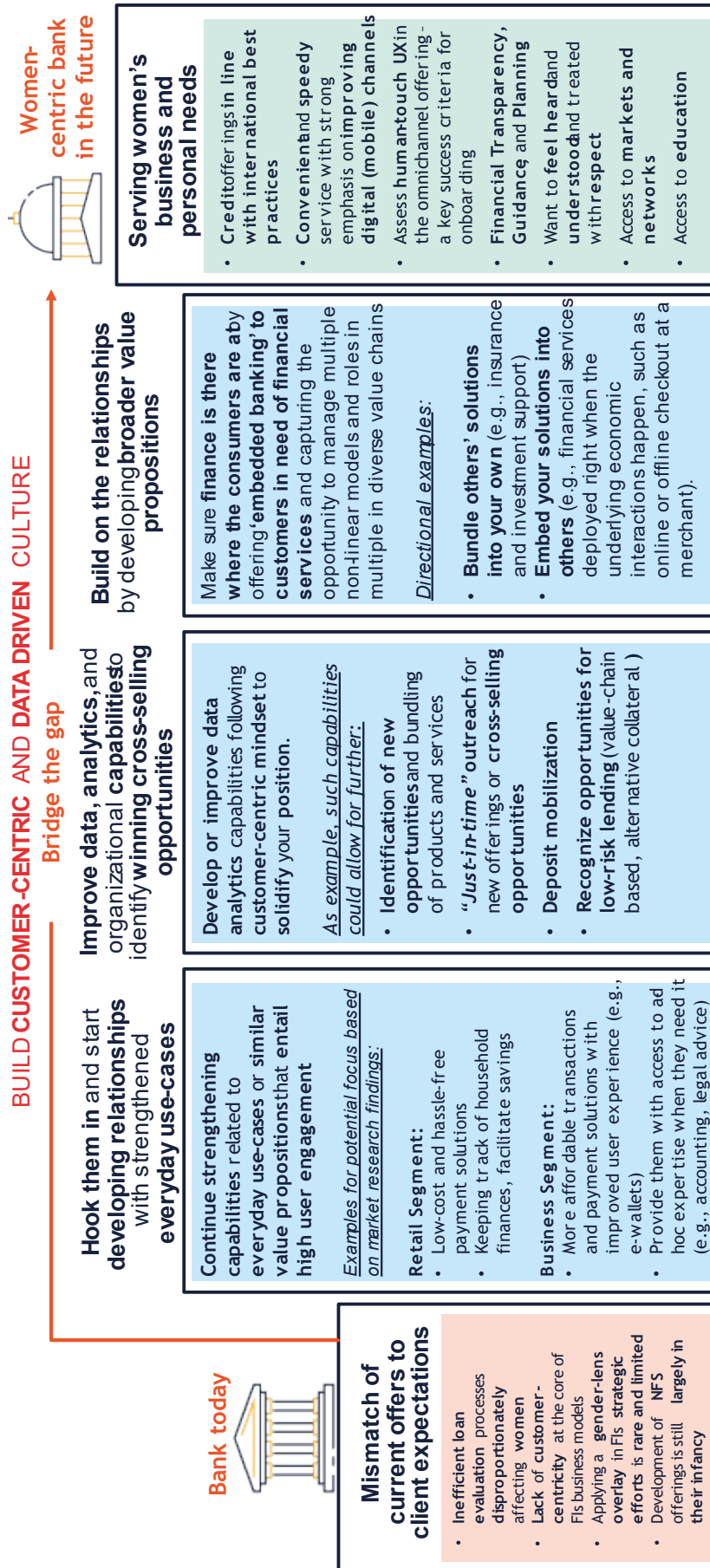


Figure 29—High-level guidelines to bridge the gap between current market offerings and women’s needs

Tajikistan is already exceling in the field of supply-side data collection, however, the importance of data for steering the institution and informing customer-centric strategies and value proposition, has not yet been fully realized. Organizations still in the earlier stages of customer-centric development should focus on increasing the level of sophistication of information management systems of FIs. They should use the obtained information for management reports. FIs should actively include analytics and reporting capabilities in strategic decision making. They should accurately diagnose and address the organization's weak points when it comes to 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, contact center staff, and personnel at bank counters. It can also be integrated into electronic means of outreach such as chatbots and 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 go 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 Tajikistan.

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, and 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 Tajik 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 presently in place. Merely ramping up financing lines, or offering slightly advantageous rates (as may be justified by women's lower NPL) would at present mostly poach or cannibalize the low existing realized demand for loans rather than drive market expansion. The availability of (risk-adjusted) flexible financing options that include unsecured loans and those secured with alternative collateral (including value-chain finance in the business context) is key to securing a large part of the potential revenue from Tajikistan's women's market (and most certainly also men's). Achieving this, however, requires diligent work by FIs on bringing their risk policies, credit processes, and related sales and advisory up to date.

This transformation informed by a gender lens should lead to FIs optimally positioned in Tajik 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 towards that significantly more inclusive and innovative value proposition, which is going to be essential for any FI—incumbent or disruptor — aspiring to a leading market position going forward. 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.⁵²

⁵² *Digital Savings: The Key to Women's Financial Inclusion?*, Women's World Banking, 2015

As the macro-economic outlook darkened in Q1/2022, mobilization of the potential of Tajikistan’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 space of commodities are bound to lead to major disruptions. Broadening the basis of their business may hold some short-term respite, but more importantly it will put Tajik FIs on a more balanced long-term footing. As indicated by the untapped potential that is around one order of magnitude of current business volumes 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 offers that are more inclusive and innovative.

IFC can help FIs build internal and external capacity to mobilize the potential 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 format 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 the following figure:

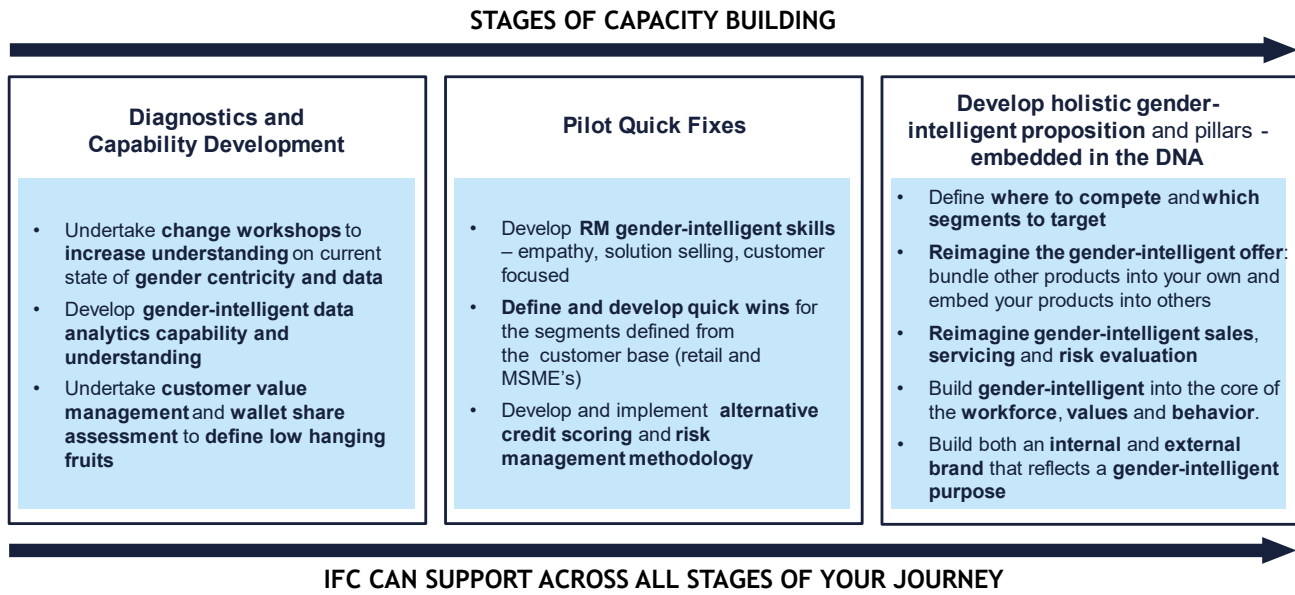


Figure 30 – Stages of capacity building

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.

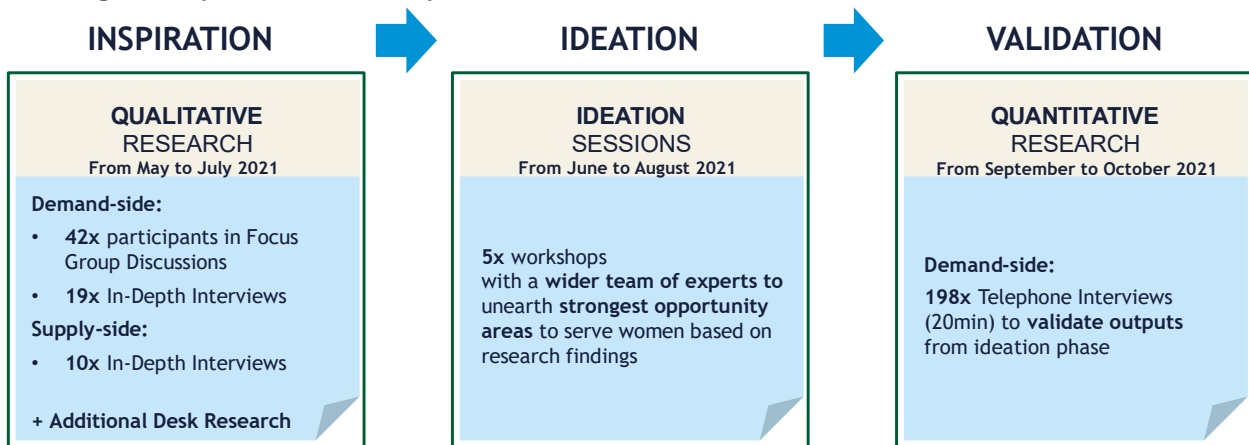


Figure 31 — Overview of research design

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 toward 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 higher 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

Eight focus groups discussions were conducted in the urban areas of Dushanbe and rural areas of Shahrinav district, split equally across the retail and business segments. Six out of the eight focus groups comprised of women in sub-segments previously identified as part of the desk research described in the breakdown below. In addition, an additional focus group in the retail and business segments comprised of men, was conducted to allow for 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, 19 of which were part of the demand-side assessment, while the remaining 10 contributed to the supply-side assessment of the women's market:

1. Demand-side:

- a. 7x 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 the creation of personas

2. Supply-side:

- 10x IDIs with key executives from the country's financial sector to allow for an 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. 1x IDIs with Insurance Providers
 - c. 1x 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

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 198 respondents, information was collected from 101 women from the retail segment and 97 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 the months of October and November 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	31
	Urban women with children	36
	Rural women	34
Business	Early-stage WMSE	34
	Stability-oriented WMSME	34
	Growth-oriented WMSME	29

Table 17 – Survey sample structure

For the retail segment, the sampling matrix included quotas based on location, age, if participant had children or not, and personal bank account ownership. For the business segment, the sampling matrix included quotas on the years of existence, number of employees, and sectors. The collected data was analyzed using Microsoft Excel and SPSS v27. The findings informed both the development of the report, as well as the market sizing model.

Limitations of the study

The research methodology applied serves well to uncover extensive findings and gain deep insights into the women's markets in Tajikistan. 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 the reported figure from three to four providers.
4. **Information on interest rates is limited to what is available from commercial banks.** The model uses the reported figure from four to five 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 in the retail segment:

- 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, 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 in 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.

Illustrative table of rates (p.a.) and fees	
Refinancing Rate	10.8%
Term Deposit Rate	7.0%
Consumer Finance Rate	27.7%
Mortgage Rate	20.3%
Person-to-Person Transaction Fee	1.5%
Merchant Fee	2.0%
Insurance Premium (LCY)	500

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 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

Illustrative table of rates (p.a.) and fees	
Refinancing Rate	10.8%
Deposit Rate	7.0%
SME Loan Rate	25.0%
Transaction Fees (merchant acceptance, MDR)	2.0%
Transaction Fees (bank/wallet transfer)	0.8%
Insurance Premium (LCY)	500

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 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 products 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.

'Quick Win' Market Potential – 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 household sector (percentage of GDP) from the Financial Access Survey was 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 25-40 percent for card payments, and 10 percent-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 percent-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 was 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 percent-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 20-30 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: IFC



